

NASD
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2006003783701

TO: Department of Enforcement
NASD

RE: Harris Williams LLC
Member
CRD No. 113930

Pursuant to Rule 9216 of NASD Code of Procedure, Harris Williams LLC ("Harris Williams") 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 it alleging violations based on the same factual findings.

Harris Williams 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 Enforcement and National Adjudicatory Council ("NAC") Review Subcommittee or Office of Disciplinary Affairs ("ODA"), 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 it; and
3. If accepted:
 - a. this AWC will become part of its permanent disciplinary record and may be considered in any future actions brought by NASD or any other regulator against it;
 - b. this AWC will be made available through NASD's public disclosure program in response to public inquiries about its 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. Harris Williams may not take any action or make or permit to be

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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. Nothing in this provision affects its testimonial obligations or right to take legal or factual positions in litigation or other legal proceedings in which NASD is not a party.

Harris Williams 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:

Harris Williams has been an NASD member since December 14, 2001. Harris Williams' main office is located in Richmond, Virginia. During the relevant period, Harris Williams had approximately four branch offices and approximately 56 registered representatives. Harris Williams is engaged in the business of providing merger and acquisition advisory services to shareholders and owners of middle market companies. Harris Williams has no disciplinary history.

I.

WAIVER OF PROCEDURAL RIGHTS

Harris Williams 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 it;
- 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, Harris Williams 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.

Harris Williams further specifically and voluntarily waive 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

- A. Harris Williams 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:

Rule 17a-4 promulgated under the Securities Exchange Act of 1934 ("Exchange Act") requires that brokerage firms maintain and preserve, for a period of not less than three (3) years, *electronic communications relating to the firm's business as a broker-dealer*. In Notice to Members 01-80 and 03-33, NASD communicated to members their *recordkeeping and supervisory obligations with respect to electronic communications, including e-mail*.

From December 14, 2001 to October 11, 2005 (the "relevant period"), Harris Williams relied on hard copy retention, not electronic storage media, with respect to e-mail communications. The firm's written supervisory procedures mandated that all registered representatives print out and maintain hard copies of required electronic communications. During the relevant period, however, Harris Williams' supervisory system and written procedures were not reasonably designed to ensure compliance with e-mail retention requirements, because, among other things, they did not provide for adequate follow-up and review to ensure that those hard copies were being retained. This conduct constitutes separate and distinct violations of NASD Conduct Rules 3010 and 2110.

During the relevant period, Harris Williams did not maintain and preserve all e-mail communications as required by Exchange Act Rule 17a-4. This conduct constitutes separate and distinct violations of Exchange Act Rule 17a-4 and NASD Conduct Rules 3110 and 2110.

- B. We also consent to the imposition, at a maximum, of the following sanctions:

- A censure; and

- a fine in the amount of \$50,000.

In addition, we shall comply with the following undertakings within the time periods specified below (unless otherwise extended by NASD staff):

1. Harris Williams shall undertake to review its procedures regarding the preservation of electronic mail communications for compliance with NASD rules and the federal securities laws and regulations. Within 180 calendar days of the issuance of this AWC, an officer of Harris Williams will certify to NASD in writing that it has completed its review and that it has established systems and procedures reasonably designed to achieve compliance with those laws, regulations, and rules concerning the preservation of electronic mail communications.
2. The certification, along with the procedures, must be submitted to NASD's Boston District Office staff. Although NASD staff may review the revised procedures, said review shall in no way constitute an approval of the revised procedures. The failure of NASD staff to alert Harris Williams to any deficiencies in the revised procedures shall not preclude NASD from instituting a subsequent disciplinary action as a result of deficiencies in the revised procedures.

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

In determining the amount of the fine, NASD took into account the demonstrable corrective actions undertaken by the firm before the staff commenced its examination in May 2006. For example, in an effort to enhance its system and procedures for the preservation of electronic mail communications, Harris Williams implemented a comprehensive automated system designed to ensure that all electronic communications were retained by the firm. That electronic mail retention system was fully implemented in January 2006.

III.

OTHER MATTERS

- A. Harris Williams understands that it may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. Harris Williams further 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. Harris Williams 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 an Election of Payment form showing the method by which it proposes to pay any fine imposed.

- C. Harris Williams specifically and voluntarily waives any right to claim that it is unable to pay, now or at any time hereafter, any monetary sanction imposed in this matter.

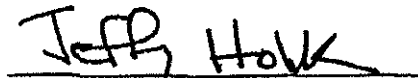
Harris Williams certifies that it has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it, and that no offer, threat, inducement, or promise of any kind, other than the terms set forth herein, has been made to induce it to submit it.

Harris Williams LLC

9/27/06
Date

By: 
Dena Frith Moore

Reviewed by:


Counsel for Respondent

Accepted by NASD

10/12/2006
Date

Signed on behalf of the Director of ODA,
By delegated authority

Paul D. Taberner

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

Harris Williams LLC ("the Firm") is in the business of providing merger and acquisition advisory services to corporate and institutional clients. On October 11, 2005, Harris Williams was acquired by The PNC Financial Services Group, Inc. As part of the acquisition, the Firm immediately commenced the process of retaining electronically all incoming, outgoing and interoffice emails for all of its employees. In January 2006, Harris Williams implemented EMC's Centera email compliance solution, which is utilized by all of PNC's broker/dealer entities. As a result, Harris Williams is now capturing, retaining, and archiving all emails on a real time basis in searchable format using write-once, read many (WORM) technology. These corrective actions were identified and implemented prior to the commencement of the NASD examination which identified the deficiency.