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REGISTRATION & DISCLOSURE

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20070094576/20070094605**

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

RE: Crowell, Weedon & Co., Respondent
(CRD No. 193)

Pursuant to Rule 9216 of FINRA Code of Procedure, Crowell, Weedon & Co. ("Firm" or "Crowell, Weedon") 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, FINRA will not bring any future actions against Crowell, Weedon alleging violations based on the same factual findings.

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

Crowell, Weedon, a partnership with its principal place of business in Los Angeles, California, became registered with the Securities and Exchange Commission ("SEC") on January 1, 1936, became a member of the NASD (now known as the Financial Industry Regulatory Authority or "FINRA") on October 16, 1936, and became a member of the New York Stock Exchange ("NYSE") on November 17, 1982. The Firm's membership with the NYSE, FINRA and registration with the SEC remain currently in effect. The Firm conducts transactions in corporate equity and debt securities, and engages in mutual fund retailing and advisory services. Within the past five years, there is no relevant disciplinary history concerning the Firm.

OVERVIEW

Between November 2004 and December 2005 (the "relevant period"), the Firm was the

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subject of findings from four separate examinations conducted by the NYSE Division of Member Firm Regulation ("MFR"). In the 2004 Sales Practice Unit ("SPRU") examination, the Firm was found to have failed to have promptly filed a Form RE-3 with the NYSE on two separate occasions in connection with the misappropriation of funds by Firm employees. In the 2004 and 2005 Financial and Operational ("FINOP") examinations, the Firm was found to have a business continuity plan that failed to meet the required elements. In the 2004 and 2005 SPRU examinations, the Firm was found to have failed to properly complete its handwritten order tickets.

FACTS

Failure to Promptly Submit a Form RE-3

NYSE Rules 342.16 and 351(a)(5) required the Firm to file a Submission of Required Information Pertaining to Members, Member Organizations, Allied Members, Registered and Non-Registered Employees ("Form RE-3")¹ to notify the NYSE of certain conduct by Firm employees, including the misappropriation of funds. The rules further required the Firm to promptly report such a violation to the NYSE.²

The Firm failed to file a Form RE-3 for two reportable incidents involving the misappropriation of funds. The Firm discovered that during the period March 2004 through August 2004, Norma Jean Hernandez ("Hernandez"), a non-registered sales assistant, misappropriated \$26,575 from six customer accounts.³ Hernandez utilized two separate methods of fraudulent conveyance. Hernandez forged customer signatures as endorsement on 20 checks held at the Firm's Pasadena branch office for customer pick up and then deposited them into her outside bank account. In addition, Hernandez also drafted written requests to the Firm's Margin Department on two separate occasions, forging the signature of a single Firm client and instructing the Firm to wire funds to the bank account of her relative. The Firm discovered the misappropriation by Hernandez in August 2004 but did not file the required Form RE-3 to report the misappropriation until April 22, 2005.

¹ The NYSE requires the filing of a Form RE-3 which discloses, among other things, disciplinary actions taken by the member firm against and of its associated persons, judgments, awards or settlements involving customer initiated litigation and arbitration, and, written customer complaints involving allegations of theft or misappropriation of funds or securities or of forgery.

² According to NYSE Information Memo 90-17, the filing of the Form RE-3 must occur within 30 days of the reportable event(s).

³ Hernandez consented to findings of misappropriation of funds belonging to Firm customers, acts detrimental to the interest or welfare of the NYSE with respect to her criminal conviction, and failure to cooperate and to the imposition of the sanction of a permanent bar. Norma Jean Hernandez, NYSE Hearing Panel Decision 06-3. Enforcement first became aware of the misappropriation by Hernandez in June 2005, upon MFR's referral of the exceptions noted in the 2004 SPRU examination.

The second reportable incident related to Isabel Rivero ("Rivero"), a Firm non-registered employee who was responsible for processing employee benefits, including deferred compensation and health and life insurance. The Firm discovered that, between April 2001 through November 2001, Rivero misappropriated approximately \$562,827 by altering 31 checks made payable to Blue Cross/Blue Shield ("Blue Cross"), the Firm's health care provider, to her name. The Firm discovered Rivero's misappropriation in November 2001 but did not file the Form RE-3 to report the misappropriation until April 22, 2005. As a result of the Firm's failure to report this misappropriation, Enforcement lost its jurisdiction over Rivero.

Failure to Properly Implement Business Continuity Plan

NASD Rule 3510 requires a member firm to create and maintain a written business continuity plan ("BCP") identifying procedures relating to an emergency or a significant business disruption ("SBD"). NYSE Rule 446(c) and NASD Rule 3510(c) require that the Firm implement a business continuity plan that addresses all of the requisite elements. NYSE Rule 446(c) and NASD Rule 3510(c) contain ten separate elements that a BCP must, at minimum, address.

