

State of Missouri  
Office of Secretary of State

Case No. AP-12-17

IN THE MATTER OF:

GRAHAME RHODES,

Respondent.

Serve Grahame Rhodes at:  
13001 Thornhill Drive  
St. Louis, Missouri 63131

**FINAL ORDER TO CEASE AND DESIST AND ORDER  
AWARDING RESTITUTION AND COSTS AND IMPOSING  
CIVIL PENALTIES**

On August 21, 2012, the Enforcement Section of the Missouri Securities Division of the Office of Secretary of State ("Enforcement Section"), through Deputy Enforcement Counsel Corinne Muller, submitted an Amended Petition for Final Order to Cease and Desist and Payment of Restitution, Civil Penalties, and Costs as to all Respondents (the "Amended Petition"). After reviewing the Amended Petition, the Commissioner issues the following findings of facts, conclusion of law and order:

**PROCEDURAL BACKGROUND**

1. On June 1, 2012, Corinne E. Muller, Deputy Enforcement Counsel for the Missouri Securities Division and on behalf of the Enforcement Section, submitted a Petition for Order to Cease and Desist and Order to Show Cause Why Restitution, Civil Penalties, and Costs Should Not Be Imposed (the "C&D Petition") in the above-styled matter.
2. On June 6, 2012, the Commissioner issued an Order to Cease and Desist and Order to Show Cause Why Restitution, Civil Penalties, and Costs Should Not Be Imposed (the "C&D Order") against Respondent Rhodes.
3. On June 7, 2012, Respondent was personally served with a copy of the C&D Order.
4. On June 27, 2012, the Commissioner received a copy of a letter from Respondent Rhodes to Ms. Muller stating that he would not be requesting a hearing. In that letter, Respondent Rhodes also stated: "The statements made in the Cease and Desist Order are substantially correct."
5. On August 1, 2012, the Commissioner received a copy of a letter from Respondent Rhodes to Ms. Muller stating that Respondent Rhodes would be "commencing reparation payments within sixty days" and that such payments would be made "to the Federal Court."

6. On August 20, 2012, Ms. Muller filed with the Commissioner a Petition for Final Order to Cease and Desist and Payment of Restitution, Civil Penalties and Costs as to all Respondents.
7. On August 21, 2012, Ms. Muller filed a Motion for Leave seeking permission to amend the August 20 petition (the "Motion for Leave").
8. On August 21, 2012, Ms. Muller filed the Amended Petition.
9. The Commissioner is not aware of any order, agreement, plea, judgment or other item which memorializes or enforces the "reparation payments" Respondent Rhodes referenced in his August 1, 2012 letter to Ms. Muller.
10. In the Petition, as amended, the Enforcement Section requested a Final Order to Cease and Desist in this matter.
11. In the Petition, as amended, the Enforcement Section requested that the Commissioner issue an order requiring Respondent Rhodes to pay restitution in the amount of two million one hundred eighty nine thousand one hundred six dollars (\$2,189,106).
12. In the Petition, as amended, the Enforcement Section requested that the Commissioner issue an order imposing a civil penalty in the amount of ten thousand dollars (\$10,000) against Respondent Rhodes for multiple violations of Section 409.3-301, RSMo. (Cum. Supp. 2011).
13. In the Petition, as amended, the Enforcement Section requested that the Commissioner issue an order imposing a civil penalty not to exceed five thousand dollars (\$5,000) against Respondent Rhodes for committing at least two violations of Section 409.3-301, RSMo. (Cum. Supp. 2011), against an elderly person.
14. In the Petition, as amended, the Enforcement Section requested that the Commissioner issue an order imposing a civil penalty in the amount of ten thousand dollars (\$10,000) against Respondent Rhodes for multiple violations of Section 409.4-402(a), RSMo. (Cum. Supp. 2011).
15. In the Petition, as amended, the Enforcement Section requested that the Commissioner issue an order imposing a civil penalty not to exceed five thousand dollars (\$5,000) against Respondent Rhodes for committing at least two violations of Section 409.4-402(a), RSMo. (Cum. Supp. 2011), against an elderly person.
16. In the Petition, as amended, the Enforcement Section requested that the Commissioner issue an order imposing a civil penalty in the amount of ten thousand dollars (\$10,000) against Respondent Rhodes for multiple violations of Section 409.5-501, RSMo. (Cum. Supp. 2011).
17. In the Petition, as amended, the Enforcement Section requested that the Commissioner issue an order imposing a civil penalty not to exceed five thousand dollars (\$5,000) against Respondent Rhodes for committing at least two violations of Section 409.5-501, RSMo. (Cum. Supp. 2011), against an elderly person.
18. In the Petition, as amended, the Enforcement Section requested that the

