

BEFORE THE INSURANCE COMMISSIONER OF THE  
STATE OF OKLAHOMA

**FILED**

MAY 13 2015

INSURANCE COMMISSIONER  
OKLAHOMA

STATE OF OKLAHOMA, ex rel. JOHN DOAK, Insurance Commissioner,  
  
Petitioner,  
  
v.  
  
WORTH FINANCIAL GROUP INC.,  
an applicant for renewal of a nonresident  
business entity insurance producer license,  
  
Respondent.

Case No. 15-0536-DEN

**CONDITIONAL ADMINISTRATIVE ORDER**  
**AND NOTICE OF RIGHT TO BE HEARD**

COMES NOW the State of Oklahoma, ex rel. John Doak, Insurance Commissioner, by and through his attorney, Barron B. Brown, and alleges and states as follows:

**JURISDICTION**

1. John Doak is the Insurance Commissioner of the State of Oklahoma and is charged with the duty of administering and enforcing all provisions of the Oklahoma Insurance Code, 36 O.S. §§ 101 et seq.

2. Worth Financial Group Inc. ("Respondent") is an applicant for renewal of a nonresident business entity insurance producer license in the State of Oklahoma. Respondent's address of record is 16660 Dallas Pkwy, Ste. 2200, Dallas, Texas 75248-2612.

3. The Insurance Commissioner may place on probation, censure, suspend, revoke or refuse to issue or renew a license issued pursuant to the Oklahoma Producer

Licensing Act and/or may levy a fine up to \$1,000.00 for each occurrence of a violation of the Oklahoma Insurance Code, 36 O.S. § 1435.13(A) and (D).

### **ALLEGATIONS OF FACT**

1. Respondent applied for renewal of a nonresident business entity insurance producer license on or about May 11, 2015 with the Oklahoma Insurance Department (OID). On the application form, the second question asks the following: “Has the business entity or any owner, partner, officer or director of the business entity, or manager or member of a limited liability company, ever been named or involved as a party in an administrative proceeding, including a Financial Industry Regulatory Authority (“FINRA”) sanction or arbitration proceeding regarding any professional or occupational license, or registration, which has not been previously reported to this insurance department?” Respondent answered “no” to this question.

2. The application form defines being “involved” in an administrative proceeding as the following: “having a license censured, suspended, revoked, canceled, terminated; or, being assessed a fine, a cease and desist order, a prohibition order, a compliance order, placed on probation, sanctioned or surrendering a license to resolve an administrative action. ‘Involved’ also means being named as a party to an administrative or arbitration proceeding, which is related to a professional or occupational license or registration.” ‘Involved’ also means having a license, or registration application denied or the act of withdrawing an application to avoid a denial.” Applicants may only exclude “terminations due solely to noncompliance with continuing education requirements or failure to pay a renewal fee.”

3. A background check conducted by the OID Licensing Division showed that Respondent had the following administrative action listed on its record: a censure and monetary fine for alleged Financial Industry Regulatory Authority (“FINRA”) rules violations on or about January 9, 2015. A copy of the FINRA administrative action is attached as Petitioner’s Exhibit A.

4. Respondent, in response to an inquiry from the OID asking why the FINRA action was not disclosed in response to the second question in the license application, admitted that it should have been answered “yes.” A copy of this e-mail exchange is attached as Petitioner’s Exhibit B.

#### **ALLEGED VIOLATIONS OF LAW**

1. Respondent violated 36 O.S. § 1435.13(A)(1); providing incorrect, misleading, incomplete or materially untrue information in the license application.

#### **ORDER**

**IT IS THEREFORE ORDERED** by the Insurance Commissioner that Respondent is **FINED THREE HUNDRED DOLLARS (\$300.00)** for providing incorrect, misleading, incomplete or materially untrue information in the license application. **The \$300.00 fine is to be paid within thirty (30) days** made payable to the Oklahoma Insurance Department. The \$300.00 civil fine shall be paid by money order or cashier’s check. Respondent’s application for renewal of a nonresident business entity insurance producer license may be granted upon receipt of payment of the fine and reporting of the administrative action. Failure to pay the civil fine or request a hearing within thirty (30) days will result in your license application being withdrawn.

**IT IS FURTHER ORDERED, ADJUDGED AND DECREED** by the

Insurance Commissioner that this Order is a Conditional Order. Unless the Respondent requests a hearing with respect to the Allegations of Fact set forth above within thirty (30) days of the date of mailing of this Order, this Order and the penalties set forth above shall become a Final Order on the thirty-first day following the date of mailing this Order. A request for hearing should be in writing addressed to Barron Brown, Oklahoma Insurance Department, Legal Division, 3625 NW 56<sup>th</sup> St., Suite 100, Oklahoma City, Oklahoma 73112. The request for hearing must state the grounds for the request to set aside or modify the Order.

