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ALTERNATIVE DISCLOSURE

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20080116399 01**

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

RE: Alvarez & Marsal Securities, LLC, Respondent
BD No. 127858

██████████ Respondent
General Securities Principal
CRD No. ██████████

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Alvarez & Marsal Securities, LLC ("AMS" or the "Firm") and ██████████ (collectively, "Respondents") 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 either AMS or ██████████ alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. Respondents 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

1. AMS has been a FINRA regulated broker-dealer since January 7, 2004. Throughout the Firm's operation, it has provided investment banking services and financial advisory services. During the period 2005 through 2007, the Firm has had between approximately three and thirteen registered representatives.
2. ██████████ first became registered with FINRA as a General Securities Representative ("GSR") through a former FINRA regulated broker-dealer on October 19, 1988, and as a General Securities Principal ("GSP") through AMS on January 7, 2004. ██████████ has been registered with FINRA through AMS as a GSR and GSP since January 7, 2004. At all times,

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██████████ has been AMS's President and Chief Executive Officer. Additionally, from AMS's commencement of operations until November 12, 2008, ██████████ was AMS's Chief Compliance Officer, with responsibility for AMS's compliance with FINRA rules concerning, among other things, office inspections and compliance meetings.

RELEVANT DISCIPLINARY HISTORY

3. Neither AMS nor ██████████ has had any disciplinary history.

OVERVIEW

4. In 2005 and 2006, AMS, acting through ██████████ failed to conduct annual inspections of its main office and conduct annual compliance meetings. Furthermore, in 2007, AMS, acting through ██████████ failed to reduce to a written report its 2007 inspection and review of its main office.
5. Additionally, in 2005 and 2006, AMS failed to comply with the Firm Element of the Continuing Education Rule as contained in NASD Membership and Registration Rule 1120(b).

FACTS AND VIOLATIVE CONDUCT

Failure to Conduct and Document Annual Office Inspections

6. NASD Conduct Rule 3010(c)(1)(A) requires, in relevant part, that each FINRA-regulated firm to inspect at least annually every office of supervisory jurisdiction.
7. In 2005 and 2006, AMS, acting through ██████████ failed to conduct inspections of its main office in New York, New York.
8. By reason of the conduct described in paragraph "7" above, AMS and ██████████ violated NASD Conduct Rules 3010(c)(1)(A) and 2110.
9. NASD Conduct Rule 3010(c)(2) requires FINRA regulated firms to reduce to a written report office inspections conducted pursuant to NASD Conduct Rule 3010(c)(1)(A) and to keep the reports on file for a minimum of three years.
10. In connection with AMS's inspection and review of its main office in 2007, pursuant to NASD Conduct Rule 3010(c)(1)(A), AMS, acting through ██████████ failed to reduce the inspection and review to a written report.

11. By reason of the conduct described in paragraph "10" above, AMS and [REDACTED] violated NASD Conduct Rule 3010(c)(2) and 2110.

Failure to Conduct Annual Compliance Meetings

12. NASD Conduct Rule 3010(a)(7) requires that a FINRA-regulated firm's supervisory system provide, at a minimum, for the participation of each registered representative, at least once each year, in an interview or meeting at which compliance matters relevant to the registered representative are discussed.
13. In 2005 and 2006, AMS, acting through [REDACTED] failed to conduct annual compliance meetings.
14. By reason of the conduct described in paragraph "13" above, AMS and [REDACTED] violated NASD Conduct Rule 3010(a)(7) and NASD Conduct Rule 2110.

Failure to Comply with the Firm Element of Continuing Education Rule

15. NASD Membership and Registration Rule 1120(b)(2)(A) provides that each FINRA regulated firm "must maintain a continuing and current education program for its covered registered persons to enhance their securities knowledge, skill, and professionalism." That rule further provides, among other things, that, "[a]t a minimum, each [firm] shall at least annually evaluate and prioritize its training needs and develop a written training plan." Additionally, NASD Membership and Registration Rule 1120(b)(2)(C), requires that a firm

"administer its continuing education programs in accordance with its annual evaluation and written plan and must maintain records documenting the content of the programs and completion of the programs by covered registered persons."
16. For calendar year 2005, AMS failed to document that it had administered a continuing education program in accordance with its 2005 evaluation of its training needs and written training plan for its three covered registered personnel.
17. For calendar year 2006, AMS failed to conduct a needs analysis and prepare a written training plan or administer a continuing education program for its thirteen covered registered personnel.

18. By reason of the conduct described in paragraphs "16" through "17" above, AMS violated NASD Membership and Registration Rule 1120(b)(2) and NASD Conduct Rule 2110.

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

1. AMS to be censured;
2. AMS and [REDACTED] to be jointly and severally fined \$5,000; and
3. AMS to be fined an additional \$10,000.

Respondents agree to pay their respective monetary sanctions upon notice that this AWC has been accepted and that such payments are due and payable. AMS and [REDACTED] have each submitted an Election of Payment form showing the method by which they propose to pay the respective fines imposed.

Respondents specifically and voluntarily waive any right to claim that they are unable to pay, now or at any time hereafter, the monetary sanctions imposed upon them in this matter.

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

II.

WAIVER OF PROCEDURAL RIGHTS

Respondents specifically and voluntarily waive the following rights granted under FINRA's Code of Procedure:

- A. To have a Complaint issued specifying the allegations against Respondents;
- 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, Respondents 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.

Respondents 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

Respondents 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 Respondents; and
- C. If accepted:
 - 1. this AWC will become part of Respondents' permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against Respondents;
 - 2. this AWC will be made available through FINRA's public disclosure program in response to public inquiries about Respondents' 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. Respondents 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. Respondents 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

D. Respondents may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. Respondents understand that they 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.

Date Dec 2, 09

Dec 2, 07
Date

Accepted by FINRA:

December 16, 2009
Date

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

A handwritten signature in black ink, appearing to read "Gary A. Chodosh", is written over a horizontal line.

Gary A. Chodosh, Senior Regional Counsel
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