

**NASD
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. ##**

20050004552-01

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REGISTRATION & DISCLOSURE

**TO: Market Regulation Department
NASD**

**RE: Weller, Anderson & Co., Ltd., Respondent
Broker-Dealer
CRD No. 23736**

Pursuant to Rule 9216 of NASD Code of Procedure, Weller, Anderson & Co., Ltd. ("WACC" 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 in Part II below. This AWC is submitted on the condition that, if accepted, NASD will not bring any future actions against WACC alleging violations based on the same factual findings.

WACC understands that:

1. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by NASD's Department of Market Regulation and National Adjudicatory Council ("NAC") Review Subcommittee or Office of Disciplinary Affairs, pursuant to NASD Rule 9216;
2. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against WACC; and
3. If accepted:
 - a. this AWC will become part of WACC's permanent disciplinary record and may be considered in any future actions brought by NASD or any other regulator against WACC;
 - b. this AWC will be made available through NASD's public disclosure program in response to public inquiries about WACC's disciplinary record;
 - c. NASD may make a public announcement concerning this agreement and the subject matter thereof in accordance with NASD Rule 8310 and IM-8310-3; and
 - d. WACC may not take any action or make or permit to be made any public statement, including in regulatory filings or otherwise,

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denying, directly or indirectly, any finding in this AWC or create the impression that the AWC is without factual basis. Nothing in this provision affects WACC's testimonial obligations or right to take legal or factual positions in litigation or other legal proceedings in which NASD is not a party.

WACC also understands that its experience in the securities industry and disciplinary history may be factors that will be considered in deciding whether to accept this AWC. That experience and history are as follows:

WACC has been a member of NASD since February 9, 1989 and its registration remains in effect. WACC does not have any relevant disciplinary history.

I.

WAIVER OF PROCEDURAL RIGHTS

WACC specifically and voluntarily waives the following rights granted under NASD's Code of Procedure:

- A. To have a Formal Complaint issued specifying the allegations against WACC;
- B. To be notified of the Formal 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 NAC and then to the U.S. Securities and Exchange Commission and a U.S. Court of Appeals.

Further, WACC 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.

WACC further specifically and voluntarily waives any right to claim that a person violated the ex parte prohibitions of Rule 9143 or the separation of functions prohibitions of 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.



II.

ACCEPTANCE AND CONSENT

This matter arose out of a review, 20050004552, conducted by the staff of the Department of Market Regulation of NASD of WACC's compliance with Trade Reporting and Compliance Engine ("TRACE") trade reporting requirements for the period October 1, 2004 through December 31, 2004 ("review period"). The staff also reviewed WACC's written supervisory procedures regarding TRACE trade reporting in effect during the review period.

- A. WACC 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 NASD, or to which NASD 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 NASD:
 - 1. WACC failed to report to TRACE 196 transactions in TRACE-eligible securities executed on a business day during TRACE system hours within 30 minutes of the time of execution.
 - 2. WACC failed to report to TRACE 53 transactions in TRACE-eligible securities executed at or after 6:30 p.m. Eastern Time through 11:59:59 p.m. Eastern Time within 30 minutes after the TRACE system opens the next business day.
 - 3. The late transactions described in paragraphs one and two constituted 98 percent of all transactions in TRACE-eligible securities that the firm was required to report to TRACE during the review period. The conduct described in paragraphs one and two constitutes separate and distinct violations of NASD Marketplace Rule 6230(a) and a pattern or practice of late reporting without exceptional circumstances in violation of NASD Conduct Rule 2110.
 - 4. During the review period, WACC failed to enforce its written supervisory procedures with respect to TRACE trade reporting. WACC failed to document that WACC conducted the review described in its written supervisory procedures.
 - 5. The conduct described in paragraph four constitutes a violation of NASD Conduct Rules 2110 and 3010.

