

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2010023902801**

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

RE: Alluvion Securities, LLC, Respondent
Member Firm
[CRD No. 143623]

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Alluvion Securities, LLC ("Alluvion" 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 Alluvion 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

Alluvion has been a member of FINRA since September 11, 2007. Alluvion operated during all periods discussed herein pursuant to subparagraph (a)(2)(iii) of SEC Rule 15c3-1 and has a net capital requirement of \$100,000. The Firm operates under this provision because it engages in trading at risk from inventory. Alluvion operates under the (k)(2)(ii) exemption of SEC Rule 15c3-3 by introducing all customer accounts on a fully disclosed basis to a clearing firm.¹ Alluvion is approved to conduct business in government securities, mortgages, municipal securities (including underwriting), certificates of deposit, and private placements. The Firm's registration as a FINRA member remains in effect.

¹ Alluvion's clearing arrangement was cancelled on April 16, 2010.

RELEVANT DISCIPLINARY HISTORY

Alluvion does not have any relevant disciplinary history.

OVERVIEW

At various times during 2009 and 2010, Alluvion committed various net capital, recordkeeping, capital withdrawal notification, and FOCUS reporting violations. Alluvion also committed certain membership agreement violations. As a result of such conduct, Alluvion violated Section 15(c) and 17(a) of the Securities Exchange Act of 1934; SEC Rules 15c3-1, 17a-3, 17a-5, and 17a-11; NASD Conduct Rule 3110(a) and FINRA Rule 2010; and NASD Rule 1017.

FACTS AND VIOLATIVE CONDUCT

On December 5, 2009, Alluvion and another FINRA member firm entered into a Memorandum of Understanding, which addressed a phased merger of business operations between the two. In connection with the potential merger, Alluvion and the other FINRA member firm each sold non-voting, non-convertible, preferred shares to a trust (the "Trust"), which in turn contributed \$750,000 in the form of three million shares of EnDevCo stock for the purchase of 25,000 preferred shares of Alluvion.

Net Capital Violations

In May 2010, Alluvion's three million shares of EnDevCo stock were decreasing in value and had a limited market. The Securities and Exchange Commission requires a broker-dealer to take a marketplace blockage charge for non-marketable securities. Prior to May 2010, Alluvion had failed to account for this blockage charge. In May 2010, Alluvion computed its net capital position as of May 24, 2010 and assessed the blockage charge that resulted in a net capital deficiency for the Firm on five days during which the Firm had conducted a securities business. Specifically, on April 5, 6, 8, 15, and 16, 2010, Alluvion conducted a securities business by executing a total of eight trades while failing to maintain its minimum net capital requirement of \$100,000. The Firm was net capital deficient on those days by (\$9,376), (\$10,569), (\$7,435), (\$52,090), and (\$69,269), respectively. As a result of such conduct, Alluvion violated Section 15(c) of the Securities Exchange Act of 1934, SEC Rule 15c3-1 and FINRA Rule 2010.

Financial Recordkeeping and FOCUS Filing Violations

Due to its failure to assess the marketplace blockage charge, Alluvion failed to accurately prepare net capital computations for December 31, 2009, January 31, 2010, February 28, 2010, March 31, 2010, and April 30, 2010, resulting in the Firm maintaining inaccurate books and records on those dates. Consequently, Alluvion filed inaccurate FINRA FOCUS Part IIA Reports for those months. Alluvion also filed untimely FINRA FOCUS Part IIA Reports for August 31, 2010 (two days late), October 31, 2010 (one day late), and November 30, 2010 (two days late). Alluvion also failed to file the requisite notification of its net capital deficiencies as required by SEC Rule 17a-11. Additionally, in August 2010, Alluvion redeemed the preferred shares of its stock from the Trust for full value, pursuant to the preferred stock purchase agreement. Alluvion's August 2010 FINRA FOCUS Part IIA Report reflects a deduction to the capital of \$750,000 for the redemption of shares. Alluvion failed to file the requisite notification for the deduction pursuant to SEC Rule 17a-5(a)(2)(iii). As a result of the foregoing conduct, Alluvion violated Section 17(a) of the Securities Exchange Act of 1934, SEC Rules 17a-3, 17a-5 and 17a-11, NASD Conduct Rule 3110(a) and FINRA Rule 2010.

