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REGISTRATION & DISCLOSURE

NASD
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
20050021855-01

TO: Department of Market Regulation
NASD

RE: Crowell, Weedon & Co., Respondent
Broker-Dealer No. 193

Pursuant to Rule 9216 of the NASD Code of Procedure, Crowell, Weedon & Co. ("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 the firm alleging violations based on the same factual findings.

The firm 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 the 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 the firm; and
3. If accepted:
 - a. this AWC will become part of the firm's permanent disciplinary record and may be considered in any future actions brought by the NASD against the firm;
 - b. this AWC will be made available through NASD's public disclosure program in response to public inquiries about the firm'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-8310-2; and
 - d. 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

20050021855 (incl. 20060037306, 20060067910)(LD)
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indirectly, any allegation in this AWC or create the impression that the AWC is without factual basis. Nothing in this provision affects the firm's testimonial obligations or right to take legal positions in litigation in which the NASD is not a party.

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

The firm has been a member of NASD since October 16, 1936 and its registration remains in effect. The firm has no relevant disciplinary history.

I.

WAIVER OF PROCEDURAL RIGHTS

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

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

The firm 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

In connection with Review 20050021855, the Market Regulation Department staff conducted a review of the firm's compliance with MRSB rules applicable to trade reporting in the Real-time Transaction Reporting System ("RTRS") for the period February 1, 2005 through March 31, 2005 and a review of the firm's supervisory system and procedures relating to these rules.

In connection with Review 20060037306, the staff of NASD District 2 conducted a review of the firm's compliance with MRSB rules applicable to trade reporting in RTRS for the period April 1, 2006 through June 30, 2006, a review of the firm's compliance with NASD Conduct Rule 6230 relating to corporate bond transaction reporting and a review of the firm's supervisory system and procedures relating to these rules.

In connection with Review 20060067910, the Market Regulation Department staff conducted a review of the firm's compliance with MRSB rules applicable to trade reporting for the period July 1, 2006 through September 30, 2006 and a review of the firm's supervisory system and procedures relating to these rules.

- A. The firm hereby accepts and consents, without admitting or denying the allegations or 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:

20050021855

1. During the review period February 1, 2005 through March 31, 2005, the firm failed to report information about 839 customer transactions effected in municipal securities to RTRS in the manner prescribed by Rule G-14 RTRS Procedures and the RTRS Users Manual. Specifically, the firm failed to report information about such transactions within 15 minutes of Time of Trade to an RTRS Portal. The conduct described in this paragraph constitutes separate and distinct violations of MSRB Rule G-14.

20060037306

2. During the review period April 1, 2006 through June 30, 2006, the firm failed to report information about 55 purchase or sale transactions effected in municipal securities to RTRS in the manner prescribed by Rule G-14 RTRS Procedures and the RTRS Users Manual. Specifically, the firm failed to report information about such transactions within 15 minutes of Time of Trade to an RTRS Portal. The conduct described in this paragraph constitutes separate and distinct violations of MSRB Rule G-14.
3. During the review period April 1, 2006 through June 30, 2006, the firm failed to report to RTRS the correct time of trade execution for 33 transactions in municipal securities. The conduct described in this paragraph constitutes separate and distinct violations of MSRB Rule G-14.
4. During the review period April 1, 2006 through June 30, 2006, the firm failed to show the correct time of execution on the memorandum of 38 brokerage orders. The conduct described in this paragraph constitutes separate and distinct violations of SEC Rule 17a-3.
5. During the month of June 2006, the firm failed to report to Trade Reporting and Compliance Engine ("TRACE") 30 transactions in TRACE-eligible corporate bond securities executed on a business day during TRACE system hours within 15 minutes of the time of execution. During this same period, the firm also failed to report to TRACE the correct time of execution for these 30 transactions. The conduct described in this paragraph constitutes separate and distinct violations of NASD Marketplace Rule 6230(a).

