UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 78457 / August 2, 2016

INVESTMENT ADVISERS ACT OF 1940
Release No. 4468 / August 2, 2016

INVESTMENT COMPANY ACT OF 1940
Release No. 32202 / August 2, 2016

ADMINISTRATIVE PROCEEDING
File No. 3-17365

In the Matter of

Alison, LLC and Stephen D. Alison,

Respondents.

ORDER INSTITUTING ADMINISTRATIVE AND CEASE-AND-DESIST PROCEEDINGS, PURSUANT TO SECTIONS 15(b) OF THE SECURITIES EXCHANGE ACT OF 1934, SECTIONS 203(e), 203(f) AND 203(k) OF THE INVESTMENT ADVISERS ACT OF 1940, AND SECTION 9(b) OF THE INVESTMENT COMPANY ACT OF 1940

I.

The Securities and Exchange Commission ("Commission") deems it appropriate and in the public interest that public administrative and cease-and-desist proceedings be, and hereby are, instituted pursuant to Sections 15(b) of the Securities Exchange Act of 1934 ("Exchange Act"), Sections 203(e), 203(f) and 203(k) of the Investment Advisers Act of 1940 ("Advisers Act"), and Section 9(b) of the Investment Company Act of 1940 ("Investment Company Act") against Alison, LLC and Stephen D. Alison ("Respondents").

II.

After an investigation, the Division of Enforcement alleges that:

A. RESPONDENTS

1. Alison, LLC ("ALLC") is an Oregon limited liability company that has been registered with the Commission as an investment adviser since September 2, 2004. In or about 2013, ALLC had approximately $109 million in assets under management. In or about October 2014, the amount decreased to about $74 million. ALLC's principal place of business was in Eugene, Oregon, but it ceased operations on or about November 2014. All existing accounts were transferred to another investment adviser. As of March 2016, ALLC has not withdrawn its registration with the Commission.

2. Stephen D. Alison ("Alison") was the founder, sole owner, control person, and chief compliance officer of ALLC from its inception in September 2004 through November 2014, when it ceased operations (with the exception of about 2009 to approximately September 2011, when Alison brought in a partner in ALLC). Alison made all investment decisions for ALLC's clients. Alison was also a registered representative with a registered broker-dealer until about December 2014, when he resigned. During the relevant time period, Alison held the Series 6, 7, and 63 securities licenses. Alison, age 54, is a resident of Eugene, Oregon.

3. These proceedings involve Alison and ALLC, a registered investment adviser wholly owned and controlled by Alison, who repeatedly failed to produce to the Commission's examination staff required books and records, in violation of the federal securities laws, thus, inhibiting the staff's ability to fully assess Alison and ALLC's compliance with the federal securities laws. The staff did find, however, that Respondents failed to disclose in ALLC's Form ADV filings that ALLC's distressed financial condition was reasonably likely to impair its ability to meet contractual commitments to clients. In addition, for over three years, during a time when they had escalating financial difficulties, Respondents generated about 8.3 to 11.2 percent of the revenue produced from ALLC's advisory clients from 12b-1 fee payments that were charged to clients by third parties. These fees were ultimately paid to Alison out of client assets. Alison failed to disclose to clients that cheaper share classes that did not pay the 12b-1 fees, but had identical holdings, were available. Alison and ALLC had a conflict of interest with their clients as they were incentivized to choose fund share classes that carried 12b-1 fees over those that did not. Alison and ALLC did not disclose this conflict of interest and misrepresented in ALLC's Forms ADV and updating amendments that Alison did not receive 12b-1 fee payments.

B. FALSE DISCLOSURES AND MATERIAL OMISSIONS ON FORMS ADV

4. From about September 2011, through approximately October 2014, Alison was the sole principal and chief compliance officer of ALLC. During that time period, Alison signed all of ALLC's Forms ADV and their updating amendments. He was responsible for reviewing the Forms ADV and their updating amendments and ensuring their accuracy.

5. The general instructions for Part 2 of Form ADV specify that:

> Under federal and state law, you are a fiduciary and must make disclosure to your clients of all material facts relating to the advisory relationship. As a fiduciary, you also must seek to avoid conflicts of interest with your clients, and at a minimum, make full disclosure of

all material conflicts of interest between you and your clients that could affect the advisory relationship.

