

NASD
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. E8A20050054

TO: Department of Enforcement
NASD

RE: Conners & Co., Inc.
(CRD No.1511)

Robert L. Conners
(CRD No. 52353)

Pursuant to Rule 9216 of NASD Code of Procedure, Conners & Co., Inc. and Robert L. Conners (hereinafter referred to as "Respondents") 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 Respondents alleging violations based on the same factual findings.

Respondents 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 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 Respondents' permanent disciplinary record and may be considered in any future actions brought by NASD or any other regulator against Respondents;
 - b. this AWC will be made available through NASD's public disclosure program in response to public inquiries about Respondents' 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. Respondents 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 Respondents' testimonial obligations or right to take legal or factual positions in litigation or other legal proceedings in which NASD is not a party.

Respondents also understand that their 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 is as follows:

Connors & Co., Inc. ("Member") became a member of NASD in 1960 and conducts a general securities business on a fully disclosed basis. The Member's membership with NASD and registration with the SEC remain currently in effect. The Member's disciplinary history within the last five years includes two AWCs for violations of Municipal Securities Rulemaking Board ("MSRB") violations. In 2002, the Member entered into an AWC for violations of MSRB Rules G-12 and G-14 that occurred between 2000 and 2001, for which it was fined \$1,500; and another AWC in 2003 for violations of MSRB Rules G-14, G-17, G-27 and G-17, for which it was fined \$10,000.

Robert Louis Connors ("Connors") became registered as a Series 7 General Securities Representative and a Series 24 General Securities Principal and is currently associated with the Member in those capacities and as its President.

I.

WAIVER OF PROCEDURAL RIGHTS

Respondents 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 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, Respondents 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.

Respondents 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. Respondents hereby accept and consent, 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. During the relevant time period, MSRB Rule G-14 required all brokers, dealers and municipal securities dealers (collectively "dealers") to report trades to MSRB within 15 minutes of the time of execution¹ and the MSRB published data about all reported municipal securities transactions, including, but not limited to, time of trade, price and volume information. If municipal trade data is unavailable or incorrect because trades were not reported in a timely manner or included erroneous data, dealers and investors alike, experience harm because they cannot obtain an accurate picture of market activity and prices. Late or inaccurate transaction data may hinder a dealer's ability to price municipal securities accurately for customers, and, in turn, interferes with an investor's decision-making process.²

¹ On January 31, 2005, the reporting requirement changed from midnight of the date that the trade was executed, to within 15 minutes of the trade.

² Since 1994, NASD and the MSRB have repeatedly advised dealers of their responsibility to report transactions accurately. See "Enforcement Initiative," *MSRB Reports*, Vol. 14, No. 3 (June 1994) at 35; NASD *Regulatory and Compliance Alert*: "Introducing Firm Responsibility When Reporting Municipal Trades Through Service Bureaus and Clearing Firms" (Winter 2000); NASD *Regulatory and Compliance Alert*: "Municipal Securities Transaction Reporting Compliance Information" (Spring 2001); and NASD *Notice to Members 03-13*: "MSRB Rules G-12 and G-14" jointly issued with the MSRB in March 2003 as MSRB *Notice 2003-7*. The MSRB has also advised dealers of their responsibility to ascertain the market value of municipal securities they trade so their customers receive prices that are reasonably related to the market value of the securities (See MSRB *Notice 2004-3*: "Review of Dealer Pricing Responsibilities," January 26, 2004).

Additionally, accurate and timely municipal trade reporting forms the primary audit trail for regulators to conduct surveillance for potentially manipulative practices, as well as detect sales practice violations and other violations of the federal securities laws and MSRB rules.

2. During the period from on or about August 1, 2005 and October 31, 2005, the Member, acting through Conners, executed 47 customer transactions in municipal securities, of which a total of 11 (38%) were not timely reported or were inaccurately reported, in that nine were not reported to the Municipal Securities Rulemaking Board ("MSRB") within 15 minutes of the time of execution; and two trades were reported that should not have been reported.

Such acts, practices, and conduct constitute separate and distinct violations of MSRB Rule G-14 by the Member and Conners.

3. MSRB Rule G-8 requires that brokers and dealers and municipal securities dealers make and keep accurate and current books and records, including the date and time of receipt, execution for inter-dealer municipal securities transactions.
4. During the period of August 1, 2005 through October 31, 2005, the Member failed to prepare and maintain accurate order memoranda for six of 47 transactions, that included inaccuracies in two that did not record the date of receipt; four that did not record the time of receipt; one that did not record the date of execution; one that did not record the time of execution; one that recorded an inaccurate time of receipt; and one that recorded an inaccurate time of execution.

Such acts, practices and conduct constitute separate and distinct violations of MSRB Rule G-8 by the Member.

5. From approximately August 1, 2005 through October 31, 2005, the Member, acting through Conners, failed to establish, maintain and enforce adequate written supervisory procedures that were reasonably designed to achieve compliance with the applicable MSRB Rules related to the reporting of transactions in municipal securities.

Such acts, practices, and conduct constitute a violation of MSRB Rule G-27(c) by the Member and Conners.

6. From approximately the fourth quarter of 2003 to the third quarter of 2005, the Member acted as an underwriter in primary offerings of municipal securities and was required to file or cause to be filed Forms G-36(OS) reports with the

MSRB in connection with those filings. The Form G-36 must be submitted to MSRB within one business day after receipt of the final official statement from the issuer or its designated agent, but no later than 10 business days after any final agreement to purchase, offer, or sell the municipal securities.

7. The Member filed 10 Forms G-36(OS) with the MSRB during this time period of which three were not timely submitted in that they were late by between one and 27 days late.

Such acts, practices and conduct constitute separate and distinct violations of MSRB Rule G-36 by the Member.

- B. Respondents also consent to the imposition, at a maximum, of the following sanctions:
1. Censure of the Member and Conners;
 2. a joint and several fine of \$10,000 against the Member and Conners; and
 3. an additional fine of \$5,000 against the Member.

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

III.

OTHER MATTERS

- A. Respondents understand that they may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. Respondents also understand that they 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. Respondents agree 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 Election of Payment forms showing the method by which they propose to pay any fine imposed.
- C. Respondents specifically and voluntarily waive any right to claim that they are unable to pay, now or at any time hereafter, any monetary sanction imposed in this matter.

Respondents certify that they have read and understand all of the provisions of this AWC and they 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 them to submit the AWC.

May 11, 2006

Date

Connors & Co., Inc.



By Robert L. Connors

Its President

Date



Robert L. Connors

Reviewed by:

Counsel for Respondents

Accepted by NASD:

June 6, 2006

Date

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



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