

**STATE OF ILLINOIS
SECRETARY OF STATE
SECURITIES DEPARTMENT**

IN THE MATTER OF:)	
)	
)	
72 VEST LEVEL THREE, LLC,)	File No. 1300343
its managers, officers, affiliates, subsidiaries,)	
representatives, successors, and assigns, and;)	
GARRETT RHODES, an individual.)	
)	

NOTICE OF HEARING

TO THE RESPONDENTS:

**72Vest Level Three, LLC
305 W. Professional Park Avenue
Effingham, IL 62401**

**Garrett Rhodes
2504 S. Veterans Drive
Effingham, IL 62401**

**72Vest Level Three, LLC &
Garret Rhodes
Care of:
Kelley Drye & Warren LLP
Attention: Randall Lehner
Tim Lavender
Janine Fletcher
333 West Wacker Drive, Suite 2600
Chicago, IL 60606.**

You are hereby notified that pursuant to Section 11.E of the Illinois Securities law of 1953 [815 ILCS 5/1 et. Seq.] (The "Act") and Ill. Adim. Code 130, Subpart K, a public hearing will be held at 69 W. Washington Street, Suite 1220, Chicago, Illinois 60602, on the 16th day of November, 2016, at the hour of 10:00 AM, or as soon as possible thereafter, before Canella (Connie) Henrichs or such duly designated Hearing Officer of the Secretary of State.

Said Hearing will be held to determine whether an Order shall be entered pursuant to Section 11.E of the Act prohibiting Respondents from selling or offering for sale securities in the State of Illinois and/or granting such other relief as may be authorized under the Act including but not limited to imposition of a monetary fine in the maximum amount pursuant to 11.E(4) of the Act, payable within ten (10) business days of the order.

FACTS COMMON TO ALL COUNTS

The grounds for such proposed actions are as follows:

1. Respondent 72Vest Level Three, LLC a.k.a. 72Vest Investment Center (“72Vest”) is an Illinois limited liability company with its principal place of business and last known address located at 305 W. Professional Park Avenue, Effingham, IL 62401.
2. Respondent Garrett “Gary” Rhodes (“Rhodes”) is a principal and managing member of Respondent 72Vest, and has a last known address of 2504 S. Veterans Drive, Effingham, IL 62401.
3. Respondent Rhodes is licensed in the State of Illinois to offer and sell life and health insurance, and offers these products through his LLC, Respondent 72Vest.

COUNT I

FRAUD IN THE OFFER AND SALE OF SECURITIES

4. From May 2009 through March 2015, Respondent Rhodes, personally and through Respondent 72Vest, began offering and selling “Life Settlement” contracts which were issued by Life Partners Holdings, Incorporated.
5. A “Life Settlement” which is defined by the Life Insurance Settlement Foundation (LISA) is “the sale of a life insurance policy to a third party for a value in excess of the policy’s cash surrender value, but less than its face value, or death benefit. A policy owner receives a cash payment, while the purchaser of the policy assumes all future premium payments and receives the death benefit upon the death of the insured.”
6. In Illinois, Life Settlements are considered financial investment transactions and therefore constitute a security as those terms are defined in Sections 2.1, 2.5, 2.5a and 3.L of the Illinois Securities Law of 1953 [815 ILCS 5/1 *et. seq.*] (the “Act”).
7. Respondents 72Vest and Rhodes entered into a contract becoming licensees of Life Partners, thereby offering life settlement contracts to Illinois investors in return for a 7% commission fee.
8. Respondents 72Vest and Rhodes disseminated materials and information provided by Life Partners to prospective clients between 2009 and 2015, which contained information relating to the life settlement contracts issued by Life Partners.
9. In 2014 the United States District Court of the Western District of Texas in *SEC v. Life Partner Holdings, LLC* 71 F.Supp.3d 615 (2014) found that Life Partners had violated Section 13(a) of the Securities and Exchange Act of 1934, resulting from Life Partners

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depriving the investing public of the information it needed to make a fully informed decision about whether to invest in Life Partners.

10. Respondent 72Vest and Rhodes as licensees of Life Partners provided customers with information which deprived them of information needed to make a fully informed decision about whether to invest with Life Partners.
11. Section 12.H of the Act states *inter alia* that it shall be a violation of this Act for any person to sign or circulate any statement, prospectus, or other paper or document required by any provision of this Act or pertaining to any security knowing or having reasonable grounds to know any material representation therein contained to be false or untrue.

