

STATE OF MICHIGAN
DEPARTMENT OF LICENSING AND REGULATORY AFFAIRS
CORPORATIONS, SECURITIES & COMMERCIAL LICENSING BUREAU

In the Matter of:

Complaint No. 325029

CAREY STEVENS
Unregistered
CRD#2344274

Respondent.

Issued and entered
This 24th day of June, 2016

NOTICE AND ORDER TO CEASE AND DESIST

Julia Dale, the Director of the Corporations, Securities & Commercial Licensing Bureau (the "Administrator"), pursuant to her statutory authority and responsibility to administer and enforce the Michigan Uniform Securities Act (2002), 2008 PA 551, as amended, MCL 451.2101 *et seq.* ("Securities Act"), hereby orders Carey Stevens ("Respondent") to cease and desist from acting as an unregistered investment adviser, and to cease and desist from employing a device, scheme, or artifice to defraud in the provision of investment advice to others for compensation, contrary to the Securities Act. Respondent is also notified of the opportunity to request a hearing in this matter.

I. BACKGROUND

A. The Respondent

1. Carey Stevens is an individual who resides or resided in Michigan. Mr. Stevens was formerly registered as an agent through several broker-dealers from in or around 1993 until in or around 2010. Mr. Stevens has not had any registrations pursuant to the Securities Act since on or around April 19, 2010, when he was terminated by Ridgeway & Conger, Inc. (CRD#113055) for lack of production. He has never been registered as an investment adviser or investment adviser representative.

B. Findings of Fact

1. The Bureau conducted an investigation of Respondent's activities.

2. The investigation developed evidence that Respondent contracted with a Michigan investor to manage investment funds on the investor's behalf, including the purchase of securities for the investor's account, in exchange for compensation. The contractual arrangement placed Respondent in a position of directly advising the investor on the advisability of purchasing, ~~selling, or holding securities~~ because he had authority to choose the individual securities to be purchased, sold, or held.
3. Respondent was not registered in any capacity pursuant to the Securities Act during the relevant time period.
4. ~~Respondent has not identified any exemptions, exceptions, preemptions, or exclusions from the Securities Act which would be applicable to the investment advisory services in which he engaged.~~
5. Respondent fraudulently identified a separate individual, Mr. Thomas Salvati, as the investment adviser on account opening forms when Respondent opened the brokerage account for the Michigan investor. Respondent identified Salvati as the adviser on the account without Salvati's or the investor's knowledge. Respondent then made trades in the account on the investor's behalf, under Salvati's name.

II. RELEVANT STATUTORY PROVISIONS

1. Section 102c(c) of the Securities Act defines "Security", in part, as:

[A] note; stock; treasury stock; security future; bond; debenture; evidence of indebtedness; certificate of interest or participation in a profit-sharing agreement; collateral trust certificate; preorganization certificate or subscription; transferable share; investment contract; voting trust certificate; certificate of deposit for a security; fractional undivided interest in oil, gas, or other mineral rights; put, call, straddle, option, or privilege on a security, certificate of deposit, or group or index of securities, including an interest in or based on the value of that put, call, straddle, option, or privilege on that security, certificate of deposit, or group or index of securities, put, call, straddle, option, or privilege entered into on a national securities exchange relating to foreign currency, an investment in a viatical or life settlement agreement; or, in general, an interest or instrument commonly known as a "security"; or a certificate of interest or participation in, temporary or interim certificate for, receipt for, guarantee of, or warrant or right to subscribe to or purchase, any of the foregoing...
2. Section 102a(e) of the Securities Act defines "Investment adviser", in part, as:

[A] person that, for compensation, engages in the business of advising others, either directly or through publications or writings, as to the value of securities or the advisability of investing in, purchasing, or selling securities or that, for compensation and as a part of a regular business, issues or promulgates analyses or reports concerning securities...

3. Section 403(1) of the Securities Act, MCL 451.2403(1), states:

A person shall not transact business in this state as an investment adviser unless the person is registered under this act as an investment adviser or is exempt from registration as an investment adviser under subsection (2).

4. Section 503(1) of the Securities Act, MCL 451.2503(1), states:

In a civil action or administrative proceeding under this act, a person claiming an exemption, exception, preemption, or exclusion has the burden to prove the applicability of the exemption, exception, preemption, or exclusions.