Capital Withdrawal Notification Violation

In August 2010, Alluvion redeemed the preferred shares of its stock from the Trust for their full value of \$750,000, pursuant to the preferred stock purchase agreement. Additionally, Alluvion's August 2010 FINRA FOCUS Part IIA Report reflects a deduction to the capital of \$750,000 for the redemption of shares. Alluvion's deduction of capital for the redemption of shares constituted a capital withdrawal from Alluvion that on a net basis exceeded in the aggregate, in a 30- calendar day period, 30% of Alluvion's excess net capital. Alluvion was required to provide written notice two business days prior to such a withdrawal. To date, Alluvion has failed to provide the requisite notice. As a result of the foregoing conduct, Alluvion violated SEC Rule 15c3-1(e)(1) and FINRA Rule 2010.

Membership Agreement Violations

NASD Membership and Registration Rule 1017(a) requires a member firm to file an application with FINRA for approval of certain changes to its ownership, control, or business operations, including "a change in the equity ownership or partnership capital of the member that results in one person or entity directly or indirectly owning or controlling 25 percent or more of the equity or partnership capital material." Prior to the end of 2010, both Alluvion's COO and CCO each owned 8.75% of Alluvion. As part of Alluvion's return to net capital compliance

at the end of 2010, however, both the COO and CCO made additional equity contributions to the Firm. Both the Firm's December 28, 2010 and January 24, 2011 corporate minutes reflect that, due their capital contributions, the COO and CCO's ownership percentages each increased above 25%. Based on these representations, FINRA staff made numerous requests that Alluvion submit a Rule 1017 application for the ownership changes. As of the execution date of this AWC, Alluvion has failed to do so. As a result of such conduct, Alluvion violated NASD Rule 1017 and FINRA Rule 2010 from December 2010 up through and including the execution date of this AWC.

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

Alluvion is censured and fined \$20,000.

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

Respondent Alluvion 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

Alluvion Securities, LLC specifically and voluntarily waives the following rights granted under FINRA's Code of Procedure:

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

Alluvion 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

Alluvion understands that:

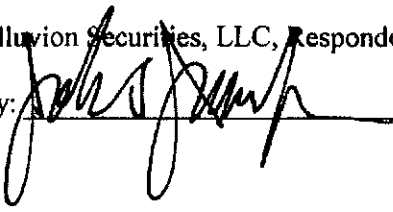
- A. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by the NAC, a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs ("ODA"), pursuant to FINRA Rule 9216;
- B. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against Alluvion; and
- C. If accepted:
 - 1. this AWC will become part of Alluvion'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 Alluvion'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. Alluvion 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. It 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 Alluvion's right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party.

- D. Alluvion may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. Alluvion 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 Alluvion certifies that he is duly authorized to act on Alluvion's behalf, has read and understands all of the provisions of this AWC, and has been given a full opportunity to ask questions about it; that Alluvion 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 Alluvion to submit it.

Alluvion Securities, LLC, Respondent

By: 

February 15, 2012
Date

Reviewed by:

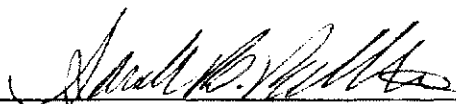
Walter SSS

Counsel for Respondent

Accepted by FINRA:

February 22, 2012
Date

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



Sarah B. Belter, Principal Regional Counsel
FINRA, Department of Enforcement
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February 14, 2012

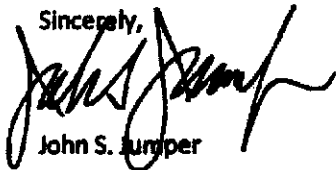
Ms. Sarah B. Belter, Esq.
Principal Regional Counsel
FINRA
1100 Poydras Street
Energy Centre, Suite 850
New Orleans, LA
70163-1108

Re: Corrective Action Statement

Dear Ms. Belter:

In May of 2010, Alluvion Securities, LLC had three million shares of EnDevco stock that was calculated into the firm's net capital. Alluvion Securities, LLC management maintained the stock on the company's books at 50% of its value based on price, which we felt was a conservative evaluation. We subsequently learned with a meeting with FINRA that the SEC requires a broker-dealer to employ a methodology known as a marketplace blockage charge for securities deemed to be non-marketable. Based on learning this requirement Alluvion Securities, LLC reduced its position in EnDevco to zero and shareholders of Alluvion Securities, LLC infused cash for net capital requirements. In the future, Alluvion Securities, LLC simply will not utilize any security as capital that could be potentially regarded as non-marketable due to price or erratic or low trading volume.

Sincerely,



John S. Jumper

Chief Executive Officer

This Corrective Action Statement is submitted by the Respondent. It does not constitute factual or legal findings by FINRA, nor does it reflect the views of FINRA, or its staff.