

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2007010684401**

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

RE: Cambridge Legacy Securities, LLC, Respondent
CRD No.103722

O. Ben Carroll, Respondent
President and Registered Principal
CRD No.1295071

Russell Childs, Respondent
General Securities Representative
CRD No.1192883

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Respondents Cambridge Legacy Securities, LLC, O. Ben Carroll and Russell Childs (collectively "Respondents") submit 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 the Respondents alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. Respondents hereby accept and consent, 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

Cambridge Legacy Securities, LLC has been a member of FINRA since July 5, 2000. Cambridge Legacy Securities, whose main office is in Dallas, Texas, employs approximately 44 registered persons as independent contractors at 12 branch offices across the United States. Through Cambridge Legacy Holding Company, the firm is owned by O. Ben Carroll. The firm's primary business involves retailing corporate equity securities, mutual funds and municipal securities; and selling variable life insurance or annuities, gas or oil interests, securities of non-profit organizations, tax shelters or limited partnerships in primary distributions and private placements of securities.

O. Ben Carroll first entered the securities industry in March 1991 when he became associated with Dominion Capital Corporation, and he was employed by four other securities firms before becoming associated with Cambridge Legacy Securities. At all times relevant to the facts discussed herein, Carroll was the firm's President and registered principal.

Russell Childs first entered the securities industry in October 1988 when he became associated with Knibbe Financial Group. Childs was employed by five other securities firms, including IMS Securities, Inc., before becoming associated with Cambridge Legacy Securities in September 2004 where he is a registered representative in the firm's Spring, Texas branch office.

RELEVANT DISCIPLINARY HISTORY

The Respondents have no relevant disciplinary history.

OVERVIEW

During the period of September 2004 through April 2008 (the "review period") Cambridge Legacy Securities, LLC, acting through O. Ben Carroll, the firm's President and registered principal: (i) violated NASD Conduct Rule 3010(a) and NASD Membership and Registration Rule 1021(d) by failing to adequately implement a supervisory system designed to achieve compliance with applicable securities laws and regulations; and by allowing a person to assume supervisory duties as a principal beyond the initial 90 calendar day period following her appointment without her having successfully passed the appropriate Qualification Examination; (ii) violated SEC Rule 17a-4(f)(2)(ii) and NASD Conduct Rules 3010(d) and 2110 by failing to properly maintain its e-mail communications dating back to at least January of 2005; and (iii) violated NASD Conduct Rules 3010(a) and 3010(d) and SEC Rule 17a-4(b)(4) by failing to establish and maintain an adequate supervisory system in areas of internal communications and correspondence. Further, Cambridge Legacy Securities, O. Ben Carroll and Russell Childs violated NASD Conduct Rule 3060 by allowing two registered representatives to accept a gift and/or gratuity in excess of \$100. In addition, between September 28, 2004 and June 30, 2007, Cambridge Legacy Securities and Russell Childs violated NASD Conduct Rule 2110 by charging both commissions and advisory fees on transactions in alternative investment products whose offering documents specifically prohibited such activity. Finally, Russell Childs violated NASD Conduct Rule 2310(a) by making unsuitable recommendations to three customers during his tenure with Cambridge Legacy Securities and IMS Securities, Inc.

FACTS AND VIOLATIVE CONDUCT

Registration Requirements and Inadequate Supervisory System

Cambridge Legacy Securities, LLC, acting through O. Ben Carroll, the firm's President and registered principal, failed to adequately implement a supervisory system designed to achieve compliance with applicable securities laws and regulations. Specifically, the firm and O. Ben Carroll: (i) failed to implement an adequate system to supervise the activities of the Spring, Texas branch office in light of the deficiencies identified during branch audits; and (ii) failed to appoint a properly qualified principal to supervise the activities of the Spring, Texas branch office.