5. Section 502(1) of the Securities Act, MCL 451.2502, states:

It is unlawful for a person that advises others for compensation, either directly or indirectly or through publications or writings, as to the value of securities or the advisability of investing in, purchasing, or selling securities, or that, for compensation and as part of a regular business, issues or promulgates analyses or reports relating to securities, to do any of the following:

- (a) Employ a device, scheme, or artifice to defraud another person.
- (b) Engage in an act, practice, or course of business that operates or would operate as a fraud or deceit upon another person.

III. CONCLUSIONS OF LAW

1. Respondent falls within the Securities Act's definition of "investment adviser" because he contracted to directly select which securities to purchase for the investor's account, meaning that he engaged for compensation in the business of advising others as to the value of securities or the advisability of investing in, purchasing, or selling securities in the State of Michigan. Respondent engaged in investment adviser activities without the benefit of registration or a properly-claimed exemption from registration, in violation of section 403(1) of the Securities Act, MCL 451.2403(1).

2. Respondent, by fraudulently falsifying account-opening documents, employed a device, scheme, or artifice to defraud another person in the provision of investment advice to another person for compensation, in violation of section 502(1)(a) of the Securities Act, MCL 451.2502(1)(a).

IV. ORDER

IT IS THEREFORE ORDERED, pursuant to section 604 of the Securities Act, MCL 451.2604, that:

- A. Respondent shall immediately CEASE AND DESIST from acting as an unregistered investment adviser, and from employing any device, scheme, or artifice to defraud others in the provision of investment advice for compensation, contrary to the Securities Act.
- B. Pursuant to section 604(2) of the Securities Act, this Notice and Order to Cease and Desist is IMMEDIATELY EFFECTIVE.
- C. In her Final Order, the Administrator, under section 604(4) of the Securities Act, MCL 451.2604(4), intends to impose a civil fine of \$20,000.00 against Carey Stevens
- D. Pursuant to section 508 of the Securities Act, MCL 451.2508, a person that willfully violates the Securities Act, or an order issued under the Securities Act, is guilty of a felony punishable by imprisonment for not more than 10 years or a fine of not more than \$500,000.00 for each violation, or both. An individual convicted of violating a rule or order under this act may be fined, but shall not be imprisoned, if the individual did not have knowledge of the rule or order.

V. NOTICE OF OPPORTUNITY FOR HEARING

Section 604 of the Securities Act, MCL 451.2604, provides that Respondent has 30 days beginning with the first day after the date of service of this Notice and Order to Cease and Desist to submit a written request to the Administrator asking that this matter be scheduled for a hearing. If the Administrator receives a written request in a timely manner, the Administrator shall schedule a hearing within 15 days after receipt of the request. The written request for a hearing must be addressed to:

Corporations, Securities & Commercial Licensing Bureau
Regulatory Compliance Division
P.O. Box 30018
Lansing, MI 48909

VI. ORDER FINAL ABSENT HEARING REQUEST

A. Under section 604 of the Securities Act, MCL 451.2604, the Respondent's failure to submit a written request for a hearing to the Administrator within 30 days after the service date of this **NOTICE AND ORDER TO CEASE AND DESIST** shall result in this order becoming a **FINAL ORDER** by operation of law. The **FINAL ORDER** includes the imposition of the fines cited described in section IV.C., and the fine amounts set forth below will become due and payable to the Administrator within sixty (60) days after the date this order becomes final:

\$20,000.00 – Carey Stevens, under section 604 of the Securities Act, MCL 451.2604.

B. CIVIL FINE payments should be payable to the STATE OF MICHIGAN and contain identifying information (e.g., names and complaint numbers) and mailed to the following address:

Corporations, Securities & Commercial Licensing Bureau
Final Order Monitoring
P.O. Box 30018
Lansing, MI 48909

C. Failure to comply with the terms of this Order within the time frames specified may result in additional administrative penalties, including the summary suspension or continued suspension of all registrations held by Respondents under the Securities Act, the denial of any registration renewal, and/or the denial of any future applications for registration, until full compliance is made. Respondents may voluntarily surrender or withdraw a registration under the Securities Act; however, the surrender or withdrawal will not negate the summary suspension or continued suspension of the relevant registrations or any additional administrative proceedings if a violation of this Order or the Securities Act occurred.

D. Failure to pay the civil fines within six (6) months after this Order becomes final may result in the referral of the civil fines to the Michigan Department of Treasury for collection action against Respondents.

CORPORATIONS, SECURITIES & COMMERCIAL LICENSING BUREAU



Julia Dale
Director, Corporations, Securities &
Commercial Licensing Bureau

6/24/16

Date