Between 2004 and 2005, the Firm failed to implement a BCP that addressed all the elements identified by NYSE Rule 446(c) and NASD Rule 3510(c).⁴ These required elements are:

- (1) books and records (data) back-up and recovery (hard copy and electronic);
- (2) identification of all mission critical systems and back-up for such systems;
- (3) financial and operational risk assessments;
- (4) alternate communications between customers and the firm;
- (5) alternate communications between the firm and its employees;
- (6) alternate physical location of employees;
- (7) critical business constituent, bank and counter-party impact;
- (8) regulatory reporting;
- (9) communications with regulators; and
- (10) how the member or member organization will assure customers prompt access to their funds and securities in the event the member or member organization determines it is unable to continue its business.

A review of the Firm's BCP showed that it failed to address a number of the requisite elements. Specifically, the Firm failed to address the following requirements:

⁴ There are minor differences in the language contained in NYSE Rule 446 (c)(1) and (2) and NASD Rule 3510(c)(1) and (2), but the language of these rules was written in a manner that renders them, effectively, identical.

- Identification of all mission critical systems and back-up for such systems
- Financial and operational risk assessment
- Alternate communications between customers and the Firm
- Alternate communications between the Firm and its employees
- Alternate physical location of employees
- Critical business constituent, bank and counter-party impact
- Regulatory reporting
- Communications with regulators
- How the Firm will assure customers prompt access to their funds and securities in the event the Firm is unable to continue its business.

Furthermore, the Firm failed to implement policies as of 2005 pertaining to specific arrangements by which the Firm would reconstitute itself in the event of a sudden business disruption.

Failure to Properly Complete Firm Order Tickets

Securities Exchange Act of 1934 ("Exchange Act") Rule 17a-3(a)(6) requires that documentation of orders be made and kept current by the Firm. NASD Rule 3110(a) and NYSE Rule 440 require every member to make and preserve books and records as prescribed by Exchange Act Rule 17a-3. In order to comply, all order tickets must include the identity of the person who entered or accepted the order on behalf of the customer and the time of receipt of that order, among other requirements.

A review of physical order tickets utilized by the Firm between November 29, 2004 and December 3, 2004 revealed that whenever physical order tickets were used, the tickets did not evidence the time the orders were received.

A follow-up review of 132 order tickets for the Encino, California branch office for the period of September 19, 2005 through September 23, 2005, disclosed that the Firm did not indicate the time of receipt of an order as required on 122 of the 132 order tickets reviewed. Furthermore, this review revealed that the tickets did not include the identity of the individual who entered or accepted orders on behalf of the customers for all 132 order tickets reviewed.

VIOLATIVE CONDUCT BY RESPONDENT

1. The Firm violated NYSE Rules 342.16 and 351(a)(5) by failing to promptly file a Form RE-3, on two separate occasions, with the NYSE.

2. The Firm violated NYSE Rule 446(c) and NASD Rule 3510(c) by failing to implement a BCP that addressed all the requisite elements required by NYSE and NASD Rules.
3. The Firm violated Exchange Act Rule 17a-3(a)(6), NASD Rule 3110(a) and NYSE Rule 440 by failing to make and keep current order tickets which identified the person who entered or accepted the order on behalf of the customer and the time of receipt of that order.
4. By reason of the foregoing, the Firm violated NASD Rule 2110 by failing to adhere to high standards of commercial honor and just and equitable principles of trade.

B. Crowell, Weedon also consents to the imposition of the following sanctions:

1. A censure;
2. A fine in the amount of \$25,000.

The Firm agrees to pay the monetary sanction upon notice that this AWC has been accepted and that such payment is due and payable.

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 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, Crowell, Weedon 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.

Crowell, Weedon 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.

III.

A. OTHER MATTERS

Crowell, Weedon understand 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 or the Office of Disciplinary Affairs ("ODA"), pursuant to FINRA 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-8310-2; and

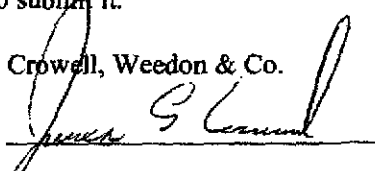
4. Crowell, Weedon may not take any action or make or permit to be made any public statement, including in regulatory filings or otherwise, denying, directly or indirectly, any finding in this AWC or create the impression that the AWC is without factual basis. Nothing in this provision affects my testimonial obligations or right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party.

D. Crowell, Weedon 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 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 FINRA, nor does it reflect the views of FINRA or its staff.

Crowell, Weedon certifies that a duly authorized representative 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.

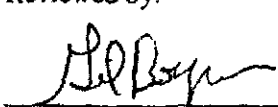
5-9-08
Date

Crowell, Weedon & Co.


By: James L. Cronk

Its: Director of Operations

Reviewed by:


Gilbert Boyce, Esq.
Kutak Rock, LLP
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Washington, DC 20036-4374
Counsel for Respondent

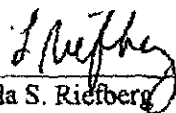
Accepted by FINRA:

Signed on behalf of the

Date *May 29, 2008*

Attachment: Election of Payment Form

Director of ODA, by delegated
authority



Linda S. Riefberg
Vice President
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