20060067910

6. During the review period July 1, 2006 through September 30, 2006, the firm failed to report information about 25 customer transactions effected in municipal securities to RTRS in the manner prescribed by Rule G-14 RTRS Procedures and the RTRS Users Manual. Specifically, the firm failed to report information about such transactions within 15 minutes of Time of Trade to an RTRS Portal. The conduct described in this paragraph constitutes separate and distinct violations of MSRB Rule G-14.
7. During the review period July 1, 2006 through September 30, 2006, the firm failed to promptly, accurately and completely report 59 customer transactions in municipal securities to RTRS. Specifically, in each such transaction, the firm reported post-trade corrections or inaccurate or incomplete information concerning the reported account number, accrued interest, allocation, price,

quantity, CUSIP number, or settlement date. The conduct described in this paragraph constitutes separate and distinct violations of MSRB Rule G-14.

Supervision (20050021855 and 20060037306)

8. During the period February 1, 2005 through June 30, 2006, the firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with respect to the applicable securities laws and regulations, and the Rules of NASD, concerning municipal securities trade reporting and TRACE reporting. Specifically, the firm's supervisory system did not include written supervisory procedures providing for: (1) the identification of the person(s) responsible for supervision with respect to the applicable rules; (2) a statement of the supervisory step(s) to be taken by the identified person(s); (3) a statement as to how often such person(s) should take such step(s); and (4) a statement as to how the completion of the step(s) included in the written supervisory procedures should be documented. The conduct described in this paragraph constitutes violations of MSRB Rule G-27 and NASD Conduct Rules 2110 and 3010, respectively.

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

A censure and fine of \$ 27,500 (consisting of: a fine of \$5,000 for violations of MSRB Rule G-14 in Review No. 20050021855; \$5,000 for violations of MSRB Rule G-14, \$2,500 for violations of NASD Marketplace Rule 6230, and \$2,500 for violations of SEC Rule 17a-3 in Review No. 20060037306; \$7,500 for violations of MSRB Rule G-14 in Review No. 20060067910; and \$5,000 for violations of MSRB Rule G-27 and NASD Conduct Rules 2110 and 3010 (deficient written supervisory procedures) in Reviews No. 20050021855 and 20060037306).

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

III.

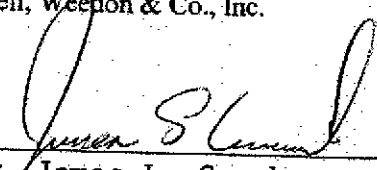
OTHER MATTERS

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

The firm certifies that the firm has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it, and that no offer, threat, inducement, or promise of any kind, other than the terms set forth herein, has been made to induce the firm to submit it.

Respondent,
Crowell, Weedon & Co., Inc.

August 2, 2007
Date

By: 
Name: James L. Cronk
Title: Partner, Director of
Operations


Counsel for Respondent

Accepted by NASD

9/6/07
Date

Thomas R. Gira
Thomas R. Gira
Executive Vice President
Department of Market Regulation

Signed on behalf of the Director of the
Office of Disciplinary Affairs, by
delegated authority

Attachment:
Standard Election of Payment Form

MEMBERS
NEW YORK STOCK EXCHANGE INC.
ALL MAJOR FINANCIAL EXCHANGES & SIPC



Crowell, Weedon & Co.

ESTABLISHED 1932

ONE WILSHIRE BOULEVARD
LOS ANGELES, CALIFORNIA 90017
(213) 620-1860
www.crowellweedon.com

Via facsimile and UPS.

July 27, 2007

Mr. Thomas R. Gira
Executive Vice President
Department of Market Regulation
NASD Inc.
9509 Key West Avenue
Rockville, MD 20850-3329

**Re: Statement of Corrective Action;
Rev. No. 20050021855 (incl. 20060067910 and 20060037303).**

Dear Mr. Gira:

In conjunction with the AWC being entered into in this matter, the Firm hereby submits for consideration the following Statement of Corrective Action.

