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REGISTRATION & DISCLOSURE

**NASD
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2006003976301**

TO: Department of Enforcement
NASD

RE: Janco Partners, Inc., Respondent
Member Firm
CRD No. 40055

Pursuant to Rule 9216 of NASD Code of Procedure, Respondent 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 Respondent alleging violations based on the same factual findings.

Respondent 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 Respondent; and
3. If accepted:
 - a. this AWC will become part of Respondent's 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 Respondent'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. Respondent may not take any action or make or permit to be made any

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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 Respondent's testimonial obligations or right to take legal or factual positions in litigation or other legal proceedings in which NASD is not a party.

Respondent 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:

Janco Partners, Inc. which is currently an NASD member, entered the securities industry in February 1996 as a member of NASD. Janco's relevant disciplinary history consists of the following. On August 15, 2005, Janco entered into a Letter of Acceptance, Waiver and Consent with NASD wherein it was censured and fined \$30,000 for the following violations. Janco violated various provisions of Conduct Rule 2711 and 2110 by sending draft research reports to companies that were the subject of the reports which contained impermissible content; a research analyst with the firm purchased securities issued by a company that he covered; the firm's written supervisory procedures were not reasonably designed to achieve compliance with Rule 2711, in that they recited the Rule provisions but did not include procedures to monitor and achieve compliance with Rule; and the firm did not submit required attestations concerning its written supervisory procedures governing Rule 2711. In addition, the firm violated SEC Rule 17a-3 as 49 of 60 order tickets lacked a notation of the time of entry and 17 lacked necessary terms and conditions.

I.

WAIVER OF PROCEDURAL RIGHTS

Respondent 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, Respondent 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.

Respondent 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

- A. Respondent 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. Registration of Research Analysts

From approximately March 30, 2004 through November 29, 2005, Janco permitted nine of its associated persons to function as research analysts without being properly registered with NASD, as set forth in NASD Rule 1050(a)(1) and (2). Moreover, Janco issued approximately 235 research reports prepared by those unregistered analysts.

This conduct violated NASD Membership and Registration Rule 1050 and NASD Conduct Rule 2110 by Janco.

2. Supervisory Procedures Relating to Conduct Rule 2711

From approximately March 2004 through July 2006, Janco's written supervisory procedures pertaining to Conduct Rule 2711 were not reasonably designed to achieve compliance with Rule 2711, in that they recited the Rule provisions but did not include procedures to monitor and achieve compliance with the Rule.

The failure to adopt and implement written supervisory procedures reasonably designed to achieve compliance with Rule 2711 violated NASD Conduct Rules 2711(i) and 2110 by Janco.

3. Failure to Retain Easily Accessible E-mail

From approximately August 4, 2004, through October 31, 2004, and December 28, 2004, through August 30, 2005, Janco failed to retain its e-mails in an easily accessible place. More specifically, certain of Janco's e-mail communications had been corrupted and Janco was able to extract data from the corrupt databases only after employing a consultant who obtained them through a costly and timely process.

This conduct violated SEC Rule 17a-4 and NASD Conduct Rules 3110 and 2110 by Janco.

4. Anti-Money Laundering (AML) Deficiencies

- a. The Bank Secrecy Act, regulations adopted by the Department of the Treasury and NASD Conduct Rule 3011 require each NASD member firm to, among other things, adopt and implement an Anti-Money Laundering compliance program reasonably designed to achieve and monitor the member's compliance with the requirements of the Bank Secrecy Act, 31 U.S.C. § 5318(h) and to also conduct Independent Testing of its AML program for Compliance. As part of that compliance program, a member firm must establish, document, and maintain a written Customer Identification Program that complies with the requirements of the Department of Treasury regulations, 31 C.F.R. §103.122(b). Under § 103.122(b)(5) of those regulations, the Customer Identification Program must include procedures for providing customers with adequate notice that the member is requesting information to verify their identities.

From on or about February 2004 until July 2006, Janco failed to implement its Customer Identification Program in connection with approximately 40 new customer accounts. Specifically, the firm's procedures required that it document verification, including all identifying information provided by a customer and the methods used and results of verification, and that it provide written notice to customers that it will seek their identity as required by Federal law. Yet Janco did not retain the required documentation or provide the required notice in connection with the 40 accounts. Moreover, though the firm's procedures required that a customer identification number be obtained, Janco failed to obtain the customers' identification numbers in several instances. Additionally, Janco's written supervisory procedures relating to its Customer Identification Program did not accurately describe the firm's AML program as implemented – it incorrectly indicated *written* CIP notice was being provided to institutional customers and incorrectly described the firm's procedures relating to verification of the identity of the firm's institutional customers.

