

FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT

NO. 20110301026 01

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

RE: Stephen Blankenship, Respondent
General Securities Representative
CRD No. 2234577

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Respondent Stephen Blankenship ("Respondent") 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

Respondent first became registered in the securities industry, in or about May 28, 1992, as a General Securities Representative ("GSR"). He was associated with four FINRA registered firms from 1992 through 2006 until he joined Vanderbilt Securities LLC ("Vanderbilt") (CRD No. 5953) on May 5, 2006. Respondent's registration with Vanderbilt was terminated on November 10, 2011.

Currently, Respondent is not registered or associated with any member firm. Respondent remains subject to FINRA's jurisdiction pursuant to Article V, Section 4 of FINRA's By-Laws.

RELEVANT DISCIPLINARY HISTORY

Respondent has no prior disciplinary history.

OVERVIEW

While Respondent was associated with Vanderbilt he converted funds from at least one customer, in violation of FINRA Rule 2010.

FACTS AND VIOLATIVE CONDUCT

FINRA Rule 2010 requires that members and associated persons "observe high standards of commercial honor and just and equitable principles of trade." FINRA's Sanctions Guidelines define conversion as "an intentional and unauthorized taking of and/or exercise of ownership over property by one who neither owns the property, nor is entitled to possess it." Respondent violated FINRA Rule 2010 when he intentionally took the funds from one Vanderbilt customer, RM, without the customer's knowledge or consent.

In or about December 2010, Vanderbilt customer RM provided Respondent with a personal check in the amount of approximately \$50,000. The check was written to Deer Hill Financial Group, an outside business of Respondent, and was intended for the purpose of purchasing a mutual fund investment. Rather than investing the funds as directed by the customer, Respondent used the funds for his own personal use.

In resolution of criminal charges related to the conversion of customer funds, including those of RM, Respondent entered a guilty plea on September 13, 2012 in the United States District Court for the District of Connecticut to one count of mail fraud in violation of Title 18 United States Code ("U.S.C.") §1341 and one count of securities fraud in violation of Title 15 U.S.C. §78j(b) and Title 17 Code of Federal Regulations §240.10b-5. As part of the guilty plea, Respondent agreed to pay full restitution to all customers, including RM.

Accordingly, Respondent violated FINRA Rule 2010 by wrongfully converting funds from RM.

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

- A bar from associating with any FINRA member firm in any and all capacities.

The sanction 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.

Respondent understands that if he is barred or suspended from associating with any FINRA member, he becomes 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, Respondent 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).

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 Respondent;
- 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 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.

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.

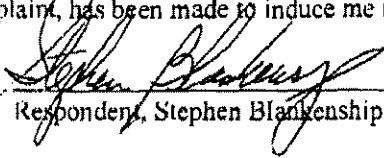
OTHER MATTERS

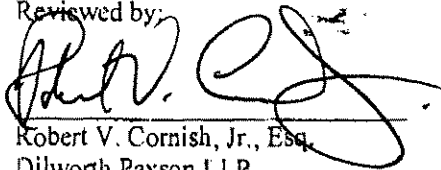
Respondent understands that:

- 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 Respondent;
 - 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 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.

9-26-12
Date (mm/dd/yyyy)

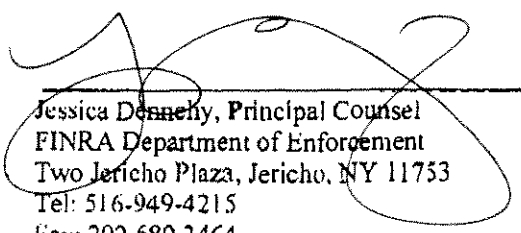

Respondent, Stephen Blankenship

Reviewed by:

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Accepted by FINRA:

9/28/2012
Date

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


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