- Russell Childs' supervisor during the time period January 2005 to June 2006 was terminated for cause for failing to supervise Childs. According to inspections of Childs' office during the time period March 2005 through July 2006, numerous exceptions were noted, including blank and incomplete client forms;
- In July 2006 the firm appointed another individual as the supervisor of the Spring, Texas branch office. Prior to his appointment, this individual had no experience as a firm principal. This individual served as principal of the Spring, Texas office through June 2007;
- On June 27, 2007, the firm appointed yet another individual to supervise the Spring, Texas office, and reappointed her on October 16, 2007. Prior to her appointment, this individual had no experience as a firm principal, nor did she hold a principal license. NASD Membership and Registration Rule 1021(d) provides for a registered representative who assumes supervisory duties as a principal be allowed a period of 90 calendar days following the appointment to pass the appropriate Qualification Examination for Principals, but in no event may a person function as a principal beyond the initial 90 calendar day period following the appointment without having successfully passed the appropriate Qualification Examination. The firm and O. Ben Carroll allowed her to assume supervisory duties as a principal beyond the initial 90 calendar day period following her appointment without her having successfully passed the appropriate Qualification Examination. Accordingly, she was not qualified to function as the principal of the Spring, Texas office after September 25, 2007, leaving the branch with no appropriately qualified principal for the time period of September 26, 2007 to October 29, 2007.

Such acts, practice and course of conduct are violations of NASD Conduct Rules 3010(a) and 2110 and NASD Membership and Registration Rule 1021(d) by Respondents Cambridge Legacy Securities, LLC, and O. Ben Carroll.

Influencing or Rewarding Employees of Others

Cambridge Legacy Securities, LLC allowed two registered representatives to accept, and those two individuals in fact accepted, a gift and/or gratuity in excess of \$100. Specifically in June 2007, Ben Carroll and Russell Childs and their spouses took a vacation to the Cayman Islands and accepted free lodging at a beach house, which was owned by an individual who was the President and the General Partner of an entity that offered an alternative investment product. During the time period January 2005 through October 2007, Childs sold almost \$6 million dollars of that alternative investment product to customers at the firm's Spring, Texas branch office.

Such acts, practice and course of conduct are violations of NASD Conduct Rules 3060 and 2110 by Respondents Cambridge Legacy Securities, LLC, Russell Childs and O. Ben Carroll.

Records to be Preserved by Brokers and Dealers

SEC Rule 17a-4(f)(2)(ii) states that if electronic storage media is used by a member, broker, or dealer, the member must: (i) preserve the records exclusively in a non-rewriteable, non-erasable format; (ii) verify automatically the quality and accuracy of the storage media recording process; (iii) serialize the original and, if applicable, duplicate units of storage media, and time-date for the required period of retention the information placed on such electronic storage media; and (iv) have the capacity to readily download indexes and records preserved on the electronic storage media to any medium acceptable under this paragraph as required by the Commission or the self-regulatory organizations of which the individual, broker, or dealer is a member. This requirement is designed to ensure that the records are accessible by providing a means to search for specific records among the many that have been stored.

Cambridge Legacy Securities, LLC failed to properly maintain its e-mail communications dating back to at least January 2005.

- FINRA staff found that the firm has its own domain name, clgsite.com, which hosted employee e-mail accounts on the firm's server. The firm created a compliance e-mail account, [REDACTED] which was set up to receive all firm e-mail to be maintained pursuant to SEC Rule 17a-4;
- In order to comply with the requirement to store the e-mail in non-rewriteable, non-erasable format, the firm periodically copied all e-mail in the [REDACTED] account to CD-ROM;
- When e-mail was copied from the compliance e-mail account to CD-ROM, it was converted to text (.txt) format and combined into one large text file; and

- When the firm's e-mail was converted to one text file, the original Outlook (.pst) files were not maintained; and among other things, the firm's only record of the e-mail did not contain any of the original attachments.
- Finally, the firm, acting through O. Ben Carroll, failed to have a procedure in place to ensure that his own email designated as legal and confidential was properly maintained and reviewed.

Such acts, practice and course of conduct are violations of SEC Rule 17a-4(f)(2)(ii) and NASD Conduct Rules 3010(d) and 2110 by Respondents Cambridge Legacy Securities, LLC, and O. Ben Carroll.

Inadequate Supervisory System

Cambridge Legacy Securities, LLC failed to establish and maintain an adequate supervisory system in areas of internal communications and correspondence.