6. ALLC's Form ADV filings (including updating amendments) from September 2011 through March 2014 failed to disclose that Alison received 12b-1 fees from various mutual fund companies that were ultimately paid to Alison out of client assets. The Forms ADV and their updating amendments also contained material misleading statements regarding 12b-1 fees paid to Alison. They also failed to disclose ALLC and Alison's deteriorating financial condition; a condition that was reasonably likely to impair ALLC's ability to meet contractual commitments to clients.

a. Misleading Statements and Omissions Regarding 12b-1 Fees

7. 12b-1 fees are known in the securities industry as trailers and service fees. Mutual funds charge investors 12b-1 fees to cover fund distribution and/or shareholder service expenses pursuant to Section 12(b) of the Investment Company Act of 1940 and Rule 12b-1 thereunder, and pass these fees on to the fund's distributor, which passes some or all of them to broker-dealers and other intermediaries whose customers hold fund shares.

8. Alison placed certain clients of ALLC in mutual funds that charged 12b-1 fees. The mutual funds paid 12b-1 fees on an annual, quarterly or monthly basis to intermediaries such as broker-dealers whose customer purchased shares. Alison was a registered representative with a broker-dealer that received the 12b-1 fees from mutual funds. The broker-dealer paid to Alison approximately 95 percent of all 12b-1 fees generated from ALLC's clients who were invested in the fund classes that imposed these fees. During the relevant time period, Alison received substantial 12b-1 fees that equated to approximately eight to thirteen percent of the advisory fees paid to ALLC.

9. Alison made all investment decisions on behalf of ALLC and was ALLC's sole principal, owner, and control person. His receipt of 12b-1 fees incentivized him to place ALLC clients in mutual fund classes that carried such fees, and thus created a material conflict of interest between Respondents and their clients.

10. Alison placed a significant portion of ALLC's advisory clients in mutual funds share classes that imposed 12b-1 fees, with most of them placed in a family of mutual funds called the American Funds. Since approximately 2008, American Funds has offered the F share classes, which were available only through certain registered investment advisers or fee-based programs.

11. As disclosed in the funds' summary prospectuses, the F shares consist of two share classes, F-1 and F-2, where both share classes have almost identical characteristics (*i.e*. same holdings, strategy and portfolio managers), but the F-1 shares impose a 12b-1 fee whereas F-2 shares do not. In addition, F-1 shares also had higher "other expenses" than F-2 shares because of the administrative costs associated with paying 12b-1 fees to the various investment professionals. As such, any clients placed in F-1 shares will pay more fees over time – and keep less of their investment returns– than if they purchased F-2 shares.

12. For the funds in which ALLC clients were invested, the summary prospectuses, which were publicly available prior to ALLC's filing of misleading Forms ADV, showed that the costs of F-1 shares when compared to F-2 shares were 45% to 67.5% higher, with corresponding returns that were 0.85% to 3.5% lower. The summary prospectuses for those funds for a five year period, for fiscal years 2011 through 2015 similarly showed that the cost of F-1 shares when compared to F-2 shares were 50.0% to 70.3% higher; with corresponding returns that were 1.29% to 4.87% lower.

13. Thus, ALLC clients paid higher fees and earned lower returns by holding F-1 shares rather than F-2 shares.

14. Alison placed ALLC clients in other similar fund share classes that paid higher fees and earned lower returns as those share classes also paid 12b-1 fees to Alison.

15. As a result, from 2011 through 2014, Alison received substantial 12b-1 fees generated from ALLC's advisory accounts, which he used to operate ALLC's advisory business. The below chart details the monies received:

Time period	**12b-1 Fees paid to Alison**	**Advisory Fees Paid to ALLC**	**12b-1 Fees as a Percentage of Advisory Fees**
09/01/11 to 12/31/11	$23,329	$180,327	12.9%
Calendar year 2012	$85,239	$761,191	11.2%
Calendar year 2013	$83,554	$763,646	10.9%
01/01/14-10/31/14	$64,441	$778,107	8.3%

16. Notwithstanding Alison's receipt of the above-described 12b-1 fees, from 2011 to 2014, ALLC and Alison failed to disclose these fees in ALLC's Forms ADV.

17. Additionally, Part 2A of the Form ADV contained a number of misleading statements. Specifically, under Item 5.C., Part 2A of ALLC's September 1, 2011, Form ADV entitled "Third Party Fees" contained the statements that "We do not receive, directly or indirectly, any of these fees charged to you…The fees include but are not limited to: Brokerage commissions; Transaction fees…Among others that may be incurred." Item 5.E. of the same Form ADV entitled "Other Investment Compensation" contained the statement that "Alison, LLC does not accept compensation for the sale of securities or other investment products, including…service fees from the sale of mutual funds." In or about March 2012, ALLC filed its annual Form ADV updating amendment, including Part 2A (dated March 28, 2012), which contained the identical misstatements as that in the September 1, 2011, Form ADV, Part 2A.