COUNT II

OFFER AND SALE OF UNREGISTERED SECURITIES

12. Paragraphs 1 through 11 are re-alleged and incorporated by reference.
13. As stated in paragraph 4, Respondent Rhodes, personally and through Respondent 72Vest, began offering and selling "Life Settlement" contracts from May 2009 through March 2015.
14. As stated in paragraph 6 above, life settlement contracts offered and sold by Respondents 72Vest and Rhodes are securities and are therefore required to be registered or notice filed with the Secretary of State of Illinois.
15. No such registration or filing was received by the Illinois Secretary of State by either Life Partners or Respondents 72Vest and Rhodes.
16. Section 12.B of the Act states *inter alia* that it shall be a violation of the provisions of this Act for any person to deliver to a purchaser any security required to be registered under Section 5, Section 6, or Section 7 hereof unless accompanied or preceded by a prospectus that meets the requirements of the pertinent subsection of Section 5, Section 6, and Section 7.
17. Section 12.D of the Act states *inter alia* that it shall be a violation of the provisions of this Act for any person to fail to file with the Secretary of State any application, report or document required to be filed under the provisions of this Act or any rule or regulation made by the Secretary of State pursuant to this Act or to fail to comply with the terms of any order of the Secretary of State issued pursuant to Section 11 hereof.

COUNT III

FAILURE TO REGISTER AS A SALESPERSON OR INVESTMENT ADVISER

18. Paragraphs 1 through 17 are re-alleged and incorporated by reference.
19. On February 10, 2009, Respondent Rhodes contacted the Illinois Secretary of State, Securities Department to inquire on the requirements on selling life settlements in the State of Illinois.
20. A Department representative informed Respondent Rhodes that life settlements were securities and that he would need to register as a salesperson to offer and sell these products.
21. Life Settlements are securities pursuant to Section 2.1 of the Illinois Securities Law of 1953 [815 ILCS 5/1 *et. seq.*] (the "Act").
22. The Life Settlements sold by Respondents Rhodes and 72Vest constitute the offer or sale of a security as those terms are defined in Sections 2.5 and 2.5a of the Act.
23. Section 2.9 of the Act defines a "salesperson" as an individual, other than an issuer or a dealer, employed or appointed or authorized by a dealer, issuer or controlling person to offer, purchase or sell securities in this State.
24. Section 8.A of the Act states *inter alia* that every dealer, salesperson, investment adviser, and investment adviser representative shall be registered as such with the Secretary of State.
25. As stated in Paragraph 4, from May 2009 through March 2015, Respondent Rhodes, personally and through Respondent 72Vest, began offering and selling "Life Settlement" contracts which were issued by Life Partners Holdings, Incorporated.
26. During this time, Respondent 72Vest and Rhodes sold life settlement contracts issued by Life Partners Holdings, Inc. to at least 10 Illinois residents making commissions in excess of \$160,000.
27. Respondents 72Vest and Rhodes maintain a website www.72vest.com where Respondent Rhodes holds himself out as an "alternative investment adviser."
28. Respondents 72Vest and Rhodes have never filed any registration with the Illinois Secretary of State as a dealer, salesperson, investment adviser or investment adviser representative.
29. Section 12.C of the Act states *inter alia* that it shall be a violation of the provisions of this Act for any person to act as a dealer, salesperson, investment adviser or investment


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adviser representative, unless registered as such, where such registration is required, under the provisions of this Act.

Delivery of notice to the designated representative of any Respondent constitutes service upon such Respondent.

Date of Mailing: 19th day of August 2016



JESSE WHITE
Secretary of State
State of Illinois

You are further notified that you are required pursuant to Section 1104 of the Rules to file an answer to the allegations outlined above, or other responsive pleading within 30 (thirty) days of receipt of this notice. Your failure to do this within the prescribed time shall be deemed an admission of the allegations contained in the Notice of Hearing and waives your right to a hearing.

Furthermore, you may be represented by legal counsel; may present evidence; may cross-examine witnesses and otherwise participate. A failure to appear shall constitute default by you.

A copy of the Rules and Regulations promulgated under the Illinois Securities Law and pertaining to hearings held by the Office of the Secretary of State, Illinois Securities Department, are available at the Department's website:

<http://www.cyberdriveillinois.com/departments/securities/abtil.html>

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Hearing Officer:
Canella (Connie) Henrichs
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