- At least eleven registered representatives used third party e-mail addresses, such as "g-mail" and "aol" for business- related communications, and those business- related communications were not being captured by the firm's server and were not copied and maintained to the firm's compliance folder.
- The firm had a supervisory system in place regarding e-mail communications; however, the system was not designed so that the firm could ensure that it maintained and reviewed all e-mail correspondence. The firm had no prohibition in place with regard to registered representative's use of web-based e-mail, and the firm's system did not provide for adequate supervision of these e-mails.

Such acts, practice and course of conduct are violations of NASD Conduct Rules 3010(a), 3010(d) and 2110 and SEC Rule 17a-4(b)(4) by Respondent Cambridge Legacy Securities, LLC.

Charging Excessive Commissions

Between September 28, 2004 and June 30, 2007, Cambridge Legacy Securities, LLC charged both commissions and advisory fees on transactions in alternative investment products whose offering documents specifically prohibited such activity. Specifically, Russell Childs in the Spring, Texas branch office charged customers commissions, in the amount of \$434,589.03, and an annual percentage based advisory fee on transactions in alternative investments (i.e. REITS, Limited Partnerships, etc.).

Such acts, practice and course of conduct are violations of NASD Conduct Rule 2110 by Respondents Cambridge Legacy Securities, LLC, and Russell Childs.

Unsuitable Recommendations to Customers

From 2002 through 2005, Russell Childs made unsuitable recommendations to three customers during his tenure with Cambridge Legacy Securities, Inc. and IMS Securities, Inc. Russell Childs had no reasonable basis for believing that his recommendations of non-liquid alternative investments, such as REITS and limited partnerships, were suitable, based on the customers' age, financial needs, annual income, liquid net worth, and risk tolerance.

Such acts, practice and course of conduct are violations of NASD Conduct Rule 2310(a) and 2110 by Respondent Russell Childs.

B. Respondents also consent to the imposition of the following sanctions:

Respondent Cambridge Legacy Securities, LLC is censured and fined \$50,000. Further, within fifteen days that the sanctions imposed herein become effective Respondent Cambridge Legacy Securities, LLC shall pay restitution to the customers referenced in Schedule A attached hereto in the total amount of \$21,864.75, plus interest at the rate set forth in Section 6621(a)(2) of the Internal Revenue Code, 26 U.S.C. 6621(a)(2), from the date this AWC is issued until the date that the restitution has been paid in full. Respondent must provide Enforcement with written notice of all restitution payments made to the customers and such written notice is due within fifteen business days of the payment to the customers. If Respondent fails to provide the Enforcement staff with proof of restitution in the manner set forth above, it shall immediately be suspended from FINRA membership until such proof has been provided. The imposition of a restitution order or any other monetary sanction herein, and the timing of such ordered payments, does not preclude the customers from pursuing their own action to obtain restitution or other remedies;

Respondent Russell Childs is suspended in all capacities for a period of nine months and fined \$25,000. Further, Respondent Russell Childs shall pay restitution to the customers referenced in Schedule A attached hereto in the total amount of \$412,724.28, plus interest at the rate set forth in Section 6621(a)(2) of the Internal Revenue Code, 26 U.S.C. 6621(a)(2), from the date this AWC is issued until the date that the restitution has been paid in full. Respondent must provide Enforcement with written notice of all restitution payments made to the customers and such written notice is due within fifteen business days of the payment to the customers. If Russell Childs fails to provide the Enforcement staff with proof of restitution in the manner set forth above, he shall immediately be suspended from association with any member firm in any capacity until such proof has been provided. The imposition of a restitution order or any other monetary sanction herein, and the timing of such ordered payments, does not preclude the customers from pursuing their own action to obtain restitution or other remedies; and

Respondent O. Ben Carroll is suspended in any principal capacity for a period of three months and fined \$25,000.

Respondents agree to pay the monetary sanctions upon notice that this AWC has been accepted and that such payments are due and payable. Each Respondent has submitted an Election of Payment form showing the method by which he it or he proposes to pay the fines imposed.

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

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

II.

WAIVER OF PROCEDURAL RIGHTS

Respondents specifically and voluntarily waive the following rights granted under FINRA's Code of Procedure:

- A. To have a Complaint issued specifying the allegations against me;
- 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, Respondents 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.