Any such hearing shall be conducted according to the procedures for contested cases under the Insurance Code and 75 O.S. § 250-323. If the Respondent serves a timely request for hearing on the Oklahoma Insurance Department, this Conditional Order shall act as notice of the matters to be reviewed at the hearing, and the Allegations of Fact, Alleged Violations of Law, and penalties imposed in this Conditional Order shall be considered withdrawn, pending final resolution at the hearing.

WITNESS My Hand and Official Seal this 13<sup>th</sup> day of May, 2015.



JOHN DOAK  
INSURANCE COMMISSIONER  
STATE OF OKLAHOMA

*Barron B. Brown*

Barron B. Brown  
Assistant General Counsel  
3625 NW 56<sup>th</sup> St., Suite 100  
Oklahoma City, OK 73112

**CERTIFICATE OF MAILING**

I, Barron B. Brown, hereby certify that a true and correct copy of the above and foregoing Conditional Administrative Order and Notice of Right to be Heard was mailed via regular mail and by certified mail, with postage prepaid and return receipt requested, on this 13<sup>th</sup> day of May, 2015, to:

Worth Financial Group Inc.  
16660 Dallas Pkwy, Ste. 2200  
Dallas, TX 75248-2612

**CERTIFIED MAIL NO. 7014 2870 0000 5493 2484**

and a copy was delivered to:

Angel Edingfield  
Licensing Division



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Barron B. Brown  
Assistant General Counsel

U.S. Postal Service™  
**CERTIFIED MAIL® RECEIPT**  
 Domestic Mail Only

4942 6493 0000 2870 4704

For delivery information, visit our website at [www.usps.com](http://www.usps.com)®.

**OFFICIAL USE**

Postage	\$
Certified Fee	
Return Receipt Fee (Endorsement Required)	
Restricted Delivery Fee (Endorsement Required)	
<b>Total Postage &amp; Fees</b>	\$



Sent To  
 Street & Apt. No.,  
 or PO Box No.  
 City, State, ZIP+4

Worth Financial Group Inc.  
 16660 Dallas Pkwy., Ste. 2200  
 Dallas, TX 75248-2612  
 rlg/15-0536-DEN/Cond. Adm. Ord.

PS Form 3800, July 2014 See Reverse for Instructions

**SENDER: COMPLETE THIS SECTION**

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

OKLAHOMA INSURANCE INVESTMENT  
 MAY 19 2015  
 Legal Division

Worth Financial Group Inc.  
 16660 Dallas Pkwy., Ste. 2200  
 Dallas, TX 75248-2612  
 rlg/15-0536-DEN/Cond. Adm. Ord.

**COMPLETE THIS SECTION ON DELIVERY**

A. Signature  Agent  Addressee  
*W. L. Olson*

B. Received by (Printed Name): *W. L. OLSON* C. Date of Delivery: *5.15.15*

D. Is delivery address different from item 1?  Yes  No

3. Service Type  
 Certified Mail®  Priority Mail Express™  
 Registered  Return Receipt for Merchandise  
 Insured Mail  Collect on Delivery

4. Restricted Delivery? (Extra Fee)  Yes

2. Article Number (Transfer from service label) **7014 2870 0000 5493 2484**

PS Form 3811, July 2013 Domestic Return Receipt



**FINANCIAL INDUSTRY REGULATORY AUTHORITY ("FINRA")  
NOTICE OF ACCEPTANCE OF AWC**

**Certified Mail, Return Receipt Requested, No. 7011 3500 0000 7016 3941**

TO: J. Kevin Edmundson  
Counsel for Respondent  
21209 Highway 71 West, Suite 3  
Spicewood, TX 78669  
Email: [kevin@edmundsonpllc.com](mailto:kevin@edmundsonpllc.com)

FROM: FINRA, District No. 6  
12801 North Central Expressway, Suite 1050  
Dallas, TX 75243

DATE: January 9, 2015

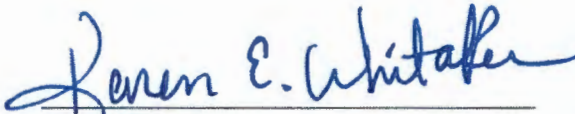
RE: Notice of Acceptance of Letter of Acceptance, Waiver and Consent No. 2011025625101/  
Worth Financial Group, Inc.

