

NASD
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. E3A2004002201

TO: Department of Enforcement
NASD

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

Pursuant to Rule 9216 of NASD Code of Procedure, Janco Partners, Inc., [the firm or Respondent] submit 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 the firm 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 it; and
3. If accepted:
 - a. this AWC will become part of the firm'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 the firm'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. The firm 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 allegation in this AWC or create the impression that the AWC is without factual basis. Nothing in this provision affects the firm'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. became a member of NASD in February 1996 and its membership is current. The firm has not been the subject of disciplinary action in the past five years.

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 allegations or 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. On or about July 8, 2003, November 21, 2003, January 16, 2004 and February 9, 2004 persons acting on behalf of Respondent caused a total of five draft research reports to be sent to the companies that were the subjects of the reports. The reports contained statements of opinion, prediction and commentary in addition to factual matters for verification. The statements of opinion, prediction and commentary should not have been included in the draft reports sent to the subject companies. Disseminating draft research reports containing impermissible content to subject companies constituted violations of NASD Conduct Rules 2711(c) and 2110 by Respondent.
2. On September 2, 2003 and September 3, 2003, a research analyst associated with Respondent purchased securities issued by a company that he covered. On September 29, 2003, Respondent issued a research report concerning that company. Because Rule 2711(g)(2) prohibits transactions in securities issued by the subject company during the 30 days prior to the issuance of a report, these transactions were impermissible. By permitting the analyst to trade within 30 days before the issuance of the report, the firm violated NASD Conduct Rules 2711(g)(2) and 2110.
3. During the period from July 9, 2002 through March 1, 2004, the firm'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 constituted violations of Conduct Rules 2711(i) and 2110 by Respondent.
4. Pursuant to Rule 2177(i), Respondent was required to submit to NASD, on or before December 31, 2002, a written attestation that the firm had adopted and implemented written supervisory procedures reasonably designed to achieve compliance with Rule 2711. Respondent did not submit the required attestation. On or before April 1, 2004, the firm was required to submit to

NASD a second written attestation containing the representation described above and, pursuant to Rule 2711(d)(2)(C), that the firm's analyst compensation has been reviewed by a committee as described in the Rule. The firm's attestation did not include the latter representation. The failure to file attestations, as described above, constituted violations of NASD Conduct Rules 2711(i) and 2110 by Respondent.

5. Between December 12, 2003 and January 29, 2004, the firm prepared memoranda of each purchase and sale of securities for the firm's account and each brokerage order. Of the 60 memoranda of equity transactions reviewed by NASD staff, 49 lacked a notation of the time of entry and 17 lacked necessary terms and conditions. This constituted violations of SEC Rule 17a-3 and NASD Conduct Rule 2110 by Respondent.

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

A censure and a fine in the amount of \$30,000.00. The fine may be paid pursuant to the NASD installment payment plan at Respondent's election.

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 a person duly authorized thereunto 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 Respondent to submit it.

July 20, 2005

Date _____

Harley R.R.

Janco Partners, Inc.

By: Stanley D. Lund

Its: Chief Financial Officer

Reviewed by:

Counsel for Respondent

Accepted by NASD:

8/15/05

Date _____

Joseph M. McCarthy / 40
Joseph M. McCarthy

Joseph M. McCarthy

**Associate Vice President and District
Director**

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