

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 88059 / January 28, 2020

ADMINISTRATIVE PROCEEDING
File No. 3-19518

In the Matter of

ERIK RHODES,

Respondent.

**ORDER MAKING FINDINGS AND
IMPOSING REMEDIAL SANCTIONS
PURSUANT TO SECTION 15(b) OF THE
SECURITIES EXCHANGE ACT OF 1934**

I.

On September 25, 2019, the Securities and Exchange Commission (“Commission”) issued an Order Instituting Administrative Proceedings Pursuant to Section 15(b) of the Securities Exchange Act of 1934 (“Exchange Act”) and Notice of Hearing against Respondent Erik Rhodes (“Rhodes” or “Respondent”).

II.

In connection with these proceedings, Respondent has submitted an Offer of Settlement (the “Offer”) which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, and without admitting or denying the findings herein, except as to the Commission’s jurisdiction over him and the subject matter of these proceedings and the findings contained in paragraph III.2. below, and consents to the entry of this Order Making Findings and Imposing Remedial Sanctions Pursuant to Section 15(b) of the Securities Exchange Act of 1934 (“Order”), as set forth below.

III.

On the basis of this Order and Respondent's Offer, the Commission finds that:

1. Rhodes, 52, resides in Rochester, New York. From September 1, 2015 through June 27, 2016, Rhodes was a salesman for Texas Energy Mutual, LLC ("TEM"), an oil and gas company headquartered in Grapevine, Texas, that, from at least 2013 through August 2016, offered and sold securities to investors in the form of units in oil-and-gas drilling programs—known as "Thunderhead" and the "Mineral Interest Leasing Program" ("MILP")—and in promissory notes purportedly backed by oil and gas assets. Rhodes previously held Series 6, 7, 24, 63, and 65 licenses, but those licenses were terminated by 2011.

2. On July 6, 2018, a final judgment was entered by consent against Rhodes, permanently enjoining him from, among other things, future violations of Sections 5(a), 5(c), and 17(a) of the Securities Act of 1933 ("Securities Act") and Sections 10(b) and 15(a)(1) of the Exchange Act and Rule 10b-5 thereunder, in the civil action titled *Securities and Exchange Commission v. James VanBlaricum, et al.*, Civil Action Number 4:18-CV-518-O, in the United States District Court for the Northern District of Texas.

3. The Commission's Complaint alleged that, despite not being registered as a broker, Rhodes offered and sold unregistered securities to investors by cold-calling them, assisting other salespeople with calls, providing investors with sales materials and advice, facilitating self-directed IRA investments in TEM's offerings, closing sales, and receiving transaction-based compensation for those sales. The Complaint further alleged that the Defendants, including Rhodes, knew the offering materials and website contained materially false and misleading information, including that (1) the securities had a guaranteed return of 10% per year; (2) the drilling programs were productive and profitable, when many of the wells were dry holes; and (3) investor funds would be used for a variety of legitimate oil-and-gas related activities when, in fact, they were being used to pay, among other things, Ponzi payments to other investors, significant personal expenses of VanBlaricum and others, and large undisclosed sales commissions. The Complaint also alleged that each Defendant, including Rhodes, earned commissions on sales of TEM securities, thereby knowing that TEM paid undisclosed commissions. Nevertheless, the Defendants, including Rhodes, failed to disclose these commissions to investors over the phone or in face-to-face meetings when offering or selling these securities. The Complaint also alleged that Rhodes knew that VanBlaricum concealed his identity by using an alias.

IV.

In view of the foregoing, the Commission deems it appropriate and in the public interest to impose the sanctions agreed to in Respondent Rhodes' Offer.

Accordingly, it is hereby ORDERED pursuant to Section 15(b)(6) of the Exchange Act, that Respondent Rhodes be, and hereby is, barred from association with any broker, dealer, investment adviser, municipal securities dealer, municipal advisor, transfer agent, or nationally recognized statistical rating organization; and

Pursuant to Section 15(b)(6) of the Exchange Act Respondent Rhodes be, and hereby is, barred from participating in any offering of a penny stock, including: acting as a promoter, finder, consultant, agent or other person who engages in activities with a broker, dealer or issuer for purposes of the issuance or trading in any penny stock, or inducing or attempting to induce the purchase or sale of any penny stock.

Any reapplication for association by the Respondent will be subject to the applicable laws and regulations governing the reentry process, and reentry may be conditioned upon a number of factors, including, but not limited to, compliance with the Commission's order and payment of any or all of the following: (a) any disgorgement or civil penalties ordered by a Court against the Respondent in any action brought by the Commission; (b) any disgorgement amounts ordered against the Respondent for which the Commission waived payment; (c) any arbitration award related to the conduct that served as the basis for the Commission order; (d) any self-regulatory organization arbitration award to a customer, whether or not related to the conduct that served as the basis for the Commission order; and (e) any restitution order by a self-regulatory organization, whether or not related to the conduct that served as the basis for the Commission order.

For the Commission, by its Secretary, pursuant to delegated authority.

Vanessa A. Countryman
Secretary