Pursuant to the Firm's review of this matter, it was determined that substantive action was necessary in order to implement systems and procedures designed to eliminate errors in its TRACE reporting obligations. In furtherance of this project, the Firm has undertaken the following steps.

As noted in the Firm's letter dated December 27, 2006, to NASD (Ms. Lusana Gee), in 2005, the Firm's initial response to correct late reporting was to re-instruct personnel from the trading desk and P&S Department that client trades were to be processed within the same 15-minute window that inter-dealer trades were being processed. The Compliance Department thereafter took substantive action by revising the Firm's procedures concerning MSRB Rule G-14 as part of the reiterated instructions. A copy of the amended procedure is attached hereto as Exhibit "A" and incorporated herein by reference. Senior management believed that the solution to the problem was to implement faster delivery to P&S once the trading desk had processed the trade.

In 2006, the Firm was advised that it had not ensured that the customer transaction processing was linked to the dealer transaction processing in the case of riskless principal transactions. Once the distinction was understood, the Firm immediately instructed personnel from the bond desk and the P&S Department to simultaneously process and transmit trade data with the required 15-minute time frame.

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During the 2006 NASD Examination, it was noted that the Firm had not ensured that the customer transaction processing and the dealer transaction processing were properly linked in the case of riskless principal transactions. The Firm implemented the following corrective steps to ensure that trade data is timely—and properly—reported.

First, the Firm instituted a procedure whereby in the case of riskless principal transactions, the dealer side of the transaction will not be executed until the client order information (i.e., the ticket) has been received and/or otherwise documented. The Firm implemented this corrective action by providing new instructions to its branch managers, branch office wire operators, financial advisors, and sales assistants. CWCO personnel were advised that the requirement of the essential facts of the order must be received by the trading desk prior to execution on the street of any customer order so as to allow for the timely reporting of the order execution. These corrective actions were implemented in January 2007. A memorandum drafted by Bob Gore, Municipal Principal, and distributed to the entire Firm is attached hereto as Exhibit "B" and incorporated herein by reference.

Second, the Firm sought to correct issues concerning its time stamping of tickets by purchasing electronic atomic clocks for each trading desk. This undertaking resulted in the Firm expending \$21,813.00. A copy of the invoice evidencing the purchase of the atomic clocks is attached hereto as Exhibit "C" and incorporated herein by reference.

Third, the Firm developed and implemented new procedures which document the steps required to ensure timely and proper reporting. As noted herein above, a copy of the revised procedure is attached hereto as Exhibit "A" and incorporated herein by reference.

Fourth, the Firm has determined that due to back-office service provider software limitations, all TRACE-eligible transactions must be entered directly into the TRACE reporting engine.

Additionally, in order that the Firm monitor its reporting success on a regular basis the Firm has instituted procedures by which the manager of the municipal bond department will monitor on a daily basis, the day after trade date, all "late trade" reports and other reporting exceptions in an effort to identify any patterns of reporting exceptions which should be addressed further. Furthermore, the Firm's P&S department is also monitoring any reporting exceptions and documenting the source of the exception on a real time basis and providing the data to the manager of the municipal bond department on a next day basis.

Furthermore, the Firm has also reviewed with relevant personnel the document titled NASD NIM 05-28 (issued April 2005) regarding the proper and timely reporting of corporate debt securities.

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

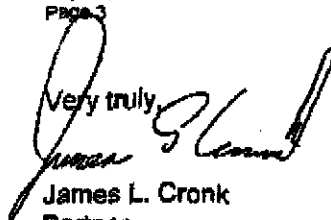
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CROWELL WEEDON

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Very truly,

A handwritten signature in black ink, appearing to read "James L. Cronk", is written over the words "Very truly,".

James L. Cronk
Partner

JLC:jeh

cc: Andrew Crowell