UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 80335 / March 29, 2017

INVESTMENT ADVISERS ACT OF 1940
Release No. 4673 / March 29, 2017

INVESTMENT COMPANY ACT OF 1940
Release No. 32582 / March 29, 2017

ADMINISTRATIVE PROCEEDING
File No. 3-17365

In the Matter of

Alison, LLC and Stephen D. Alison,

Respondents.

ORDER PURSUANT TO SECTION 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, MAKING FINDINGS, AND IMPOSING REMEDIAL SANCTIONS AND A CEASE-AND-DESIST ORDER

I.

The Securities and Exchange Commission ("Commission") deems it appropriate and in the public interest to enter this Order Pursuant to Section 15(b) of the Securities Exchange Act of 1934 ("Exchange Act"), Section 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"), Making Findings, and Imposing Remedial Sanctions and a Cease-and-Desist Order as to Alison, LLC and Stephen D. Alison ("Respondents").

II.

Respondents have submitted an Offer of Settlement (the "Offer"), which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, and without admitting or denying the findings herein, except as to the Commission's jurisdiction over the Respondents and the subject matter of these proceedings, which are admitted, Respondents consent to the entry of this Order Pursuant to Section 15(b) of the Securities Exchange Act of

1934, Section 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, Making Findings, and Imposing Remedial Sanctions and a Cease-and-Desist Order ("Order"), as set forth below.

III.

On the basis of this Order and Respondents' Offer, the Commission finds:

SUMMARY

These proceedings involve Stephen D. Alison and Alison, LLC ("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. As a result of the above-described conduct, Respondents willfully violated Sections 206(2), 207 and 204(a) of the Advisers Act.

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 February 2017, 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.

B. FALSE DISCLOSURES AND MATERIAL OMISSIONS ON FORMS ADV

3. 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.

4. 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.

5. 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

6. 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.

7. 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 12b-1 fees that equated to approximately eight to thirteen percent of the advisory fees paid to ALLC. His receipt of 12b-1 fees created a material conflict of interest between Respondents and their clients.

8. 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. 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.

9. As a result, from 2011 through 2014, Alison received 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%

10. 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.

11. Additionally, Part 2A of the Form ADV contained a number of misleading statements. In fact, Item 5.c., Part 2A of ALLC's September 1, 2011, Form ADV entitled "Third Party Fees" stated 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" stated 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."

12. On March 30, 2012, ALLC filed its annual Form ADV, including Part 2A (dated March 28, 2012), which contained the identical misstatements as that in the September 1, 2011, Form ADV, Part 2A. The statements in ALLC's September 2011 and March 2012 Forms ADV were false and misleading because Alison did, in fact, receive and accept payment of 12b-1 fees

13. On March 30, 2013, ALLC filed its annual Form ADV, including Part 2A (dated March 27, 2013), which no longer contained the false statements of Item 5.c.; however, the false 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" [emphasis added]. ALLC's March 24, 2014, Form ADV contained the same disclosure. The statements in ALLC's March 2013 and March 2014 Forms ADV were false and misleading because Alison did, in fact, accept payment of 12b-1 fees.

14. 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. 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.

15. 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

16. 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.

17. 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.

18. 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.

19. 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.

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

C. FAILURE TO PRODUCE CERTAIN BOOKS AND RECORDS

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

22. 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 requests.

23. 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.

24. 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.

25. 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.

26. 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.

27. 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.

28. 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.

D. VIOLATIONS

29. As a result of the conduct described above, Respondents willfully[1] 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."

30. 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."

31. 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.

IV.

In view of the foregoing, the Commission deems it appropriate, in the public interest to impose the sanctions agreed to in Respondents' Offer.

Accordingly, pursuant to Section 15(b) of the Exchange Act, Sections 203(e), 203(f) and 203(k) of the Advisers Act and Section 9(b) of the Investment Company Act, it is hereby ORDERED that:

A. Respondents ALLC and Alison shall cease and desist from committing or causing any violations and any future violations of Sections 206(2), 207 and 204(a) of the Advisers Act.

B. Respondent Alison be, and hereby is:

barred from association with any broker, dealer, investment adviser, municipal securities dealer, municipal advisor, transfer agent, or nationally recognized statistical rating organization;

[1] A willful violation of the securities laws means merely "'that the person charged with the duty knows what he is doing.'" *Wonsover v. SEC*, 205 F.3d 408, 414 (D.C. Cir. 2000) (*quoting Hughes v. SEC*, 174 F.2d 969, 977 (D.C. Cir. 1949)).

barred from participating in any offering of a penny stock, including: acting as a promoter, finder, consultant, agent or other person who engages in activities with a broker, dealer or issuer for purposes of the issuance or trading in any penny stock, or inducing or attempting to induce the purchase or sale of any penny stock.

With the right to apply for reentry after three (3) years to the appropriate self-regulatory organization, or where there is none, to the Commission.

C. Respondent ALLC's registration as an investment adviser is revoked.

D. Any reapplication for association by Respondent Alison will be subject to the applicable laws and regulations governing the reentry process, and reentry may be conditioned upon a number of factors, including, but not limited to, the satisfaction of any or all of the following: (a) any disgorgement ordered against the Respondent Alison, whether or not the Commission has fully or partially waived payment of such disgorgement; (b) any arbitration award related to the conduct that served as the basis for the Commission order; (c) any self-regulatory organization arbitration award to a customer, whether or not related to the conduct that served as the basis for the Commission order; and (d) any restitution order by a self-regulatory organization, whether or not related to the conduct that served as the basis for the Commission order.

E. Respondent Alison is prohibited from serving or acting as an employee, officer, director, member of an advisory board, investment adviser or depositor of, or principal underwriter for, a registered investment company or affiliated person of such investment adviser, depositor, or principal underwriter for a period of three years, effective on the second Monday following the entry of this Order.

By the Commission.

Brent J. Fields
Secretary