

NASD
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
20050002091-01

TO: Department of Market Regulation
NASD

RE: **InTrade, LLC**, Respondent
Broker-Dealer
CRD No. 104047

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

INNT 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 ("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 INNT; and
3. If accepted:
 - a. this AWC will become part of INNT's permanent disciplinary record and may be considered in any future actions brought by NASD or any other regulator against INNT;
 - b. this AWC will be made available through NASD's public disclosure program in response to public inquiries about INNT'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. INNT 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. Nothing in this provision affects INNT's testimonial obligations or right to take legal or factual positions in litigation or other legal proceedings in which NASD is not a party.

INNT 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:

The firm has been a member of NASD since May 22, 2002 and its registration remains in effect. The firm has no prior disciplinary history.

I.

WAIVER OF PROCEDURAL RIGHTS

INNT 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, INNT 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.

INNT further specifically and voluntarily waives any right to claim that a person violated the ex parte prohibitions of NASD Rule 9143 or the separation of functions prohibitions of NASD 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 MRD200445011/20050002091,¹ the staff of NASD's Department of Market Regulation ("staff") reviewed INNT's compliance with the Order Audit Trail System ("OATS") rules (NASD Marketplace Rules 6950-6957) from May 22, 2002 through December 10, 2003 ("review period").

- A. INNT hereby accepts and consents, without admitting or denying the 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, INNT failed to submit required information to OATS intermittently throughout the review period.
 2. The conduct described in paragraph one above constitutes separate and distinct violations of NASD Marketplace Rule 6955(a).
- B. INNT also consents to the imposition, at a maximum, of the following sanctions:

A censure and a fine of \$10,000

III.

OTHER MATTERS

- A. INNT 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. INNT 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. INNT 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.

¹ On January 3, 2005, the NASD implemented a new matter tracking system. The new number assigned to this matter is referenced, following the original numbers assigned by the previous tracking system.

- C. INNT specifically and voluntarily waives any right to claim that INNT is unable to pay, now or at any time hereafter, any monetary sanction imposed in this matter.

INNT certifies that it has read and understands all of the provisions of this AWC and 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 INNT to submit it.

Date: 5/8/06

InTrade, LLC

By: [Signature]

Name: MARK FRANK

Title: MANAGING MEMBER

Reviewed by:

[Signature]

Counsel for Respondent

Accepted by NASD:

Date: 7/7/06

[Signature]

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

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

20050002091 (lc)

CORRECTIVE ACTION STATEMENT
InTrade, LLC, Review No. MRD200445011/2005002091

INTRODUCTION

On May 12, 2006 InTrade, LLC ("INNT") submitted a Letter of Acceptance, Waiver and Consent ("AWC") in response to an investigation by the National Association of Securities Dealers, Inc. Department of Market Regulation ("NASD"). In the AWC, INNT accepted and consented, without admitting or denying the findings, to the entry of the NASD's findings as follows:

1. During the period of May 22, 2002 through December 10, 2003 ("review period"), INNT failed to submit required information to Order Audit Trail System ("OATS") intermittently throughout the review period.

INNT hereby submits the following Statement of Corrective Action to enumerate the demonstrable steps INNT has taken to correct the NASD's findings. Since INNT initiated corrective actions *on its own volition* and *prior to* the NASD investigation, the following corrective actions are organized into two categories: (1) Pre-Investigation Corrective Actions; and (2) Post-Investigation Corrective Actions.

PRE-NASD INVESTIGATION CORRECTIVE ACTIONS
IMPLEMENTED BY INNT

1. INNT Voluntarily Halted OTC Trading On Its Own Volition and Prior to the NASD Investigation In Response to Its Own Investigation To Ensure Compliance With OATS Reporting Requirements

In or about October 2003 (and prior to the NASD investigation), INNT became aware that its proprietary trades would likely be subject to OATS reporting. At that time, INNT voluntarily halted its OTC trading until its OATS reporting issues could be resolved.

2. INNT Voluntarily Upgraded Software and Computer Systems to Ensure Compliance With OATS Reporting Requirements Prior to the NASD Investigation

Beginning in October 2003 (and prior to the NASD investigation), INNT voluntarily invested substantial time and money developing and testing software and computer systems that would fulfill its OATS reporting requirements.

POST-NASD INVESTIGATION CORRECTIVE ACTIONS
IMPLEMENTED BY INNT

3. INNT Adopted New Detailed Supervisory Procedures Related to OATS Reporting Requirements

In March 2004, INNT adopted new detailed supervisory procedures related to OATS reporting requirements.

This Corrective Action Statement is submitted by the Respondent. It does not constitute factual or legal findings by NASD Regulation, Inc., nor does it reflect the views of NASD Regulation, Inc., or its staff.