

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2007007402901**

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REGISTRATION & DISCLOSURE

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

RE: Cambria Capital LLC, Respondent
Member Firm
CRD No. 133760

Pursuant to NASD Rule 9216 of FINRA's Code of Procedure, Respondent, Cambria Capital LLC, 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

Cambria, located in Salt Lake City, Utah, became a member of FINRA in May 2005. Cambria employs approximately 10 registered individuals who operate from the firm's three branch offices. The firm engages in a general securities business. Cambria has no disciplinary history.

OVERVIEW

This matter involves violations of NASD Conduct Rule 2110 by Cambria in connection with its sale of over 1.3 billion shares of unregistered securities involving five issuers from December 2006 through March 2007. The sales were effected by a supervisor and registered representative who were hired by Cambria at the end of 2006 and terminated approximately six months later. The securities were not exempt from Section 5's registration requirements. These sales generated gross proceeds of approximately \$1.5 million. The stocks were little known, thinly traded securities and, as such, warranted a searching inquiry into the stock's registration status by the firm before the execution of transactions. Cambria's due diligence was not sufficient to ensure that the securities were freely-tradable and unrestricted.

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This settlement also contains findings that Cambria failed to develop a supervisory system reasonably designed to prevent and detect the sale of unregistered securities, in violation of NASD Conduct Rules 3010 and 2110. Cambria also failed to fully implement its Anti-Money Laundering ("AML") Procedures pertaining to customer identification and the investigation of red flags suggesting suspicious activity. Further, Cambria failed to conduct an independent test of its anti-money laundering compliance program in 2006. Finally, the firm failed to file Suspicious Activity Reports despite its knowledge of circumstances that should have caused it to make such filings.

FACTS AND VIOLATIVE CONDUCT

1. Violation of NASD Conduct Rule 2110 (Sales of Unregistered Securities, in Contravention of Section 5 of the Securities Act of 1933)

A. Sales of Unregistered FPL stock

On December 12, 2006, HM opened an account with Cambria. The following day, HM opened an account for ESGG, a company of which, at all relevant times, HM was the sole officer.

On December 14, 2006, approximately 29,767,000 shares of FPL stock were transferred from a brokerage firm into ESGG's Cambria account. On December 19, 2006, that same brokerage firm also transferred electronically approximately 11,975,000 shares of FPL stock into HM's Cambria account.

On January 24, 2007, and February 5, 2007, ESGG transferred 1,000,000 and 4,000,000 shares of FPL to RD's account at Cambria. According to the relevant Letters of Authorization ("LOA"), the reason for the transfers was "consulting services."

HM, ESGG and RD sold FPL shares as reflected below:

<u>Customer</u>	<u>Approximate No. Shares</u>	<u>Dates of Sales</u>	<u>Approximate Proceeds</u>
ESGG	24,767,000	1/4/07 – 2/7/07	\$15,848.00
HM	11,975,000	1/5/07 – 1/26/07	\$23,006.00
RD	5,000,000	2/5/07 – 2/6/07	\$2,128.00

The above-listed transactions constituted an unregistered distribution of approximately 41,742,001 shares of FPL by and through Cambria. The FPL shares were neither registered pursuant to Section 5 of the Securities Act of 1933 nor exempt from registration.

B. Sales of Unregistered SP shares

On December 20, 2006, JD opened an account with Cambria. On February 26, 2007 and March 2, 2007, JD deposited two certificates for 5,395,000 shares of SP, representing ownership of 10,790,000 shares. Between March 1, 2007, and March 30, 2007, JD sold approximately 1,102,700 shares through Cambria, generating gross proceeds of approximately \$225,000.00. These transactions constituted an unregistered distribution of

approximately 1,102,700 shares of SP by and through Cambria. The SP shares were neither registered pursuant to Section 5 of the Securities Act of 1933 nor exempt from registration.

3. Sales of Unregistered PAM shares

On December 8, 2006, MB opened an account in the name of BFI with Cambria. On or about December 11, 2006, BFI received certificates representing, respectively, 500 million and 575 million shares of PAM shares for deposit into its Cambria account. Between December 12, 2006, and March 28, 2007, BFI sold approximately 1,002,771,000 shares of PAM, generating gross proceeds of approximately \$525,599.00. These transactions constituted an unregistered distribution of approximately 1,002,771,000 shares of PAM by and through Cambria over a period of approximately three months. The PAM shares were neither registered pursuant to Section 5 of the Securities Act of 1933 nor exempt from registration.