18. The statements in ALLC's September 2011 and March 2012 Form ADV filings were misleading because Alison, who owned and controlled ALLC, in fact received and accepted payment of 12b-1 fees. Those fees were calculated based on the amount of ALLC client assets Respondents placed in mutual funds that paid 12b-1 fees.

19. In or about March 2013, ALLC filed its annual Form ADV, including Part 2A (dated March 27, 2013), which no longer contained the misleading statements of Item 5.C.; however, the misleading statement in Item 5.E. stayed with one change: the word "compensation" was replaced with "commission." The false disclosure now read as "Alison, LLC does not accept commission for the sale of securities or other investment products, including…service fees from the sale of mutual funds."

20. In or about March 2014, ALLC filed its annual Form ADV updating amendment, including part 2A (dated March 24, 2014), which contained the same misleading disclosure as that set forth in paragraph 19 above.

21. The statements in ALLC's March 2013 and March 2014 Forms ADV were misleading because Alison did, in fact, accept payment of 12b-1 fees.

22. As sole owner and chief compliance officer, it was Alison's responsibility to review and ensure the accuracy of the Forms ADV. Alison had ample opportunity over a three-year period to correct the misleading statements and omissions in ALLC's Forms ADV, but did not do so. Alison should have known that the Forms ADV contained materially misleading statements and omitted material facts. Alison failed to exercise reasonable care in reviewing and signing the Forms ADV.

23. Alison benefitted from the receipt of substantial 12b-1 fees to the detriment of his clients. By making misleading statements and omissions in ALLC's Forms ADV regarding the fact that he received those fees, Respondents violated their fiduciary obligations to their clients.

24. Respondents have not refunded the 12b-1 fees to advisory clients or used the fees as an offset to the advisory fees.

b. Failure to disclose deteriorating financial condition

25. Item 18 of Form ADV (Part 2) requires the disclosure of "any financial condition that is reasonably likely to impair your [the adviser's] ability to meet contractual commitments to *clients* [emphasis original]." ALLC's Forms ADV from 2012 through 2014 did not disclose its or Alison's financial condition and the resulting impact on ALLC's ability to meet contractual commitments to clients.

26. Starting in or about 2011, ALLC and Alison began to have substantial financial difficulties, which resulted in the inability to make ALLC's payroll, pay payroll taxes, and make rent payments.

27. In or about early 2012, Alison began borrowing money on multiple occasions in amounts of $10,000, $20,000, and $35,000 from his family and friends to fund ALLC's business. In or about November 2012, Alison texted an ALLC employee stating "I can't make payroll. we [sic] may no longer be a viable entity." In or about 2013, Alison continued to borrow money from business associates, including from an ALLC employee. On at least two occasions, once in about December 2012 and the other in approximately December 2013, ALLC was unable to make payroll.

28. By approximately May 2013, the landlord for the office space occupied by ALLC advised Alison that money was due and threatened legal action if he did not pay. By or about November 2013, the landlord moved to evict Respondents from ALLC's office space. By or about February 2014, the landlord successfully evicted Respondents from the office space.

29. Throughout 2012 through 2014, Alison continued to accrue significant debt and legal judgments that were reasonably likely to impair his ability to conduct ALLC's advisory business. The debts included liens by the IRS, warrants by the State of Oregon, Department of Revenue, and judgments in favor of the landlord and other business providers and associates.

30. Nonetheless, from 2012 through 2014, Alison signed ALLC's Forms ADV that failed to disclose their deteriorating financial condition.

FAILURE TO PRODUCE CERTAIN BOOKS AND RECORDS

31. In or about April 2014, the Commission's examination staff ("exam staff") instituted an examination of ALLC.

32. As part of that examination, on or about April 30, 2014, the exam staff sent a written request that certain basic records be produced, including financial statements, such as balance sheets and income statements. The request also required production of bank statements, promissory notes and agreements, credit card statements or lines of credit provided to ALLC, ALLC's emails for certain employees such as Alison, trade blotters, and other fundamental requests.

33. On or about May 22, 2014, Alison by email confirmed receipt of the exam staff's written request. Shortly thereafter, Alison represented that many records were in storage and would be produced shortly.

34. On or about June 3, 2014, the exam staff still had not received any documents and, as such, sent a certified letter requesting the immediate production of documents by June 10, 2014.