**Please be advised** that the above-referenced Letter of Acceptance, Waiver and Consent ("AWC") concerning your client, Worth Financial Group, Inc., has been accepted by FINRA's National Adjudicatory Council ("NAC") Review Subcommittee, or by the Office of Disciplinary Affairs on behalf of the NAC pursuant to FINRA Rule 9216. A copy of the AWC is enclosed herewith.

Worth Financial Group, Inc. is again reminded of its obligation, if currently registered, immediately to update its Form BD (Uniform Application for Broker-Dealer Registration) to reflect the conclusion of this disciplinary action. Additionally, Worth Financial Group, Inc. must also notify FINRA in writing of any change of address or other changes required to be made to its Form BD.

Worth Financial Group, Inc. will be notified by the Registration and Disclosure Department regarding sanctions if a suspension has been imposed and by the Finance Department regarding the payment of any fine if a fine has been imposed.

If you have any questions concerning this matter, please call the undersigned at 972-716-7610.

  
Karen E. Whitaker  
Senior Regional Counsel

Enclosure

**FINANCIAL INDUSTRY REGULATORY AUTHORITY  
LETTER OF ACCEPTANCE, WAIVER AND CONSENT  
NO. 2011025625101**

TO: Department of Enforcement  
Financial Industry Regulatory Authority ("FINRA")

RE: Worth Financial Group, Inc., Respondent  
Member Firm  
CRD No. 13478

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Worth Financial Group, Inc. ("Worth," "Respondent" or "the firm") submits this Letter of Acceptance, Waiver and Consent ("AWC") for the purpose of proposing a settlement of the alleged rule violations described below. This AWC is submitted on the condition that, if accepted, FINRA will not bring any future actions against Respondent alleging violations based on the same factual findings described herein.

**I.**

**ACCEPTANCE AND CONSENT**

- A. Respondent hereby accepts and consents, without admitting or denying the findings, and solely for the purposes of this proceeding and any other proceeding brought by or on behalf of FINRA, or to which FINRA is a party, prior to a hearing and without an adjudication of any issue of law or fact, to the entry of the following findings by FINRA:

**BACKGROUND**

Worth is currently, and was during all times relevant hereto, a member of FINRA and registered as a broker/dealer with the Securities and Exchange Commission. The firm, which registered with FINRA in September 1983 and is headquartered in Dallas, Texas, currently employs six registered representative and six non-registered individuals in four branch offices. Worth is approved to conduct business in corporate debt securities, bank networking, investment advisory services, mutual funds, municipal securities, options, time deposits, direct investments, and variable contracts.

**RELEVANT DISCIPLINARY HISTORY**

Worth has no prior relevant disciplinary history.



## OVERVIEW

Worth failed to establish adequate supervisory systems and written supervisory procedures (“WSPs”) to supervise sales of life settlement investments by the firm’s registered representatives and non-associated individuals for whom the firm received override commissions.

## FACTS AND VIOLATIVE CONDUCT

NASD Conduct Rule 3010(a) requires each member firm to establish, maintain, and enforce a supervisory system, including written procedures, to supervise the types of business in which it engages and to supervise the activities of registered representatives, registered principals, and other associated persons that are reasonably designed to achieve compliance with applicable securities laws and regulations, and with applicable NASD/FINRA Rules. As part of a member firm’s supervisory responsibilities, NASD Rule 3010(b) requires the firm to put in place procedures for detecting violations, and not merely set out what conduct is prohibited.

FINRA Rule 2010, formerly NASD Rule 2110, provides that “[a] member, in the conduct of his business, shall observe high standards of commercial honor and just and equitable principles of trade.”

During the period from at least July 2008 to April 2011, Worth sold fractional interests in life settlements issued by Life Partners, Inc. (“LPI”). LPI sold its life settlements through a network of “licensees” who applied directly with LPI to become a licensee. Each licensee signed an agreement with LPI, which made them a “referring licensee.” On their licensee agreement, they listed Worth as the “first generation licensee,” which indicated to LPI that it was required to pay override commissions to Worth on any life settlement sales made by the licensees. During the relevant time period, 27 LPI licensees listed Worth as the entity that referred them to LPI. The referral entitled Worth to override commissions on all life settlement sales made by these licensees. Worth’s override commissions ranged from 0.05% to 2% of life settlement sales made by all of its licensees.

