

**BEFORE THE COMMISSIONER OF COMMERCE AND INSURANCE
OF THE STATE OF TENNESSEE AT NASHVILLE**

TENNESSEE SECURITIES DIVISION and)	
TENNESSEE INSURANCE DIVISION,)	
Petitioners,)	Docket No.: 12.04-110396J
)	
V.)	
)	TSD Order No.: 11-002
LONNIE GENE LAYNE, individually and)	TID Order No.: 11-002
d.b.a. Legacy Estate Services)	
Respondent.)	

CONSENT ORDER

The Tennessee Securities Division (“TSD”), and the Tennessee Insurance Division (“TID”) (collectively, the “Divisions”) of the Tennessee Department of Commerce and Insurance (“Department”) and Respondent Lonnie Gene Layne, both individually and d.b.a. Legacy Estate Services (“Respondent”), agree to the entry of this Consent Order.

The parties as listed herein agree to the entry of this Consent Order in accordance with TENN. CODE ANN. § 48-2-116 of the Tennessee Securities Act of 1980, as amended, TENN. CODE ANN. §§ 48-2-101, *et seq.* (the “Act”), which states that the Commissioner of the Tennessee Department of Commerce and Insurance (“Commissioner”) may from time to time make such orders as are necessary to carry out the provisions of the Act, and in accordance with the Tennessee Insurance Producer Licensing Act of 2002, TENN. CODE ANN. §§ 56-6-101, *et seq.* (the “Law”).

GENERAL STIPULATIONS

1. It is expressly understood that this Consent Order is subject to the Commissioner's acceptance and has no force and effect until such acceptance is evidenced by the entry of the Commissioner.

2. This Consent Order is executed by the Respondent for the purpose of avoiding further administrative action with respect to this cause. Furthermore, should this Consent Order not be accepted by the Commissioner, it is agreed that presentation to and consideration of this Consent Order by the Commissioner shall not unfairly or illegally prejudice the Commissioner from further participation or resolution of these proceedings.

3. Respondent fully understands that this Consent Order will in no way preclude additional proceedings by the Commissioner against Respondent for acts or omissions not specifically addressed in this Consent Order or for facts and/or omissions that do not arise from the facts or transactions herein addressed.

4. Respondent fully understands that this Consent Order will in no way preclude additional proceedings by the Commissioner or any other state government representative against the Respondent for violations of law under other statutes, rules, or regulations of the State of Tennessee, which may arise out of the facts, acts, or omissions contained in the Findings of Fact and Conclusions of Law stated herein, or which may arise as a result of the execution of this Consent Order by the Respondent.

5. Respondent expressly waives all further procedural steps, and expressly waives all rights to seek judicial review of or to otherwise challenge or contest the validity of the Consent Order, the stipulations and imposition of discipline contained herein, and the consideration and entry of said Consent Order by the Commissioner.

FACTUAL ALLEGATIONS

1. Title 48 of the Tennessee Code Annotated, the Tennessee Securities Act (the “Act”), as amended, TENN. CODE ANN. §§ 48-2-101, *et seq.* places the responsibility for the administration of the Act on the Commissioner. The TSD is the lawful agent through which the Commissioner discharges this responsibility. TENN. CODE ANN. § 48-2-112 and § 48-2-115.

2. Title 56 of the Tennessee Code Annotated, the Tennessee Insurance Law (the “Law”), TENN. CODE ANN. §§ 56-1-101 *et seq.*, places the responsibility of the administration of the Law on the Commissioner. The TID is the lawful agent through which the Commissioner discharges this responsibility. TENN. CODE ANN. § 56-1-202 and § 56-6-112.

3. The Divisions are authorized to bring this action based on a finding by the Commissioner that the action is in the public interest, necessary for the protection of investors and consistent with the purposes fairly intended by the policy and provisions of the Act and the Law. TENN. CODE ANN. §§ 4-5-320(c), 48-2-116(e)(2)(A) and 56-2-304.

4. Lonnie Gene Layne (“Layne”) is a citizen and resident of Tennessee, residing at 802 Saratoga Drive, Murfreesboro, Tennessee 37130. At all relevant times, Layne was a licensed insurance producer (License #316796) in the State of Tennessee. On June 30, 2009, Layne’s insurance producer license (License #316796) expired. At all relevant times, Layne conducted business through Legacy Estate Services (“Legacy”), a sole proprietorship, owned and operated by Layne. At all relevant times, Legacy was located at Layne’s prior private residence, 5580 Franklin Road, Murfreesboro, TN 37129. Layne is not currently registered, nor has he ever been registered, as a broker-dealer, broker-dealer agent, investment advisor, or investment advisor representative with the TSD.

