

NASD
LETTER OF ACCEPTANCE, WAIVER AND CONSENT

2004200027101

TO: Department of Market Regulation
NASD

RE: Essex Radez LLC, Respondent
Broker-Dealer
CRD No: 34649

Pursuant to Rule 9216 of NASD Code of Procedure, Essex Radez LLC ("ERCO" or the "firm") 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 ERCO alleging violations based on the same factual findings.

ERCO 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 Market Regulation and National Adjudicatory Council ("NAC") Review Subcommittee or Office of Disciplinary Affairs, 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 ERCO; and
3. If accepted:
 - a. this AWC will become part of ERCO's permanent disciplinary record and may be considered in any future actions brought by NASD or any other regulator against ERCO;
 - b. this AWC will be made available through NASD's public disclosure program in response to public inquiries about ERCO'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. ERCO 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 ERCO's testimonial obligations or right to take legal or factual positions in litigation or other legal proceedings in which NASD is not a party.

ERCO 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.

ERCO has been a member of NASD since August 2000 and its registration remains in effect. ERCO has the following relevant disciplinary history:

- On November 16, 2004, an AWC became final in which ERCO was censured and fined \$27,000 for violations of NASD Rules 2110, 3010, 3350 and 5430. This action included a pattern or practice of late trade reporting without exceptional circumstances.
- On November 26, 2002, an AWC became final in which ERCO was fined \$5,000 for a pattern or practice of late trade reporting without exceptional circumstances in violation of NASD Conduct Rule 2110.

I.

WAIVER OF PROCEDURAL RIGHTS

ERCO 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 ERCO;
- 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, ERCO 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.

ERCO 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

In connection with MRD200446443, the Department of Market Regulation staff (the "staff") conducted a review of ERCO's compliance with the Automated Confirmation Transaction Service ("ACT") reporting rules during the period of January 1, 2004 through April 30, 2004 (the "review period").

In connection with MRD200447153, the staff conducted a review of ERCO's compliance with the ACT reporting rules during the period of April 1, 2004 through June 30, 2004 (the "subsequent review period").

- A. ERCO 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:

MRD200446443

1. ERCO failed, within 90 seconds after execution, to transmit through ACT 10,622 last sale reports of transactions in Consolidated Quotation Service ("EQS") securities. These transactions constitute more than seven percent of the transactions reviewed that ERCO was required to report to ACT during the review period.
2. The conduct described in paragraph one constitutes a pattern or practice of late reporting without exceptional circumstances in violation of NASD Conduct Rule 2110.

MRD200447153

3. ERCO failed to accept or decline in ACT 146 transactions in eligible securities within twenty minutes after execution, approximately 78 percent of all transactions that ERCO had an obligation to accept or decline in ACT as the OEID during the subsequent review period.
4. The conduct described in paragraph five constitutes separate and distinct violations of NASD Marketplace Rule 6130(b) and a violation of NASD Conduct Rule 2110.

MRD200446443 and MRD200447153

5. ERCO's supervisory system did not provide for supervision reasonably designed to achieve compliance with respect to the applicable securities laws and regulations, and the Rules of NASD, concerning ACT reporting. Specifically, the firm's supervisory system did not

include written supervisory procedures providing for: (1) identification of the person(s) responsible for supervision with respect to the applicable rules; (2) a statement of the supervisory step(s) to be taken by the person(s) responsible for supervision with respect to the applicable rules; (3) a statement as to how often such person(s) should take such step(s); and (4) a statement as to how completion of the step(s) included in the written supervisory procedures should be documented.

6. The conduct described in paragraph five constitutes a violation of NASD Conduct Rules 2110 and 3010.

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

A censure, a fine of \$19,000 (comprised of a \$7,000 fine for the trade reporting violations identified in MRD200446443, a \$7,000 fine for the trade reporting violations identified in MRD200447153, and a \$5,000 fine for the supervision violations), and an undertaking to revise the firm's written supervisory procedures with respect to the areas described in paragraph five. Within 30 business days of acceptance of this AWC by the NAC, a registered principal of the firm shall submit to the COMPLIANCE ASSISTANT, LEGAL SECTION, MARKET REGULATION DEPARTMENT, 9509 KEY WEST AVENUE, ROCKVILLE, MD 20850, a signed, dated letter, providing the following information: (1) a reference to this matter; (2) a representation that the firm has revised its written supervisory procedures to address the deficiencies described in paragraph five; and, (3) the date the revised procedures were implemented.

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

III.**OTHER MATTERS**

- A. ERCO understands that ERCO may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. ERCO understands that ERCO 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. ERCO agrees to pay any monetary sanctions imposed on ERCO 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 ERCO proposes to pay any fine imposed.
- C. ERCO specifically and voluntarily waives any right to claim that ERCO is unable to pay, now or at any time hereafter, any monetary sanction imposed in this matter.

ERCO certifies that firm 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 ERCO to submit it.

Respondent
Essex Radez LLC

7/11/05
Date

By: Steve Radez
Name: Steve Radez
Title: Managing Member

Reviewed by:
[Signature]
Counsel for Respondent

Accepted by NASD:

7/6/05
Date

Thomas R. Gira
Thomas R. Gira
Executive Vice President and Deputy
Department of Market Regulation

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

Attachment:
Standard Election of Payment Form