4. Sales of Unregistered EH shares

On or about January 26, 2007, LT, ET and RB opened accounts at Cambria. All three of the accounts received in the same amount of EH shares on the same dates, as reflected below:

<u>Customer</u>	<u>Approximate No. of Shares</u>	<u>Date of Receipt</u>
LT	21,000,000	2/2/2007
LT	12,333,333	2/2/2007
RB	33,333,333	2/2/2007
ET	33,333,333	2/2/2007
LT	58,000,000	3/5/2007
ET	58,000,000	3/5/2007
RB	58,000,000	3/5/2007
Total	273,999,999	

Each of the three accounts received approximately 91,333,333 shares. The three accounts then journalled EH shares to other Cambria accounts. Specifically, LT transferred approximately 21,000,000 shares and 9,898,334 shares (totaling 30,898,334) of EH to the account of GG on February 7, 2007, and March 2, 2007, respectively. In addition, ET transferred approximately 26,768,333 shares of EH to the account of GG on March 2, 2007. RB transferred approximately 33,333,333 shares of EH to the account of JL on March 2, 2007. The Letters of Authorization for these transfers stated the reason for the transfers was payment for services.

Between February 14, 2007, and March 20, 2007, LT, ET, RB, JL and GG sold approximately 257,146,000 shares of EH, generating gross proceeds of approximately \$246,000.00. These transactions constituted an unregistered distribution of approximately 257,146,000 shares of EH by and through Cambria over a period of five weeks. The EH shares were neither registered pursuant to Section 5 of the Securities Act of 1933 nor exempt from registration.

5. Sales of Unregistered ATI Shares

On December 8, 2006, BTF, RTI and JW opened accounts with Cambria. On December 11, 2006, MM opened an account with Cambria. On December 13, 2006, RP opened an account with Cambria. Between December 11, 2006, and December 18, 2006, a total of 25 million ATI shares were received into these five customer accounts from ATI's transfer agent as reflected below:

- December 11, 2006 BTF received 5 million shares
- December 11, 2006 RRI received 5 million shares
- December 11, 2006 JW received 3 million shares
- December 12, 2006 JW received 2 million shares
- December 13, 2006 MM received 5 million shares
- December 18, 2006 RP received 5 million shares

JW, MM and BTF journalled large blocks of ATI shares to the accounts of other Cambria customers within days of receipt. Specifically,

- On December 12, 2006, JW transferred 2 million shares to BI.
- On December 14, 2006, MM transferred 3 million shares to BI.
- On or about December 21, 2006, BTF transferred 3,833,333 shares to BFI pursuant to a Stock Sale Agreement.

After receiving 5 million shares (2 million from JW and 3 million from MM) between January 18 and January 30, 2007, BI transferred approximately 811,000 shares to approximately ten other Cambria accounts. Two of the accounts, after receiving the shares, journalled them back to BI. Three of the accounts that received shares from BI transferred some or all of the shares they received to five other Cambria accounts. As a result of approximately 25 journal transactions between Cambria customer accounts, approximately 20 customer accounts (the ATI accounts) held ATI shares originating with the 25 million shares initially received into the five customer accounts described above.

Between December 8, 2006, and March 30, 2007, approximately seventeen of the ATI accounts liquidated a net total of approximately 1,415,300 ATI shares, generating proceeds of approximately \$524,750.00. These transactions constituted an unregistered distribution of approximately 1,415,300 shares of ATI by and through Cambria. The ATI shares were neither registered pursuant to Section 5 of the Securities Act of 1933 nor exempt from registration.

By selling securities which were neither registered nor exempt from registration, Cambria acted in contravention of Section 5 of the Securities Act of 1933 and violated NASD Conduct Rule 2110.

2. Failure to develop a Supervisory System to Detect and Prevent the Sale of Unregistered Securities

During the time of the unregistered sales referenced above, Cambria failed to establish a supervisory system or establish, maintain and enforce written supervisory procedures reasonably designed to achieve compliance with Section 5 of the Securities Act of 1933. Although the firm maintained written supervisory procedures, it did not have in place supervisory policies, practices or procedures that were sufficient to prevent or detect the sale of securities that were neither registered nor exempt from registration by the firm and its representatives, or to determine that securities received into customer accounts could be sold without restriction.

