

NASD
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20050022243-01

TO: Department of Enforcement
NASD

RE: Chad Marion David Stephenson
CRD No. 3085358

Pursuant to Rule 9216 of NASD Code of Procedure, I submit this Letter of Acceptance, Waiver and Consent ("AWC") for the purpose of proposing a settlement of the alleged rule violations described in Part II below. This AWC is submitted on the condition that, if accepted, NASD will not bring any future actions against me alleging violations based on the same factual findings.

I understand that:

1. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by NASD's Department of Enforcement and National Adjudicatory Council ("NAC") Review Subcommittee or Office of Disciplinary Affairs ("ODA"), pursuant to NASD Rule 9216;
2. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against me; and
3. If accepted:
 - a. this AWC will become part of my permanent disciplinary record and may be considered in any future actions brought by NASD or any other regulator against me;
 - b. this AWC will be made available through NASD's public disclosure program in response to public inquiries about my disciplinary record;
 - c. NASD may make a public announcement concerning this agreement and the subject matter thereof in accordance with NASD Rule 8310 and IM-8310-2; and
 - d. I 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. Nothing in this provision affects my testimonial

obligations or right to take legal or factual positions in litigation or other legal proceedings in which NASD is not a party.

I also understand that my experience in the securities industry and disciplinary history may be factors that will be considered in deciding whether to accept this AWC. That experience and history are as follows:

Chad Marion David Stephenson initially became associated with an NASD member firm on or about August 8, 2000. On or about August 15, 2000, he registered as a General Securities Representative ("GS") with that member firm. Stephenson voluntarily terminated his employment with that member firm on or about September 9, 2002. On or about August 15, 2002, Stephenson registered with Edward Jones, a NASD member firm, as a GS. On or about May 24, 2003, Stephenson voluntarily terminated his employment with Edward Jones. On or about May 16, 2005, Stephenson registered with WM Funds Distributor, Inc. ("WMFDI"), a NASD member firm, as a GS. On or about July 4, 2005, his employment with WMFDI was terminated.

Stephenson is not currently associated with any NASD member and has not been the subject of prior disciplinary action by NASD, other self-regulatory organizations, the Securities and Exchange Commission, or any state regulator.

I.

WAIVER OF PROCEDURAL RIGHTS

I specifically and voluntarily waive the following rights granted under NASD's Code of Procedure:

- A. To have a Formal Complaint issued specifying the allegations against me;
- B. To be notified of the Formal 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 NAC and then to the U.S. Securities and Exchange Commission and a U.S. Court of Appeals.

Further, I specifically and voluntarily waive any right to claim bias or prejudgment of the General Counsel, 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.

I further specifically and voluntarily waive any right to claim that a person violated the ex parte prohibitions of Rule 9143 or the separation of functions prohibitions of 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.

II.

ACCEPTANCE AND CONSENT

A. I hereby accept and consent, without admitting or denying the findings, and on behalf of NASD, or to which NASD 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 NASD:

1. On or about November 7, 2002, while registered as a GS with NASD member firm Edward Jones, two felony charges were filed against Stephenson by the State of Arizona, in Coconino County Justice Court, Flagstaff Precinct ("State of Arizona"), under Case No. CR02-2210FE. On or about March 6, 2003, Stephenson pled guilty to one misdemeanor charge and the two felony charges were dismissed. On or about May 24, 2003, Stephenson voluntarily terminated his employment with Edward Jones. From on or about December 6, 2002, through on or about May 24, 2003, Stephenson failed to update his Uniform Application for Securities Industry Registration or Transfer ("Form U-4") at Edward Jones to disclose material information regarding the two felony charges in response to Question 14A(1)(b) of Form U-4, which asks "[h]ave you ever been *charged* with any *felony*?"
2. On or about May 16, 2005, Stephenson re-entered the securities industry by filing a Form U-4 through NASD member firm WM Funds Distributor, Inc. ("WMFDI"). In that Form U-4 Stephenson signed and submitted to WMFDI he answered "No" to Question 14A(1)(b). By answering "No" to Question 14A(1)(b), Stephenson willfully failed to disclose material information regarding the two felony charges that had been filed against him on or about November 7, 2002, by the State of Arizona, as more fully set forth in paragraph 1, above. WMFDI terminated Stephen's employment on or about July 4, 2005, based upon his failure to disclose the two felony charges.

The foregoing acts, practices and conduct constitute separate and distinct violations of NASD By-Laws, Article V, Section 2, NASD Membership and Registration Rule IM-1000-1, and NASD Conduct Rule 2110 by Stephenson.

B. I also consent to the imposition, at a maximum, of the following sanctions:

1. Stephenson shall be fined in the amount of \$10,000 and shall be suspended from associating with any member of NASD in any capacity for a period of one (1) year.

The fine shall be due and payable immediately upon re-association with a member firm, or prior to any application or request for relief from any statutory disqualification resulting from this or any other event or proceeding, whichever is earlier. The suspension imposed shall be effective on a date set by NASD staff.

III.

OTHER MATTERS

- A. I understand that I may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. I understand that I 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 NASD, nor does it reflect the views of NASD or its staff.
- B. I agree to pay any monetary sanctions imposed on me upon re-entry as noted above.
- C. I specifically and voluntarily waive any right to claim that I am unable to pay, now or at any time hereafter, any monetary sanction imposed in this matter.
- D. I understand that if I am barred or suspended from associating with any NASD member, I become subject to a statutory disqualification as that term is defined in Section 3(a)(39) of the Securities Exchange Act of 1934, as amended. Accordingly, I may not be associated with any NASD member in any capacity, including clerical or ministerial functions, during the period of the bar or suspension. (See NASD Rule 8310 and IM-8310-1.)
- E. I understand that this settlement includes a finding that: on or about May 16, 2005, I willfully failed to disclose a material fact on an initial Form U-4; and that under Section 15(b)(4)(A) of the Securities Exchange Act of 1934 and Article III, Section 4(f) of the NASD By-Laws, this nondisclosure makes me subject to a statutory disqualification with respect to association with a member.

I certify that I have read and understand all of the provisions of this AWC and have been given a full opportunity to ask questions about it, and that no offer, threat, inducement, or promise of any kind, other than the terms set forth herein, has been made to induce me to submit it.

9/10/06
Date

Chad Marion David Stephenson
Chad Marion David Stephenson

Accepted by NASD:

October 30, 2006
Date

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

A handwritten signature in black ink, appearing to read "Mark A. Graves", written over a horizontal line.

Mark A. Graves
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