Commissioner issue an order requiring Respondent Rhodes to pay the costs of the investigation in this matter in the amount of four thousand two hundred forty dollars (\$4,240).

### **FINDINGS OF FACT**

19. The Commissioner adopts and incorporates the Findings of Fact, paragraphs 1 – 14, in the C&D Order.

### **CONCLUSION OF LAW**

20. The Commissioner adopts and incorporates the Conclusions of Law, paragraphs 28 – 51, in the C&D Order.
21. This Order is in the public interest and consistent with the purposes intended by the Missouri Securities Act of 2003.

### **ORDER**

**NOW, THEREFORE**, it is hereby **ORDERED** that:

- A. Pursuant to Section 409.6-604(d), RSMo. (Cum. Supp. 2011), Respondent Rhodes shall pay restitution in the amount of two million one hundred eighty nine thousand one hundred six dollars (\$2,189,106), arising from violations of Sections 409.3-301, 409.4-402(a), and 409.5-501, RSMo. (Cum. Supp. 2011). This amount shall be made payable to the Missouri Secretary of State's Investor Restitution Fund and the Commissioner will take reasonable and necessary actions to distribute such funds to the persons referenced in Exhibit A of the Petition, as amended, and injured by the acts and violations. This amount shall be paid by Respondent Rhodes within thirty (30) days from the date of this Order. Respondent Rhodes shall deliver this payment to the Securities Division at 600 West Main Street, P.O. Box 1276, Jefferson City, Missouri 65102.
- B. Pursuant to Section 409.6-604(d), RSMo. (Cum. Supp. 2011), Respondent Rhodes shall pay a civil penalty in the amount of four thousand dollars (\$4,000) to the State of Missouri for multiple violations of Section 409.3-301, RSMo. (Cum. Supp. 2011). This amount shall be made payable to the State of Missouri and paid within thirty (30) days of the date of this Order. The Secretary of State shall forward these funds to the state treasury for the benefit of county and township school funds as provided in Article IX, Section 7 of the Constitution of Missouri. Respondent Rhodes shall deliver this payment to the Securities Division at 600 West Main Street, P.O. Box 1276, Jefferson City, Missouri 65102.
- C. Pursuant to Section 409.6-604(d)(3)(B), RSMo. (Cum. Supp. 2011), Respondent Rhodes shall pay an additional civil penalty in the amount of five thousand dollars (\$5,000) to the State of Missouri for committing at least two violations of Section 409.3-301, RSMo. (Cum. Supp. 2011), against an elderly person. This amount shall be made payable to the State of Missouri and paid within thirty (30) days of the date of this Order. The Secretary of State shall forward these funds to the state treasury for the benefit of county and township school funds as provided in Article IX, Section 7 of the Constitution of Missouri. Respondent Rhodes shall deliver this payment to the Securities Division at 600 West Main Street, P.O. Box 1276, Jefferson City,

Missouri 65102.