- b. Janco's implementation of its Independent Testing for 2004 and 2005 was inadequate in that the firm failed to retain all documentation evidencing areas that had been reviewed and tested and it failed to detect the deficiencies noted above with its Customer Identification Program. Moreover, Janco's written procedures did not address how often the firm's independent tests needed to be conducted and did not address how the firm would handle situations in which independent testing was conducted by a person who reported to a person whose activities he or she was testing.

The conduct set forth in paragraph 4.A. and 4.B., above, violated NASD Rules 3011 and 2110.

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

A censure and a \$60,000 fine.

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

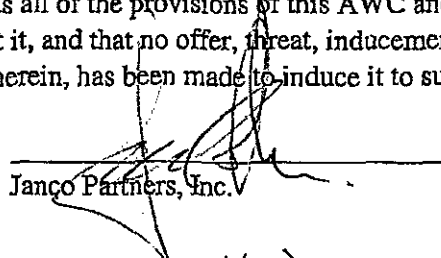
III.

OTHER MATTERS

- A. Respondent 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. Respondent 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. Respondent 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. Respondent 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.

Respondent 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.

JUNE 8, 2007
Date


Janco Partners, Inc.

By: JAN E. NELSON
its CHIEF EXECUTIVE OFFICER

Reviewed by:


David A. Zisser, Esq.
Counsel for Respondent
Isaacson Rosenbaum P.C.
633 17th Street, Suite 220
Denver, Co. 80202
(303) 292-3952

Accepted by NASD:

6/15/07
Date

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

Helen G. Barnhill
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June 8, 2007

Helen G. Barnhill
Regional Counsel
NASD Department of Enforcement
370 17th Street, Suite 2900
Denver, CO 80202

Re: Janco Partners, Inc
CRD No. 40055
Examination No. 20060039763
Corrective Action Statement to Letter of AWC

Ms Helen Barnhill:

We have taken the following corrective actions to the NASD findings of alleged rule violations.

1. **Registration of Research Analysts**

All Research Analysts are now properly registered.

2. **Supervisory Procedures Relating to Conduct Rule 2711**

We have revised our Written Supervisory procedures to address the supervisory areas and role of the Research Principal. It will be the responsibility of the Research Principal and the Compliance Officer to monitor the provisions of Rule 2711 and document where appropriate. The areas involving research reports and related use of material will be first reviewed by the Research Principal and lastly by the Compliance Officer. Issues between Research personal and the company will be monitored by the Compliance Officer and appropriate documentation will be completed.

3. **Failure to Retain Easily Accessible E-Mail**

The situation which gave rise to the loss of the indicated e-mails was identified and corrected prior to the arrival of the NASD examiners. Unfortunately the older e-mails could not be easily restored without incurring considerable expense.

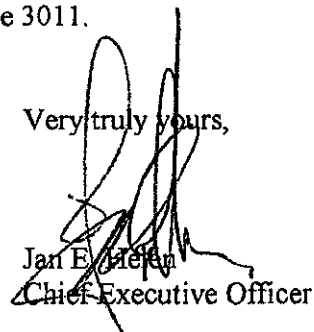
4. **Anti-Money Laundering (AML) Deficiencies**

We have updated our Written Supervisory Procedures to more accurately reflect our current Customer Identification Program and implementation of current revised AML program.

a. We have implemented procedures for a Customer Identification Program which are reasonably designed to achieve compliance with the AML requirements for our type of business. Since we process over 99% of our orders from institutional investors who trade through DVP accounts, we will be producing an OFAC form; and requiring a verification form from a third party source for the "entity identified as the account holder". Due to the type of our customer we will be providing them an Oral notification of the CIP at time of account opening and will maintain a form documenting this procedure. In addition we will provide the customer with written Notice of Janco Partners' Privacy Policy and maintain a copy of this. Since no money is exchanged or accepted from our customers we will be responsive to the areas that we can reasonably control. In addition we will continue to access the Oasys and Alert systems provided by Pershing our clearing firm. These two systems are third party vendors used by Pershing to prepopulate our account information. This information comes from a data base that can provide us with name and address information that has already been processed through the Pershing system. This will be a cross reference system for our use that is documented in the completed account form itself.

b. Since September of 2005 we have maintained, and will continue to maintain the applicable documentation for the test that we use when accessing the AML report from our clearing corporation, this report reflects information concerning our foreign accounts and any applicable accounts that would fail AML rules. We run these reports monthly as a recurrent test. Since September of 2005 we have maintained, and will continue to maintain the applicable documentation for the test that we use when accessing the FinCen report. This report is available bi-monthly from their web site. We have revised our Written Supervisory Procedures to reflect certain independent tests on a monthly basis and others on a random basis as well as on an annual schedule. We have also addressed the situation of independent testing being conducted by a person who reports to a person whose activities he or she is testing per Rule 3011.

Very truly yours,


Jan E. Chelen
Chief Executive Officer