5. Between January 2001 and March 2004, Layne accepted commissions in the form

of referral fees in exchange for unregistered promissory notes issued by Virtual Credit Direct Corporation (“VCDC”) and sold to six (6) Tennessee residents, each of whom renewed his or her investment with VCDC at least once during this period. VCDC is a now-defunct business, last operating at 152 W. 57th St, New York, NY. VCDC was managed by Mr. Josephus D. Lewis. VCDC was presented as an investment vehicle incorrectly labeled as “loans” when in fact they were unregistered securities in the form of unregistered promissory notes.

6. Layne accepted commissions in the form of referral fees for referring VCDC promissory notes to clients of his Legacy estate planning business and his clients’ children. Layne did not inform investors that the promissory notes were not registered with the TSD. Although Layne’s work as an insurance agent gave him credibility to advise clients regarding indexed annuities, fixed annuities, life insurance, long-term care, asset care, the loans through VCDC and various other programs, Layne was not registered to accept commissions in the form of referral fees for securities in Tennessee and therefore the acceptance of any commissions in the form of referral fees for referring investments that were not specifically authorized by his insurance producer license subjected him to the registration requirements of the Tennessee Securities Act.

7. Layne failed to make adequate statements regarding the investment’s potential risks to his investors. Layne mistakenly believed and informed his investors that VCDC had accounts receivable that would secure investments made in the company. Layne did not take any actions or conduct any independent verification to confirm the information he was told. Layne failed to determine the number of promissory notes issued, failed to disclose to his investors how many promissory notes VCDC issued that were still outstanding, past due or being “rolled over” and failed to determine or disclose the total aggregate dollar amount of such outstanding

promissory notes.

CONCLUSIONS OF LAW

Pertaining to the Commissioner's Authority to Carry Out the Provisions of the Tennessee Securities Act of 1980

1. TENN. CODE ANN. § 48-2-116 provides that the Commissioner may make, promulgate, amend, and rescind such Orders as are necessary to carry out the provisions of the Tennessee Securities Act of 1980, as amended, upon a finding that such Order is in the public interest, necessary for the protection of investors and consistent with the purposes fairly intended by the policy and provisions of the Act.

Pertaining to Layne's Acceptance of Commissions in the form of Referral Fees for Unregistered Securities

2. TENN. CODE ANN. § 48-2-104(a) states, in pertinent part, that it is unlawful for any person to sell any security in this state unless it is registered under the Act, the security or transaction is exempted under the Act, or the security is a covered security.

3. TENN. CODE ANN. § 48-2-102(4) states, in pertinent part, that the term "broker-dealer" is defined as any person engaged in the business of effecting transactions in securities for the account of others, or any person engaged in the business of buying or selling securities issued by one (1) or more other persons for such person's own account and as part of a regular business rather than in connection with such person's investment activities.

4. TENN. CODE ANN. § 48-2-109(a) states, in pertinent part, that it is unlawful for any person to transact business from or in this state as a broker-dealer or agent unless such person is registered as a broker-dealer or agent under the Act.

5. TENN. CODE ANN. § 48-2-102(10) states, in pertinent part, that the term ‘investment advisor’ means any person who, for compensation, engages in the business of advising others, either directly or through publications or writings, as to the value of securities, or who for compensation and as part of a regular business issues or promulgates analyses or reports concerning securities.

6. TENN. CODE ANN. § 48-2-109(c) states, in pertinent part, it is unlawful for a person to transact business from or in this state as an investment adviser or investment adviser representative unless: (1) (t)he person is registered as an investment adviser or investment adviser representative.

Pertaining to Layne’s Insurance License

7. TENN. CODE ANN. § 56-6-112(a)(2) states, in pertinent part, that (a) [t]he commissioner may place on probation, suspend, revoke or refuse to issue or renew an insurance producer license issued under this part or may levy a civil penalty in accordance with subsection (e) or take any combination of such actions, for any one or more of the following causes: (2) [v]iolating any law, rule, regulation, subpoena or order of the of the commissioner or of another state’s commissioner.

8. TENN. CODE ANN. § 56-6-112(a)(8) states, in pertinent part, that (a) [t]he commissioner may place on probation, suspend, revoke or refuse to issue or renew an insurance producer license issued under this part or may levy a civil penalty in accordance with subsection (e) or take any combination of such actions, for any one or more of the following causes: (8) [u]sing fraudulent, coercive, or dishonest practices, or demonstrating incompetence, untrustworthiness or financial irresponsibility in the conduct of business in this state or

elsewhere.