By failing to establish a supervisory system and written procedures reasonably designed to achieve compliance with Section 5 of the Securities Act, Cambria violated NASD Conduct Rules 3010(a) and (b) and 2110.

3. Anti-Money Laundering (AML) Deficiencies

The Bank Secrecy Act ("BSA"), regulations adopted by the Department of the Treasury and NASD Conduct Rule 3011 require each NASD member firm to, among other things, adopt and implement an Anti-Money Laundering compliance program reasonably designed to achieve and monitor the member's compliance with the requirements of the Bank Secrecy Act, 31 U.S.C. § 5318(h) and to also conduct Independent Testing of its AML program for Compliance. As part of that compliance program, a member firm must establish, document, and maintain a written Customer Identification Program that complies with the requirements of the Department of Treasury regulations, 31 C.F.R. §103.122(b).

A. From on or about August 2006 through January 2007, Cambria failed to fully implement its Customer Identification Program in connection with approximately 31 new non-individual customer accounts. Specifically, it failed to obtain complete information to verify the identity of such accounts.

B. NASD Conduct Rule 3011(c) requires that each member firm design and implement an AML program that provides for an annual independent test of the firm's compliance with its AML procedures. Although Cambria's tester had not performed most of the functions being tested, Cambria's implementation of the independent testing requirement in 2006 did not comply with Rule 3011 because the person conducting the test did not qualify as independent at the time it was conducted.

C. From on or about November 28, 2006 through January 31, 2007, Cambria received notices from its clearing firm identifying customers opening new accounts that had, among other things, securities disciplinary histories and/or other characteristics warranting review. Cambria failed to properly investigate the information received during this time period pertaining to approximately 28 customers and 36 accounts.

D. Under Cambria's internal procedures, the firm was required to file SARs for any account activity (including deposits and transfers) conducted or attempted through the firm involving \$5,000 or more of funds or assets where the firm knew, suspected, or had reason to suspect that: 1) the transaction involved funds derived from illegal activity or was intended or conducted in order to hide or disguise funds or assets derived from illegal activity as part of a plan to violate or evade federal law or regulation; 2) the transaction was designed to evade BSA regulations; 3) the transaction had no business or apparent lawful purpose or was not the sort in which the customer would normally be expected to engage and the firm was unaware of any reasonable explanation for the transaction; or 4) the transaction involved the use of the firm to facilitate criminal activity.

Cambria failed to enforce its SARs procedures in that, from on or about December 2006 through March 2007, Cambria failed to file SARs in connection with questionable activities in approximately 14 customer accounts involving \$5,000 or more. Such activities appear to have lacked a lawful purpose and the firm was not aware of any reasonable explanation for the transactions.

Such acts, practices and conduct constitute separate and distinct violations of NASD Rules 3011 and 2110 by Cambria.

OTHER FACTORS

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

A Censure and a \$40,000 fine.¹

Respondent agrees to pay the monetary sanction upon notice that this AWC has been accepted and that such payments are due and payable. Respondent has submitted an Election of Payment form showing the method by which it proposes to pay the fine imposed.

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

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

II.

WAIVER OF PROCEDURAL RIGHTS

Respondent specifically and voluntarily waives the following rights granted under FINRA's Code of Procedure:

A. To have a Formal Complaint issued specifying the allegations against it;

¹ Pursuant to the General Principles Applicable to all Sanction Determinations contained in the Sanction Guidelines, FINRA imposed a lower fine in this case after it considered, among other things, the firm's revenues and financial resources. See Notice to Members 06-55.

- B. To be notified of the Formal 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 NASD Rule 9143 or the separation of functions prohibitions of NASD 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 NASD 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 it;
 - 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 NASD Rule 8310 and IM-8310-3; 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.
- D. Respondent may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. Respondent understands that 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.

Respondent certifies that it has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it; that it 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 to submit it.

Date

Respondent

Cambria Capital, LLC

By:



Eric W. Richardson
President

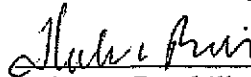
Reviewed by:

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Accepted by FINRA:

: 12/19/08
Date

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



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