

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2013036091101**

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

RE: Timothy William Stephens
Limited Registered Representative
CRD No. 1643736

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

Timothy Stephens entered the securities industry in November 1987 as an Investment Company and Variable Contract Products Representative with Princor Financial Services Corporation, a FINRA-registered firm. In February 2013, his registration with Princor was terminated. Since that time, Stephens has not been registered with any other FINRA-registered firm. Stephens has no prior disciplinary history.

OVERVIEW

Stephens engaged in business activities for compensation outside the scope of his business relationship with his firm, without providing his firm with written notice of these activities as required by FINRA Rules and by his firm's written procedures. Stephens' misconduct is aggravated by statements that he made to his firm when questioned about his outside business activities. This conduct is in violation of NASD Conduct Rules 3030 and 2110 and FINRA Rules 3270 and 2010.

FACTS AND VIOLATIVE CONDUCT

1. Between July 2006 and November 2012, Timothy Stephens sold approximately 200 Equity Indexed Annuities (EIAs") valued at \$8.2 million to members of the public.
2. Approximately one-third of the individuals who purchased the EIAs were customers of Stephens' employing firm.
3. Stephens communicated with the sponsors of the EIAs through his personal email address, and not through the email address issued by the firm.
4. During all relevant times, the firm's written procedures provided that a representative must disclose any outside business activity and obtain the firm's permission prior to engaging in such activity. Specifically, the firm required that all non-proprietary products, including EIAs, be submitted to the firm for its prior review and approval. The only exception was when a representative sold EIAs listed on the firm's "Approved Product List" and the representative had been approved for this outside business activity.
5. Prior to engaging in the EIA sales described in paragraph 1 above, Stephens failed to give his employing firm prior written notice that he was engaging in outside business activities, and failed to give his firm prior written notice that he was selling EIAs. None of the EIAs sold by Stephens were listed on the firm's Approved Product List.
6. Stephens' misconduct described above is aggravated by statements that he made to his firm about his outside business activities between 2006 and 2011. Stephens signed six separate Annual Compliance Questionnaire forms in which he acknowledged the following:

I understand that all forms of outside business activities must be disclosed to [the firm] via the Outside Business Activity Form ... and that I must receive written approval from [the firm] prior to engaging in any outside business activity.

7. During firm audits of his office in October 2008 and October 2011, Stephens was asked the following questions:

Do you sell Equity Indexed Products?
Are you aware of [the firm's] procedures related to selling EIA products?
Do you understand all business must be submitted through [the firm]?
Are you aware of [the firm's] approved product list of EIAs that you may sell?
Have you sold any products not on the approved product list?

8. In response to the audit questions, Stephens affirmatively stated that he was aware of the firm's procedures related to selling EIA products, that he was aware of the firm's approved product list of EIAs and that he understood that all business must be submitted through the firm. Stephens specifically denied that he was selling products not on the firm's Approved Product List.

9. Such acts, practices and conduct violated NASD Rules 3030 and 2110 and FINRA Rules 3270 and 2010. Specifically, Stephens violated: NASD Rules 3030 and 2110 between 2006 and December 15, 2008; NASD Rule 3030 and FINRA Rule 2010 between December 15, 2008 and December 15, 2010; and FINRA Rules 3270 and 2010 between December 15, 2010 and November 2012.

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

A bar from association with any FINRA firm, in any capacity.

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 Section 3(a)(39) of the Securities Exchange Act of 1934, as amended. 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 of 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 prejudice 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: (i) testimonial obligations; or (ii) 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.

11-22-13
Date

Timothy W. Stephens
Timothy Stephens

Reviewed by:

Date

Accepted by FINRA:

11/25/13
Date

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

Richard A. March
Richard A. March
Senior Regional Counsel
Mark Koerner
AVP and Regional Chief Counsel
FINRA Department of Enforcement
55 West Monroe Street, Suite 2700
Chicago, IL 60603
(312) 899-4351