

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20050032430-01**

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REGISTRATION & DISCLOSURE

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

RE: William Blair & Company L.L.C., Respondent
Broker-Dealer
CRD No. 1252

Pursuant to Rule 9216 of the FINRA Code of Procedure, William Blair & Company L.L.C. (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 the firm alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. The firm 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 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

The firm has been a member of FINRA (formerly NASD) since March 7, 1944, and its registration remains in effect.

RELEVANT PRIOR DISCIPLINARY HISTORY

The firm understands that its disciplinary history may be a factor that will be considered in deciding whether to accept this AWC. The firm's relevant disciplinary history is as follows. On May 2, 2005, an AWC became final in which the firm was censured and fined \$15,000 for violations of SEC Rule 11Ac1-4 (now SEC Rule 604), NASD Marketplace Rule 6955, and NASD Membership and Registration Rule 1032(f).

VIOLATIVE CONDUCT BY RESPONDENT

In Review No. 20050032430, the Market Regulation staff (the "staff") reviewed the firm's compliance during the third quarter of 2005 (the "review period") with the limit order display and Order Audit Trail System ("OATS") reporting requirements of SEC Rule 604 (then known as SEC Rule 11Ac1-4 for a portion of the review period) and NASD Marketplace Rule 6955(a), respectively.

1. On 22 occasions during the review period, the firm failed to display immediately 22 customer limit orders in a Nasdaq security in its public quotation, when each such order was at a price that would have improved the firm's bid or offer in such security; or when the order was priced equal to the firm's bid or offer and the national best bid or offer for such security, and the size of the order represented more than a *de minimis* change in relation to the size associated with the firm's bid or offer in such security. The conduct described in this paragraph constitutes separate and distinct violations of SEC Rule 604 (or SEC Rule 11Ac1-4 during a portion of the review period).
2. During the review period, the firm transmitted to OATS reports concerning 70 orders that contained inaccurate, incomplete, or improperly formatted data. Specifically, the reports contained inaccurate order receipt timestamps concerning 14 of the orders and incorrect limit order prices concerning 57 of the orders, and failed to include the Special Handling Code of "NH" for two of the orders for which the code was applicable. The conduct described in this paragraph constitutes separate and distinct violations of NASD Marketplace Rule 6955(a).

B. The firm also consents to the imposition of the following sanctions:

A censure and \$20,000 fine (consisting of \$10,000 for the limit order display violations and \$10,000 for the OATS violations).

The firm agrees to pay the monetary sanction(s) upon notice that this AWC has been accepted and that such payment(s) are due and payable. It has submitted an Election of Payment form showing the method by which it proposes to pay the fine imposed.

The firm specifically and voluntarily waives any right to claim that it is unable to pay, now or at any time hereafter, the monetary sanction(s) imposed in this matter.

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

II.

WAIVER OF PROCEDURAL RIGHTS

The firm specifically and voluntarily waives the following rights granted under FINRA'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 National Adjudicatory Council ("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 NASD Rule 9143 or the separation of functions prohibitions of NASD 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

The firm 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 NASD Rule 9216;
- B. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against the firm; and
- C. If accepted:
 - 1. this AWC will become part of the firm's permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against the firm;
 - 2. this AWC will be made available through FINRA's public disclosure program in response to public inquiries about the firm's disciplinary record;
 - 3. FINRA may make a public announcement concerning this agreement and the subject matter thereof in accordance with NASD Rule 8310 and IM-8310-3; and
 - 4. 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 indirectly, any finding in this AWC or create the impression that the AWC is without factual basis. The firm 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 the firm's right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party.

- D. The firm may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. The firm understands that the firm 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 firm certifies that it has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it; that it has agreed to the AWC's 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 the firm to submit it.

10-26-07

Date

Respondent

William Blair & Company L.L.C.

By:

Kenneth L. Wagner

Name:

Title: Director of Compliance

Reviewed by:

Attorney Name

Counsel for Respondent

Firm Name

Accepted by FINRA:

12/12/07

Date

Signed on behalf of the

Director of ODA, by delegated authority

Thomas R. Gira

Thomas R. Gira

Executive Vice President

Department of Market Regulation