(F)

- B. WACC also consents to the imposition, at a maximum, of the following sanctions:

A censure and a fine of \$12,500 (composed of a \$7,500 fine for the TRACE trade reporting violations and a \$5,000 fine for the supervision violation).

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

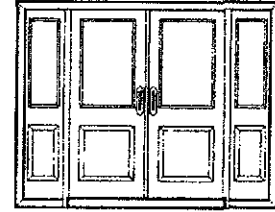
III.

OTHER MATTERS

- A. WACC understands that WACC may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. WACC understands that WACC 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 NASD, nor does it reflect the views of NASD or its staff.
- B. WACC agrees to pay any monetary sanctions imposed on WACC upon notice that this AWC has been accepted and that such payments are due and payable and has attached an Election of Payment form showing the method by which WACC proposes to pay any fine imposed.
- C. WACC specifically and voluntarily waives any right to claim that WACC is unable to pay, now or at any time hereafter, any monetary sanction imposed in this matter.



**WELLER,
ANDERSON
& CO., LTD.**



*Member National Association of
Securities Dealers, Inc.*

January 10, 2007

Ms. Beatrice Biso
Counsel – Market Regulation
NASD
9509 Key West Avenue
Rockville, Maryland 20850-3329

Re: Transmittal of Letter of Acceptance, Waiver and Consent
(Exam or Investigation No. 20050004552)

This Corrective Action Statement is submitted by Weller, Anderson & Co., Ltd. It does not constitute factual or legal findings by the NASD, nor does it reflect the views of the NASD, or its staff.

Dear Ms. Biso:

This response is about your letter dated December 15, 2006, Letter of Acceptance, Waiver and Consent ("AWC") for the resolution of the charges currently under consideration by NASD's Department of Market Regulation. As stated in your letter dated December 15, 2006, we understand that the AWC must be accepted by the Department of Market Regulation prior to submission to the Office of Disciplinary Affairs ("ODA") or the National Adjudicatory Council ("NAC") and that the NAC, or ODA on behalf of the NAC, must then approve the AWC before it becomes final.

Below is a Corrective Action Statement which demonstrates steps taken to correct the penalties against WACC:

1. The firm will utilize its allocation account if there is the slightest indication that a transaction cannot be processed within 15 minutes.
2. The firm has encouraged its registered representatives to use the Southwest Securities trade entry feature instead of faxing tickets to Southwest Securities for entry.
3. The firm is working with MGL, an outside consulting firm, to rewrite the supervisory procedures to reflect our current policy and procedures for TRACE reporting.
4. The firm will continue to review the monthly TRACE Report Cards and evidence review of all transactions and have the principal and CCO initial same.
5. The firm will continue to document reasons for lateness on the firm's TRACE report as furnished by its clearing firm, Southwest Securities.
6. The firm will use the NASD's various alerts to request and view interdealer trade report alerts that may represent unreported trades, erroneously reported trades, or duplicate reported trades by both our firm and the firms reporting against us, the purpose being to catch possible discrepancies so that the firm can investigate and correct them, when necessary.

811 Rusk, Suite 715
Houston, Texas 77002
(713) 222-1901
(888) 712-6622
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Ms. Beatrice Biso
January 10, 2007
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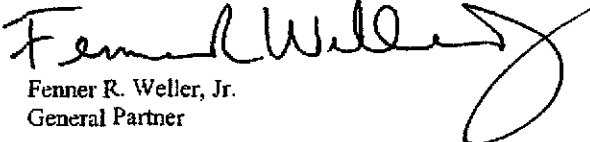
**WELLER,
ANDERSON
& CO., LTD.**



This Corrective Action Statement is submitted by Weller, Anderson & Co., Ltd. It does not constitute factual or legal findings by the NASD, nor does it reflect the views of the NASD, or its staff.

Again, we have always prided ourselves in being in compliance with all laws and best practices. We have never had a customer complaint, and we work hard for our clients to give them the products that fit their specific needs.

Continued success,


Fenner R. Weller, Jr.
General Partner