Of the 27 LPI licensees for whom Worth received override commissions, only six of them were registered representatives associated with Worth. In many instances, Worth had no relationship with the non-associated licensees, and only became aware of their existence when the firm started receiving override commissions on the licensees’ life settlement sales. As such, Worth did not exercise any supervisory authority over the non-associated licensees. For example, the firm did not conduct background checks on the non-associated licensees and made no other effort to obtain information (such as which, if any, insurance and/or securities licenses the licensees held) about the non-associated licensees. Worth also failed to determine the states in which the non-associated

licensees sold life settlements and whether those states deemed life settlements to be securities.

Worth failed to establish adequate supervisory systems and WSPs to supervise its life settlement business. Specifically, the firm failed to: (1) have adequate supervisory systems and WSPs in place to supervise sales of life settlements by the firm's registered representatives and non-associated licensees; (2) have *any* supervisory systems or WSPs in place to determine whether the states in which its licensees sold life settlements deemed them to be securities or required individuals who sold life settlements to have a specific registration or license; (3) have supervisory systems and WSPs in place to ensure that registered representatives were performing reasonable basis and customer-specific suitability analyses prior to recommending that customers purchase life settlements; (4) have systems or WSPs in place to determine if registered representatives were disclosing both the risks and rewards associated with investing in life settlement; and (5) have a training program in place to ensure that registered representatives understood the key features, risks, and suitability of life settlements.

As a result of the foregoing conduct, Worth violated NASD Conduct Rules 3010(a) and (b) and 2110 (for conduct on or before December 14, 2008), and FINRA Rule 2010 (for conduct on and after December 15, 2008).

B. Respondent also consents to the imposition of the following sanctions:

Worth is censured and fined \$10,000.

Pursuant to the General Principles Applicable to all Sanction Determinations contained in the Sanction Guidelines, FINRA imposed a lower fine in this case after it considered, among other things, Respondent's revenues and financial resources. See Notice to Members 06-55.

Respondent agrees to pay the monetary sanction upon notice that this AWC has been accepted and that such payment is due and payable. Respondent has submitted an Election of Payment form showing the method by which it proposes to pay the fine imposed.

Respondent specifically and voluntarily waives any right to claim that it is unable to pay, now or at any time hereafter, the monetary sanction imposed in this matter.

The sanctions imposed herein shall be effective on a date set by FINRA staff.

## II.

### WAIVER OF PROCEDURAL RIGHTS

Respondent specifically and voluntarily waives the following rights granted under FINRA's Code of Procedure:

- A. To have a Complaint issued specifying the allegations against it;
- B. To be notified of the Complaint and have the opportunity to answer the allegations in writing;
- C. To defend against the allegations in a disciplinary hearing before a hearing panel, to have a written record of the hearing made and to have a written decision issued; and
- D. To appeal any such decision to the National Adjudicatory Council ("NAC") and then to the U.S. Securities and Exchange Commission and a U.S. Court of Appeals.

Further, Respondent specifically and voluntarily waives any right to claim bias or prejudice of the Chief Legal Officer, the NAC, or any member of the NAC, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including acceptance or rejection of this AWC.

Respondent further specifically and voluntarily waives any right to claim that a person violated the ex parte prohibitions of FINRA Rule 9143 or the separation of functions prohibitions of FINRA Rule 9144, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including its acceptance or rejection.

## III.

### OTHER MATTERS

Respondent understands that:

- A. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by the NAC, a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs ("ODA"), pursuant to FINRA Rule 9216;
- B. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against Respondent; and

C. If accepted:

1. this AWC will become part of Respondent's permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against it;
2. this AWC will be made available through FINRA's public disclosure program in response to public inquiries about Respondent's disciplinary record;
3. FINRA may make a public announcement concerning this agreement and the subject matter thereof in accordance with FINRA Rule 8313; and
4. Respondent may not take any action or make or permit to be made any public statement, including in regulatory filings or otherwise, denying, directly or indirectly, any finding in this AWC or create the impression that the AWC is without factual basis. Respondent may not take any position in any proceeding brought by or on behalf of FINRA, or to which FINRA is a party, that is inconsistent with any part of this AWC. Nothing in this provision affects Respondent's: (i) testimonial obligations; or (ii) right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party.

- D. Respondent may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. Respondent understands that it may not deny the charges or make any statement that is inconsistent with the AWC in this Statement. This Statement does not constitute factual or legal findings by FINRA, nor does it reflect the views of FINRA or its staff.

The undersigned, on behalf of the Firm, certifies that a person duly authorized to act on its behalf has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it; that the Firm has agreed to its provisions voluntarily; and that no offer, threat, inducement, or promise of any kind, other than the terms set forth herein and the prospect of avoiding the issuance of a Complaint, has been made to induce the Firm to submit it.

