

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2010020829801**

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

RE: William Slay Stevens, Respondent
General Securities Representative and Investment Company and Variable Contracts Products
Representative
CRD No. 2889238

Pursuant to FINRA Rule 9216 of FINRA's 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 below. This AWC is submitted on the condition that, if accepted, FINRA will not bring any future actions against me alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. I 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

William Slay Stevens ("Stevens") entered the securities industry in May 1997, when he was employed by a FINRA member firm. Stevens was first registered as an investment company and variable contracts products representative with FINRA in September 1997. Stevens was successively employed by three FINRA member firms from May 1997 through September 2008. Stevens was then employed by FINRA member firm First Legacy Securities, LLC ("FLS"). Stevens was subsequently registered with another FINRA member firm from February 2010 through June 2010. Stevens is not currently employed by a FINRA member firm and does not have a relevant disciplinary history.

OVERVIEW

During the period from April 15, 2009 through September 14, 2009, Stevens recommended unsuitable investments in the form of promissory notes and preferred stock to customer J.L., in violation of NASD Conduct Rule 2310(a) and FINRA Rule 2010. Stevens further failed to disclose numerous material facts to J.L. in connection with the sale of the promissory notes and provided J.L. with a private placement memorandum in connection with the recommendation to purchase the preferred stock that contained material misrepresentations, omitted material facts and failed to reflect subsequent material events as they occurred, in violation of FINRA Rule 2010.

FACTS AND VIOLATIVE CONDUCT

Customer J.L. is 71-years-old and retired. Customer J.L. met Stevens approximately two years ago through a mutual friend. J.L. established an investment account with FLS in April 2009, with Stevens as his account representative. According to J.L., he told Stevens that he wanted to protect his

principal and did not want to assume risk. J.L.'s new account form maintained by FLS indicates J.L.'s investment objectives were preservation of capital and income. Customer J.L. also listed a risk tolerance of conservative/moderate. As of September 14, 2009, J.L. had a liquid net worth of \$435,000 and had an estimated net worth (exclusive of residence) of \$2.0 million.

On or about April 15, 2009, Stevens recommended that J.L. invest in promissory notes issued by First Legacy Investors, Inc. ("FLI"). FLI was a newly-formed holding company in the process of acquiring FLS and other affiliates. Based upon Stevens's recommendation, J.L. invested \$250,000 in two FLI promissory notes, each in the amount of \$125,000.

In or about May 2009, Stevens approached J.L. about investing in FLI preferred stock. The FLI preferred stock offering involved a private placement offered pursuant to SEC Regulation D, Rule 506. It was a high-risk investment suitable only for accredited investors who could withstand the entire loss of their investment (there was no secondary market for these securities). Stevens initially advised J.L. to invest in the Series A, B, C and D preferred stock of FLI. On May 22, 2008, based upon Stevens's recommendation, J.L. purchased 13 shares of each series of FLI preferred stock in blocks of \$65,000, for a total investment of \$260,000. J.L.'s aggregate investment in FLI securities at this point was \$510,000, which accounted for about a quarter of J.L.'s net worth and all of J.L.'s liquid net worth. The concentration level of J.L.'s investments in FLI compounded the risk of these high-risk investments.

In August 2009, the first FLI promissory note owned by J.L. came due (\$125,000). Stevens invited J.L. to attend a seminar held by FLI during which FLI preferred stock was promoted by representatives of FLI. In September 2009, Stevens recommended that J.L. convert the FLI promissory notes he held into additional shares of FLI preferred stock. Therefore, on or about September 14, 2009, J.L. converted the FLI promissory notes into 50 shares of the "Series A Preferred Stock." According to a disclosure document for alternative investments, the second purchase of FLI preferred stock represented 57 percent of J.L.'s liquid net worth at that point. In January 2010, FLI ceased business and defaulted on all dividend payments on its preferred stock.

Stevens had no reasonable basis for recommending that J.L. invest in a concentrated position of high-risk investments in FLI securities. Such recommendations were unsuitable based on J.L.'s risk tolerance and investment objectives, and involved an over concentration of J.L.'s liquid net worth in an illiquid investment.

Stevens further failed to disclose numerous material facts to J.L. in connection with the sale of the FLI promissory notes. Moreover, the FLI PPM, provided by Stevens to J.L. in connection with the sale of the FLI preferred stock, contained material misstatements and omitted to disclose material facts, and was not updated to disclose subsequent material events when they occurred. In particular, Stevens failed to disclose, among other things, that FLI was a startup business with no operating history, limited capital and was dependent on raising additional capital. Stevens further failed to disclose that FLS lost a substantial number of its brokers when it was purchased by FLI. Moreover, the PPM distributed in connection with the sale of the FLI preferred stock did not include any current financial information or a balance sheet for FLI. Instead, the PPM included limited pro-forma financial statements for FLI, which were incomplete and misleading. Additionally, the PPM was not amended to reflect subsequent material events such as the resignation of FLI's president and ongoing cash flow difficulties.

Such acts, practices, and conduct constitute separate and distinct violations of NASD Conduct Rule 2310(a) and FINRA Rule 2010 by Respondent Stevens.

- B. I also consent to the imposition of the following sanctions: a bar from association with any FINRA member firm in all capacities.

I understand that if I am barred or suspended from associating with any FINRA member, I become subject to a statutory disqualification as that term is defined in Article III, Section 4 of FINRA's By-Laws, incorporating Section 3(a)(39) of the Securities Exchange Act of 1934. Accordingly, I may not be associated with any FINRA member in any capacity, including clerical or ministerial functions, during the period of the bar or suspension (see FINRA Rules 8310 and 8311).

The sanctions imposed herein shall be effective on a date set by FINRA staff. Pursuant to FINRA Rule 8313(e), a bar or expulsion shall become effective upon approval or acceptance of this AWC.

II.

WAIVER OF PROCEDURAL RIGHTS

I 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, 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 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

I 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. 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. I 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.

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; that I 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, has been made to induce me to submit it.

10/21/2011

Date

William Slay Stevens

William Slay Stevens, Respondent

Accepted by FINRA:

11/8/2011

Date

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

William Brice La Hue
William Brice La Hue, Senior Regional Counsel
FINRA Department of Enforcement
One Securities Centre, Suite 500
3490 Piedmont Road, N.E.
Atlanta, Georgia 30305
(404) 239-6111; Fax: (404) 264-1586
E-Mail: brice.lahue@finra.org