35. By or about June 23, 2014, ALLC produced only four records: an organizational chart, a list of terminated employees, a client list, and a copy of its Form ADV, part 2B.

36. On or about June 23, 2014, Alison contacted the exam staff and explained the delay was due to personal reasons, but that documents would be forthcoming.

37. On or about July 11, 2014, the exam staff sent an email to Alison stating that most of the requested records had not been received and all records should be provided by July 14.

38. Although ALLC did produce additional documents, most were non-responsive to the exam staff's requests. To date, ALLC has failed to produce many of the requested records.

C. VIOLATIONS

39. As a result of the conduct described above, Respondents willfully violated Section 206(2) of the Advisers Act, which makes it unlawful to "to engage in any transaction, practice, or course of business which operates as a fraud or deceit upon any client or prospective client."

40. As a result of the conduct described above, Respondents willfully violated Section 207 of the Advisers Act, which makes it "unlawful for any person willfully to make any untrue statement of a material fact in any registration application or report filed with the Commission . . . or willfully to omit to state in any such application or report any material fact which is required to be stated therein."

41. As a result of the conduct described above, ALLC willfully violated, and Alison willfully aided and abetted and caused ALLC's violations of, Section 204(a) of the Advisers Act, which requires investment advisers that use the mails or interstate commerce to maintain and make available to the Commission certain books and records as prescribed by the Commission and to file Annual Updating Amendments within 90 days of an adviser's fiscal year.

III.

In view of the allegations made by the Division of Enforcement, the Commission deems it necessary and appropriate in the public interest that public administrative and cease-and-desist proceedings be instituted to determine:

A. Whether the allegations set forth in Section II hereof are true and, in connection therewith, to afford Respondents an opportunity to establish any defenses to such allegations;

B. What, if any, remedial action is appropriate in the public interest against Respondent Alison pursuant to Section 15(b) of the Exchange Act including, but not limited to, disgorgement and civil penalties pursuant to Section 21B of the Exchange Act;

C. What, if any, remedial action is appropriate in the public interest against Respondents pursuant to Section 9(b) of the Investment Company Act including, but not limited to, disgorgement and civil penalties pursuant to Section 9 of the Investment Company Act;

D. What, if any, remedial action is appropriate in the public interest against Respondents pursuant to Section 203(e) and 203(f) of the Advisers Act including, but not limited to, disgorgement and civil penalties pursuant to Section 203 of the Advisers Act; and

E. Whether, pursuant to Section 203(k) of the Advisers Act, Respondents should be ordered to cease and desist from committing or causing violations of and any future violations of Sections 206(2), 207 and 204(a) of the Advisers Act, whether Respondents should be ordered to pay a civil penalty pursuant to Section 203(i) of the Advisers Act and whether Respondents should be ordered to pay disgorgement pursuant to Section 203 of the Advisers Act.

IV.

IT IS ORDERED that a public hearing for the purpose of taking evidence on the questions set forth in Section III hereof shall be convened not earlier than 30 days and not later than 60 days from service of this Order at a time and place to be fixed, and before an Administrative Law Judge to be designated by further order as provided by Rule 110 of the Commission's Rules of Practice, 17 C.F.R. § 201.110.

IT IS FURTHER ORDERED that Respondents shall file an Answer to the allegations contained in this Order within twenty (20) days after service of this Order, as provided by Rule 220 of the Commission's Rules of Practice, 17 C.F.R. § 201.220.

If Respondents fail to file the directed answer, or fails to appear at a hearing after being duly notified, the Respondents may be deemed in default and the proceedings may be determined against them upon consideration of this Order, the allegations of which may be deemed to be true as provided by Rules 155(a), 220(f), 221(f) and 310 of the Commission's Rules of Practice, 17 C.F.R. §§ 201.155(a), 201.220(f), 201.221(f) and 201.310.

This Order shall be served forthwith upon Respondents as provided for in the Commission's Rules of Practice.

IT IS FURTHER ORDERED that the Administrative Law Judge shall issue an initial decision no later than 300 days from the date of service of this Order, pursuant to Rule 360(a)(2) of the Commission's Rules of Practice.

In the absence of an appropriate waiver, no officer or employee of the Commission engaged in the performance of investigative or prosecuting functions in this or any factually related proceeding will be permitted to participate or advise in the decision of this matter, except as witness or counsel in proceedings held pursuant to notice. Since this proceeding is not "rule making" within the meaning of Section 551 of the Administrative Procedure Act, it is not deemed subject to the provisions of Section 553 delaying the effective date of any final Commission action.

By the Commission.

Brent J. Fields
Secretary