***Respondent Layne Accepted Commissions in the form of
Referral Fees for Unregistered Securities***

9. The facts as stated demonstrate that Layne accepted commissions in the form of referral fees for promissory notes through VCDC that were not registered with the TSD. It is unlawful to accept commissions in the form of referral fees for any security in this state unless it is registered under TENN. CODE ANN. §§ 48-2-101 *et seq.*, or the transaction is exempted under TENN. CODE ANN. § 48-2-103 or it is a covered security. The promissory notes offered by VCDC through Layne were not registered with TSD, and were not exempted by statute and are not covered securities.

10. Layne's acceptance of commissions in the form of referral fees for unregistered securities provide adequate grounds under TENN. CODE ANN. § 48-2-112(a)(2)(B) for the entry of an Order permanently barring Layne from registration with the TSD.

11. Layne's acceptance of commissions in the form of referral fees for unregistered securities demonstrates financial irresponsibility in the conduct of business in this state and provides adequate grounds under TENN. CODE ANN. §§ 56-6-112(a)(8) for the entry of an Order revoking Layne's insurance producer license.

ORDER

IT IS ORDERED, pursuant to TENN. CODE ANN. § 48-2-116(a) of the Act and TENN. CODE ANN. §§ 56-6-101, *et seq.*, the Law, that Respondent Lonnie Gene Layne:

1. **COMPLY** with the provisions of the Tennessee Securities Act, as amended, and the Tennessee Insurance Law;

2. **CEASE AND DESIST** in any future conduct of offering and/or selling any unregistered security from, in, or into the State of Tennessee until such time as all securities offered and/or sold are effectively registered with the TSD;

3. Be **PERMANENTLY BARRED** from seeking registration in the State of Tennessee as a broker-dealer, agent of a broker-dealer, investment adviser or investment adviser representative;

4. Be **PERMANENTLY BARRED** from seeking licensure in the State of Tennessee as an insurance producer; and

5. **IT IS FURTHER ORDERED** that Respondent Lonnie Gene Layne's insurance producer license (License #316796) **IS SURRENDERED AND REVOKED**, effective June 30, 2009.

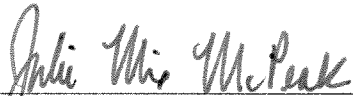
6. In addition, it is further **ORDERED** that all persons in any way assisting, aiding, or helping the aforementioned Layne in any of the aforementioned violations of the Act or the Law (TENN. CODE ANN. § 48-2-101 *et seq.* or TENN. CODE ANN. § 56-1-101 *et seq.*), shall **CEASE AND DESIST** from all such activities in violation of the Act or the Law.

IT IS ORDERED that this Consent Order represents the complete and final resolution of, and discharge with respect to all administrative and civil, claims, demands, actions and causes of action by the Commissioner against Respondent Lonnie Gene Layne, both individually, and d.b.a. Legacy Estate Services for violations of the Act and the Law alleged by the Divisions to have occurred with respect to the transactions involving the above referenced investors and the facts contained herein.

This Consent Order is in the public interest and in the best interests of the parties, and represents a compromise and settlement of the controversy between the parties and is for

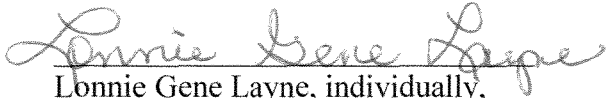
settlement purposes only. By the signatures affixed below, Respondent Lonnie Gene Layne, both individually, and d.b.a. Legacy Estate Services, affirmatively states that he has freely agreed to the entry of this Consent Order, that he waives the right to a hearing on the matters underlying this Consent Order and to a review of the Findings of Fact and Conclusions of Law contained herein, and that no threats or promises of any kind have been made to him by the Commissioner, the Division, or any agent or representative thereof. The parties, by signing this Consent Order, affirmatively state their agreement to be bound by the terms of this Consent Order and aver that no promises or offers relating to the circumstances described herein, other than the terms of settlement as set forth in this Consent Order, are binding upon them.

ENTERED this 22nd day of March, 2011.

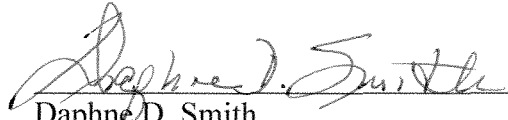


Julie Mix McPeak, Commissioner
Department of Commerce and Insurance

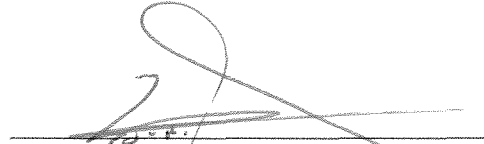
APPROVED FOR ENTRY:



Lonnie Gene Layne, individually,
and d.b.a. Legacy Estate Services



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