Respondents further specifically and voluntarily waive 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

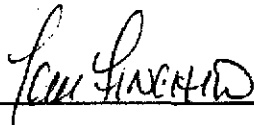
Respondents understand that:

- 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 me; and
- C. If accepted:
 - 1. this AWC will become part of my permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against me;
 - 2. this AWC will be made available through FINRA's public disclosure program in response to public inquiries about my 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. Respondents 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. Respondents 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 my right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party.
- D. Respondents may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. Respondents understand that they or 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 Respondent Cambridge Legacy Securities, LLC, 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 Respondent Cambridge Legacy Securities, LLC 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 Respondent Cambridge Legacy Securities, LLC to submit it.

CAMBRIDGE LEGACY SECURITIES, LLC

4.5.2010
Date (mm/dd/yyyy)

By: 
(Signature)

Name: PRESIDENT TOM FINCHER
(Print Name)

Title: PRESIDENT

Respondents O. Ben Carroll and Russell Childs certify that they have read and understand all of the provisions of this AWC and have been given a full opportunity to ask questions about it; that they have 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, have been made to induce them to submit it.

Date (mm/dd/yyyy)


O. Ben Carroll, Respondent

Date (mm/dd/yyyy)

Russell Childs, Respondent

The undersigned, on behalf of Respondent Cambridge Legacy Securities, LLC, 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 Respondent Cambridge Legacy Securities, LLC 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 Respondent Cambridge Legacy Securities, LLC to submit it.

CAMBRIDGE LEGACY SECURITIES, LLC

Date (mm/dd/yyyy)

By: _____

(Signature)

Name: _____

(Print Name)

Title: _____

Respondents O. Ben Carroll and Russell Childs certify that they have read and understand all of the provisions of this AWC and have been given a full opportunity to ask questions about it; that they have 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, have been made to induce them to submit it.

Date (mm/dd/yyyy)

O. Ben Carroll, Respondent

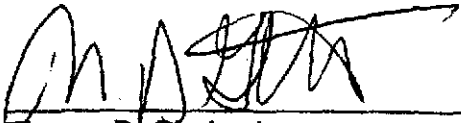
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Date (mm/dd/yyyy)



Russell Childs, Respondent

Reviewed by:

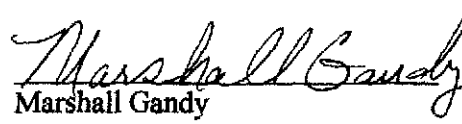


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Accepted by FINRA:

07-07-2010
Date

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


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STATEMENT OF CORRECTIVE ACTION

This Corrective Action Statement is submitted by the Respondent. It does not constitute factual or legal findings by FINRA, nor does it reflect the views of FINRA, or its staff.

The following steps were implemented by the Firm, some dating back to late 2007, to achieve compliance with respect to the applicable securities laws and regulations, and rules of FINRA, concerning the matters forming the basis of the subject AWC:

1. Specifically where a registered representative is paid a commission on an alternative investment, no advisory fee can be assessed on that investment. Additional procedures have been developed by the Firm to ensure that future sales of alternative investments do not violate an issuer's offering memorandum prohibition against charging both a commission and advisory fee.
2. To supplement suitability requirements, the Firm developed and implemented a new alternative investment allocation policy, placing caps on the percentages of alternative investments in client portfolios, with lower caps for investors over age 60. Thus, high concentrations of illiquid investments to unsophisticated senior investors cannot occur.
3. Additional heightened supervision conditions were imposed by the Firm upon Mr. Childs, including changing the form of Mr. Childs' compensation to salary only. Mr. Childs does not receive fees, commissions or bonuses in connection with his advisory and brokerage services. The issue of "blank forms" no longer exists in any manner and is rigidly supervised by Mr. Childs' on-site supervising principal. Routine internal audits by the Firm of Mr. Childs' office has confirmed that fact.
4. The Firm's Written Supervisory Procedures now prohibit the use of web-based or third-party email accounts by employees and registered representatives unless the account is routed through the Firm's server so that all emails, including attachments, can be stored in a non-rewriteable, non-erasable format as required by SEC Rule 17a-4 and that the emails can be reviewed by supervisory personnel. Violations of this policy are subject to internal sanctions and/or fines by the Firm. As a result of the FINRA audit which determined that the Firm had failed to properly maintain its email communications, the Firm believes that its current format of preserving emails is now fully compliant with the requirements of SEC Rule 17a-4.