Worth Financial Group, Inc.

12/8/2014  
Date

By: James W. Clark  
Name: James W. Clark  
Title: President

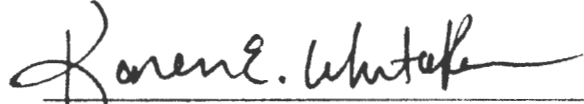
Reviewed by:

  
Counsel for Respondent

Accepted by FINRA:

1/9/2015  
Date

Signed on behalf of the  
Director of ODA, by delegated authority



Karen E. Whitaker  
Senior Regional Counsel  
FINRA Department of Enforcement  
12801 North Central Expressway, Ste. 1050  
Dallas, Texas 75243  
Phone: 972-716-7610; Fax: 972-716-7612  
Karen.Whitaker@finra.org

ELECTION OF PAYMENT FORM

Respondent intends to pay the fine set forth in the attached Letter of Acceptance, Waiver and Consent by the following method (check one):

- A personal, business or bank check for the full amount;
- Wire transfer;
- Credit card authorization for the full amount;<sup>1</sup> or
- The installment payment plan (only if approved by FINRA staff and the Office of Disciplinary Affairs).<sup>2</sup>

Respectfully submitted.

Worth Financial Group, Inc.

12/8/2014  
Date

By: James W. Clark  
Name: James W. Clark  
Title: President

<sup>1</sup> You may pay a fine of \$50,000.00 or less using a credit card. Only Mastercard, Visa and American Express are accepted for payment by credit card. If this option is chosen, the appropriate forms will be mailed to you, with an invoice, by FINRA's Finance Department. Do not include your credit card number on this form.

<sup>2</sup> The installment payment plan is only available for fines of \$5,000 or more. Certain interest payments, minimum initial and monthly payments, and other requirements apply. You must discuss these terms with FINRA staff prior to requesting this method of payment.



**From:** [Jim Clark](#)  
**To:** [Angel Edingfield](#)  
**Subject:** RE: WORTH FINANCIAL GROUP INC  
**Date:** Tuesday, May 12, 2015 10:47:18 AM  
**Attachments:** [FINRA AWAC WFG15012015 final.pdf](#)  
[WFG procedures life settlements.pdf](#)

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Dear Ms. Edingfield:

In Worth's application for renewal and after reading the explanation of question 2 the answer should have been "yes" as the firm was fined due to an acceptance, waiver and consent to a fine of \$10,000. The final FINRA notice of AWC is attached.

The events from the FINRA fine were from 2008 to 2011 and the firm had written procedures in place for outside business activities including sales of life settlements. In January 2012 Worth Financial Group terminated all sales of life settlement policies.

There were no sales of life settlements to Oklahoma residents.

Please let me know if you need any additional documents or information.

Sincerely,

Jim Clark

**Worth Financial Group Inc.**

Member FINRA & SIPC

16660 Dallas Parkway, Suite 2200

Dallas, TX 75248-2612

☎: (469) 916-4287

☎: fax: (469) 916-3916

✉: [jclark@worthfinancialgroup.com](mailto:jclark@worthfinancialgroup.com)

Worth Financial Group does not accept time-sensitive transactional messages, including orders to buy and sell securities, via e-mail. The sender will not be responsible for the execution and/or carrying out of any instructions transmitted by e-mail. This information is intended to be confidential and solely for the use of those persons or entities to whom it is directed. It is not to be reproduced, retransmitted, or in any other manner redistributed. This e-mail and any files transmitted with it are confidential and intended solely for the use of the individual or entity to whom they are addressed. If you have received this e-mail in error please notify the sender immediately and then permanently delete this message from your system. Worth Financial Group reserves the right to monitor and review the content of all e-mail communications sent and/or received by its representatives.

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**From:** Angel Edingfield [mailto:Angel.Edingfield@oid.ok.gov]

**Sent:** Tuesday, May 12, 2015 8:46 AM

**To:** [jclark@worthfinancialgroup.com](mailto:jclark@worthfinancialgroup.com)

**Subject:** WORTH FINANCIAL GROUP INC

Good Day,

Please see the attached in regards to the information required to complete your application.

Thank you,

*Angel Edingfield*

Licensing Administration

OKLAHOMA INSURANCE DEPARTMENT

3625 NW 56th, STE 100

Oklahoma City, OK 73112-4511

Fax: 405.522.3642

[www.licensing.oid.ok.gov](http://www.licensing.oid.ok.gov)

[licensing@oid.ok.gov](mailto:licensing@oid.ok.gov)

