

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2009016207701**

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

RE: Brown Associates, Inc., Respondent
Member
[CRD No. 5049]

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Brown Associates, Inc. ("Brown" or the "Firm") 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 them alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. Brown 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

Brown has been a member of FINRA since April 8, 1970. The Firm is based in Chattanooga, Tennessee and operates from two OSJ offices and one branch office. Brown employs approximately 11 registered representatives. The Firm's registration as a FINRA member remains in effect.

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RELEVANT DISCIPLINARY HISTORY

Brown does not have a relevant disciplinary history.

OVERVIEW

From September 2006 through March 2009, Brown failed to properly maintain and preserve all electronic communications relating to the Firm's business; to provide timely third-party attestations and notifications for two of its third-party vendors for electronic storage media; to evidence review of electronic communications; and to enforce written supervisory procedures that were reasonably designed to achieve compliance with the rules and regulations applicable to the review of such communications. Brown's conduct violated Section 17(a) of the Securities Exchange Act of 1934, Exchange Act Rule 17a-4, NASD Conduct Rules 3110, 3010 and 2110, and FINRA Rule 2010.

FACTS AND VIOLATIVE CONDUCT

Between September 2006 through March 2009, Brown failed to properly archive its business-related electronic communications for six individual users in two of its OSJ offices. Specifically, Brown stored these e-mails on stand-alone servers or individual machines only, theoretically permitting individual users to delete incoming or outgoing e-mails. Accordingly, Brown failed to properly preserve its business-related electronic correspondence and thus violated Section 17(a) of the Securities Exchange Act of 1934, Exchange Act Rule 17a-4, NASD Conduct Rule 3110, NASD Conduct Rule 2110 (from September 2006 through December 14, 2008) and FINRA Rule 2010 (from December 15, 2008 through March 2009).

During this same time period, Brown also failed to review business-related electronic communications for the six aforementioned individuals and one additional user. Additionally, Brown failed to evidence its review of three individuals' business-related electronic communications as required by the firm's Written Supervisory Procedures. Accordingly, Brown violated NASD Conduct Rule 3010, NASD Conduct Rule 2110 (from September 2006 through December 14, 2008) and FINRA Rule 2010 (from December 15, 2008 through March 2009).

Brown also failed to provide a notification and third-party attestation to FINRA regarding the use of electronic storage media ninety days prior to employing such media. Brown executed a contract with a third-party service provider on November 26, 2007, but did not file with FINRA the requisite notification and third-party attestation until May 6, 2009. Similarly, on March 25, 2009, Brown executed a contract with another third-party service provider, but did not file with FINRA the requisite notification and third-party attestation until May 6, 2009.

Because Brown failed in both circumstances to provide third-party attestations and notifications to FINRA ninety days before employing such media, it violated Section 17(a) of the Securities Exchange Act of 1934, Exchange Act Rule 17a-4, NASD Conduct Rule 2110 (from August 2007 through December 14, 2008) and FINRA Rule 2010 (from December 15, 2008 through May 6, 2009).

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

A censure and a \$50,000 fine.

In addition, Brown agrees to comply with the following undertaking within the time periods specified (unless otherwise extended by FINRA staff following a written request by the Firm): Within ninety calendar days of the issuance of this AWC, the Chief Executive Officer of Brown will certify to FINRA in writing that the Firm currently has in place systems and procedures reasonably designed to achieve compliance with those laws, regulations, and rules concerning the preservation of electronic correspondence. The certification, along with the current procedures, must be submitted to the Department of Enforcement staff at FINRA's New Orleans District Office. Although FINRA staff may review the revised procedures, said review shall in no way constitute an approval of the revised procedures. The failure of FINRA staff to alert Brown to any deficiencies in the revised procedures shall not preclude FINRA from instituting a subsequent disciplinary action as a result of deficiencies in the revised procedures.

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

Brown specifically and voluntarily waives any right to claim that the Firm 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

Brown Associates, Inc. specifically and voluntarily waives the following rights granted under FINRA's Code of Procedure:

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

- 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, Brown 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.

Brown 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

Brown 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 them; and
- C. If accepted:
 - 1. this AWC will become part of the Firm's permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against them;

2. this AWC will be made available through FINRA's public disclosure program in response to public inquiries about the Firm'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. the Firm 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. The Firm 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 right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party.

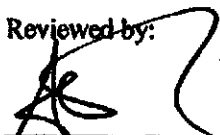
D. Brown may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. Brown understands that it may not deny the charges or make any statement that is inconsistent with the AWC in this Statement. This Statement does not constitute factual or legal findings by FINRA, nor does it reflect the views of FINRA or its staff.

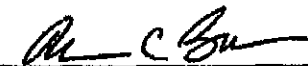
The undersigned, on behalf of the Firm, certifies that a person duly authorized to act on its behalf has read and understand all of the provisions of this AWC and have been given a full opportunity to ask questions about it; that the undersigned has agreed to its provisions voluntarily; and that no offer, 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 the Firm to submit it.

04/26/2011
Date (mm/dd/yyyy)

ALLEN C. BROWN
Brown Associates, Inc., Respondent

Reviewed by:

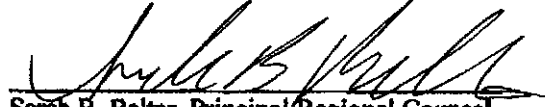

Counsel for Respondent

By: 

Accepted by FINRA:

May 5, 2011
Date

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



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