- D. Pursuant to Section 409.6-604(d), RSMo. (Cum. Supp. 2011), Respondent Rhodes shall pay a civil penalty in the amount of two thousand dollars (\$2,000) to the State of Missouri for multiple violations of Section 409.4-402(a), RSMo. (Cum. Supp. 2011). This amount shall be made payable to the State of Missouri and paid within thirty (30) days of the date of this Order. The Secretary of State shall forward these funds to the state treasury for the benefit of county and township school funds as provided in Article IX, Section 7 of the Constitution of Missouri. Respondent Rhodes shall deliver this payment to the Securities Division at 600 West Main Street, P.O. Box 1276, Jefferson City, Missouri 65102.
- E. Pursuant to Section 409.6-604(d)(3)(B), RSMo. (Cum. Supp. 2011), Respondent Rhodes shall pay an additional civil penalty in the amount of five thousand dollars (\$5,000) to the State of Missouri for committing at least two violations of Section 409.4-402(a), RSMo. (Cum. Supp. 2011), against an elderly person. This amount shall be made payable to the State of Missouri and paid within thirty (30) days of the date of this Order. The Secretary of State shall forward these funds to the state treasury for the benefit of county and township school funds as provided in Article IX, Section 7 of the Constitution of Missouri. Respondent Rhodes shall deliver this payment to the Securities Division at 600 West Main Street, P.O. Box 1276, Jefferson City, Missouri 65102.
- F. Pursuant to Section 409.6-604(d), RSMo. (Cum. Supp. 2011), Respondent Rhodes shall pay a civil penalty in the amount of ten thousand dollars (\$10,000) to the State of Missouri for multiple violations of Section 409.5-501, RSMo. (Cum. Supp. 2011). This amount shall be made payable to the State of Missouri and paid within thirty (30) days of the date of this Order. The Secretary of State shall forward these funds to the state treasury for the benefit of county and township school funds as provided in Article IX, Section 7 of the Constitution of Missouri. Respondent Rhodes shall deliver this payment to the Securities Division at 600 West Main Street, P.O. Box 1276, Jefferson City, Missouri 65102.
- G. Pursuant to Section 409.6-604(d)(3)(B), RSMo. (Cum. Supp. 2011), Respondent Rhodes shall pay an additional civil penalty in the amount of five thousand dollars (\$5,000) to the State of Missouri for committing at least two violations of Section 409.5-501, RSMo. (Cum. Supp. 2011), against an elderly person. This amount shall be made payable to the State of Missouri and paid within thirty (30) days of the date of this Order. The Secretary of State shall forward these funds to the state treasury for the benefit of county and township school funds as provided in Article IX, Section 7 of the Constitution of Missouri. Respondent Rhodes shall deliver this payment to the Securities Division at 600 West Main Street, P.O. Box 1276, Jefferson City, Missouri 65102.
- H. Pursuant to Section 409.6-604(e), RSMo. (Cum. Supp. 2011), Respondent Rhodes shall pay the additional sum of four thousand two hundred forty dollars (\$4,240) as reimbursement for the costs of the investigation and administration of this matter. This amount shall be made payable to the Missouri Secretary of State's Investor Education and Protection Fund and paid within thirty (30) days of the date of this Order. Respondent Rhodes shall deliver this payment to the Securities Division at 600 West Main Street, P.O. Box 1276, Jefferson City, Missouri 65102.

I. Pursuant to Section 409.6-604(f), RSMo. (Cum. Supp. 2011), this matter shall be referred to the Missouri Attorney General's Office to collect the restitution, penalties and costs described in the Order, as necessary. In the event of such referral, priority in collection shall be given to recovery of monies for the restitution and interest ordered under paragraph A, above. Once such collection efforts result in the full satisfaction of paragraph A, priority shall be given to recovery of monies for the civil penalties ordered under paragraphs B, C, D, E, F, and G, above.

J. The Motion for Leave is **GRANTED**.

K. Respondents shall pay their own costs and attorney's fees with respect to this matter.

**SO ORDERED:**

WITNESS MY HAND AND OFFICIAL SEAL OF MY OFFICE AT JEFFERSON CITY,  
MISSOURI THIS 25<sup>TH</sup> DAY OF SEPTEMBER, 2012.

ROBIN CARNAHAN  
SECRETARY OF STATE

(Signed/Sealed)  
MATTHEW D. KITZI  
COMMISSIONER OF SECURITIES

## **CERTIFICATE OF SERVICE**

I hereby certify that on this 25th day of September, 2012, a copy of the foregoing Final Order To Cease and Desist and Payment of Restitution, Civil Penalties, and Costs in the above styled case was mailed by certified U.S. mail to:

Grahame Rhodes  
13001 Thornhill Drive  
St. Louis, Missouri 63131

**And via hand-delivery to:**

Corinne Muller  
Deputy Enforcement Counsel  
Missouri Securities Division

John Hale  
Specialist