

NASD
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2006003875801

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REGISTRATION & DISCLOSURE

TO: Department of Enforcement
NASD

RE: Cantella & Co., Inc.
Member
CRD No. 13905

Pursuant to Rule 9216 of the NASD Code of Procedure, Cantella & Co., Inc. ("Cantella") 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 us alleging violations based on the same factual findings.

We understand 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, 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 us; and
3. If accepted:
 - a. this AWC will become part of our permanent disciplinary record and may be considered in any future actions brought by the NASD or any other regulator against us;
 - b. this AWC will be made available through NASD's public disclosure program in response to public inquiries about our 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. we 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. Nothing in this provision affects our testimonial obligations or right to take legal or factual positions in litigation in which

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the NASD is not a party.

We also understand that our 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:

Cantella has been an NASD member since August 26, 1983. The firm employs approximately 254 registered persons that operate from approximately 141 Offices of Supervisory Jurisdiction ("OSJs") and 51 non-OSJ offices. Cantella is a Municipal Securities Rulemaking Board ("MSRB") member firm. On February 7, 2007, Cantella was censured and fined \$65,000 by NASD for, among other things, failing to have written supervisory procedures relating to reporting corporate bond transactions to TRACE.

I.

WAIVER OF PROCEDURAL RIGHTS

We specifically and voluntarily waive the following rights granted under NASD's Code of Procedure:

- A. To have a Formal Complaint issued specifying the allegations against us;
- 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, we specifically and voluntarily waive 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.

We 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. We hereby accept and consent, 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:

MSRB Rule G-8 requires that brokers and dealers and municipal securities dealers create current books and records, including a memorandum of each order that references, among other things, the time of execution and the time the order was received from the customer. MSRB Rule G-27 requires that each broker dealer engaging in municipal securities transactions have written supervisory procedures in place that codify the firm's supervisory system for ensuring compliance with federal securities laws and MSRB rules.

From January 1, 2006 through September 18, 2006 (the "relevant period"), Cantella failed to note accurate execution times on order tickets on at least 62 of 135 order tickets reviewed by staff. Moreover, the time of order receipt from customers did not appear on the customer trade tickets. By reason of the foregoing, Cantella violated MSRB Rule G-8.

During the relevant period, Cantella failed to have a supervisory system or written supervisory procedures in place to address the review of municipal bond order tickets for accuracy and completeness. By reason of the foregoing, Cantella violated MSRB Rule G-27.

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

- a censure; and
- a \$15,000 fine

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

1. Cantella shall undertake to review its procedures regarding order ticket review for accuracy and completeness in compliance with MSRB and NASD rules and the federal securities laws and regulations. Within 180 calendar days of the issuance of this AWC, an officer of Cantella 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 rules, laws and regulations.
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 Cantella 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.

III.

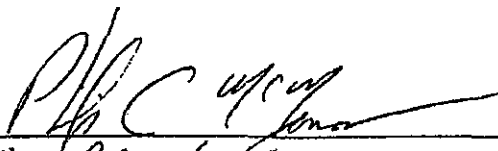
OTHER MATTERS

- A. We understand that we may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. We further understand that we 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. We agree to pay any monetary sanctions imposed on us 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 we propose to pay any fine imposed.
- C. We specifically and voluntarily waive any right to claim that we are unable to pay, now or at any time hereafter, any monetary sanction imposed in this matter.

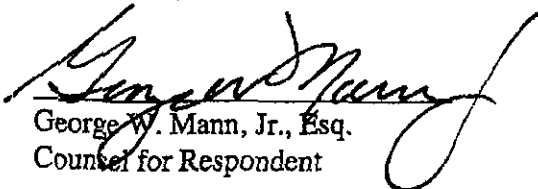
We certify that we have read and understand all of the provisions of this AWC and have been given a full opportunity to ask questions about it, and that no offer, threat, inducement, or promise of any kind, other than the terms set forth herein, has been made to induce us to submit it.

Cantella & Co., Inc.

5/25/2007
Date

By: 
Title: PRESIDENT

Reviewed by:


George W. Mann, Jr., Esq.
Counsel for Respondent

Accepted by NASD

6/7/07
Date

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

Paul D. Taberner

Paul D. Taberner
Regional Counsel
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