

NASD
LETTER OF ACCEPTANCE, WAIVER AND CONSENT

20050000036-01

TO: Market Regulation Department
NASD

RE: Ehrendrantz King Nussbaum, Inc. ("EKNS") Respondent
Broker-Dealer
CRD No. 113525

Pursuant to Rule 9216 of NASD Code of Procedure, Ehrendrantz King Nussbaum, Inc. ("EKNS") 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 EKNS alleging violations based on the same factual findings.

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

EKNS 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. EKNS has been a member of NASD since November 27, 2001 and its registration remains effective. EKNS has the no relevant disciplinary history.

I.

WAIVER OF PROCEDURAL RIGHTS

EKNS 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 EKNS;
- 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, EKNS 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.

EKNS 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 20050000036 (MRD200446333), the staff of NASD's Department of Market Regulation (the "staff") conducted a review of EKNS's compliance with the Order Audit Trail System ("OATS") during the period of November 27, 2001 through March 31, 2004 (the "review period").

- A. EKNS 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. During the review period EKNS failed to submit required information to OATS on 535 business days.
 2. The conduct described in paragraph one above constitutes separate and distinct violations of NASD Marketplace Rule 6955(a) and a violation of Conduct Rule 2110.
 3. EKNS failed to preserve for a period of not less than three years, the first two in an accessible place, data required to be reported to OATS.
 4. The conduct described in paragraph two constitutes a violation of NASD Marketplace Rule 6954(a)(4) and NASD Conduct Rule 3110.
 5. EKNS'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 OATS. 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 identified person(s); (3) a statement as to how often such person(s) should take such step(s); and (4) a statement as to how the completion of the step(s) included in the written supervisory procedures should be documented.
 6. The conduct described in paragraph five above constitutes separate and distinct violations of NASD Conduct Rules 2110 and 3010.

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

Respondent has asserted an inability to pay and has submitted a sworn financial statement. In light of the financial status of Respondent, a censure and fine of \$20,000¹ is imposed (consisting of \$10,000 for failure to report violations, \$2,500 for record retention violations and \$7,500 for supervisory violations), and an undertaking to revise the firm's written supervisory procedures with respect to the areas described in paragraph five above. The firm further understands that its size, including but not limited to its financial resources, was considered in determining appropriate sanctions. 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) reference to this matter; (2) a representation that the firm has revised its written supervisory procedures to address the deficiencies described in paragraph five above; and (3) the date the revised procedures were implemented.

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

III.

OTHER MATTERS

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

¹ A censure and fine of \$40,000 would have been imposed for these violations, however, in light of the Respondents inability to pay, the fine was reduced to \$20,000.

EKNS certifies that EKNS 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 EKNS to submit it.

6/27/06
Date

Respondent
Ehrendkrantz King Nussbaum, Inc.

By: [Signature]
Name: Anthony Ottimov
Title: C.E.O.

Reviewed by:

[Signature]
Counsel for Respondent

Accepted by NASD:

6/10/2006
Date

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

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