

FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT

NO: 2010022722201

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

RE: Coburn & Meredith, Inc., Respondent
Member Firm
BD No. 164

Elizabeth Coburn Derway, Respondent
Financial and Operations Principal, General Securities Principal,
and General Securities Representative
CRD No. 1873991

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, we submit 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 us alleging violations based on the same factual findings described herein.

I.

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 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

Coburn & Meredith, Inc. ("C&M") has been a member of FINRA since October 1936. The firm's principal office is located in Simsbury, CT and operates six registered branch offices. C&M conducts a general securities business on a fully disclosed basis and currently employs approximately 40 registered individuals.

Elizabeth Coburn Derway ("Derway") first became registered as a general securities representative in September 1989. Since March 9, 1992, she has been registered in that capacity through C&M. Derway also became registered as a general securities principal on May 13, 1992 and as a Financial and Operations

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Principal ("FINOP") on October 5, 1992. Since December 11, 2003, Derway has been C&M's Chief Compliance Officer.

RELEVANT DISCIPLINARY HISTORY

On May 4, 2005, C&M and Derway entered into an AWC with NASD in which it agreed, without admitting or denying the findings, to a joint and several fine of \$5,000 for net capital and customer protection rule violations. As part of that AWC, C&M was also censured and fined an additional \$12,500 for supervisory, municipal securities transaction reporting and customer disclosure violations.

OVERVIEW

C&M, acting through Derway, conducted a securities business while failing to maintain required net capital. This conduct violated Section 15(c) of the Securities Exchange Act of 1934 ("Exchange Act"), Rule 15c3-1 promulgated thereunder, and FINRA Rule 2010.

FACTS AND VIOLATIVE CONDUCT

From March 29, 2010 through April 5, 2010, C&M, acting through Derway, failed to comply with Section 15(c) of the Exchange Act, and Rule 15c3-1 promulgated thereunder, in that it used the instrumentalities of interstate commerce to conduct a securities business while failing to maintain its minimum required net capital of at least \$50,000.

By failing to maintain the firm's required minimum net capital while conducting a securities business, C&M violated Section 15(c) of Exchange Act, Rule 15c3-1 promulgated thereunder, and FINRA Rule 2010 and Derway violated FINRA Rule 2010.

B. We also consent to the imposition of the following sanctions:

- a censure against C&M;
- a 20-business-day suspension from association with any FINRA member firm in any FINOP capacity against Derway; and
- a \$10,000 joint and several fine against C&M and Derway.

We agree to pay the monetary sanction upon notice that this AWC has been accepted and that such payment is due and payable. We have

submitted an Election of Payment form showing the method by which we propose to pay the fine imposed.

We specifically and voluntarily waive any right to claim that we are unable to pay, now or at any time hereafter, the monetary sanction imposed in this matter.

Derway understands that if she is barred or suspended from associating with any FINRA member in any FINOP capacity, she becomes subject to a statutory disqualification as that term is defined in Article III, Section 4 of FINRA's By-Laws, incorporating Section 3(a)(39) of the Securities Exchange Act of 1934. Accordingly, she may not be associated with any FINRA member in any FINOP capacity, during the period of the bar or suspension (see FINRA Rules 8310 and 8311). Furthermore, because she is subject to a statutory disqualification during the suspension, if she remains associated with a member firm in a non-suspended capacity, an application to continue that association may be required.

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

II.

WAIVER OF PROCEDURAL RIGHTS

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

- A. To have a Complaint issued specifying the allegations against us;
- B. To be notified of the 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, 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 FINRA Rule 9143 or the separation of functions prohibitions of FINRA 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

We 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 of the NAC, 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 us;
- C. If accepted:
 - 1. this AWC will become part of our permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against us;
 - 2. this AWC will be made available through FINRA's public disclosure program in response to public inquiries about our disciplinary record;
 - 3. FINRA may make a public announcement concerning this agreement and the subject matter thereof in accordance with FINRA Rule 8313; and
 - 4. 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. We 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 our right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party; and

- D. We may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. We 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 FINRA, nor does it reflect the views of FINRA or its staff.

Barry M. Coburn, on behalf of the firm, certifies that a person duly authorized to act on its behalf has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it; that the firm has agreed to its 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.

Derway certifies that she has read and understands all of the provisions of this AWC; that she has been given a full opportunity to ask questions about it; that she has agreed to its 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 her to submit it.

09/07/2010
Date (mm/dd/yyyy)

Coburn & Meredith, Inc.

By: Barry M. Coburn
Barry M. Coburn
President and Registered Principal

Elizabeth Coburn Derway
Elizabeth Coburn Derway

Accepted by FINRA:

9/17/10

Date

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

Bonnie S. McGuire

Bonnie S. McGuire
Principal Regional Counsel
FINRA Department of Enforcement
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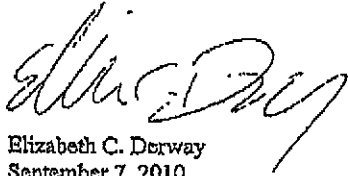
Corrective Action Statement

This Corrective Action Statement is submitted by Elizabeth Derway. It does not constitute factual or legal findings by FINRA, nor does it reflect the views of FINRA, or its staff.

Coburn & Meredith's low capital and an error on allowable assets created this issue. I will address both:

Low Capital – We have had capital infusion. We also have revised our commission schedules to be in-line with our competitors. We understand that the higher than normal expenses (SIPC, FINRA) may continue and that income may remain low. We will be continually evaluation the situation and make changes where needed.

Error – I will not make the mistake of "allowable" assets again. I will be more careful when determining capital especially when there are out of the ordinary factors.



Elizabeth C. Derway
September 7, 2010