

NASD
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2006003916101

TO: Department of Enforcement
NASD

RE: Essex Financial Services, Inc.
BD No. 127549

Pursuant to Rule 9216 of NASD Code of Procedure, we 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 us alleging violations based on the same factual findings.

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

We also understand that our 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:

Essex Financial Services, Inc. (BD No. 127549) ("Essex") has been a member of the NASD since on or about September 22, 2003. Essex is a fully disclosed introducing broker located in Essex, Connecticut. During the relevant period set forth herein, the firm employed approximately 25 individuals, including 12 registered representatives, at the firm's only office in Essex, Connecticut. Essex does not have a prior NASD disciplinary history.

I.

WAIVER OF PROCEDURAL RIGHTS

We 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 us;
- 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, we specifically and voluntarily waive any right to claim bias or prejudice 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.

We 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. We hereby accept and consent, 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:

Rule 17a-4 promulgated under the Securities Exchange Act of 1934 ("Exchange Act") requires that brokerage firms maintain and preserve, for a period of not less than three (3) years, electronic communications relating to the firm's business as a broker-dealer. In *Notice to Members* 01-80 and 03-33, NASD communicated to members their recordkeeping and supervisory obligations with respect to electronic communications, including e-mail and instant messaging.

From at least February 2, 2004 through July 9, 2006 (the "relevant period"), Essex failed to maintain and preserve all of its electronic communications as required by Exchange Act Rule 17a-4. During the relevant period, Essex electronically "backed-up" electronic communications at the end of each day. For example, electronic communications in the inbox, sent and deleted items folders for each user were retained. The system, however, failed to capture, maintain and preserve any electronic communications deleted from a user's delete box during the day. This conduct constituted separate and distinct violations of Exchange Act Rule 17a-4 and NASD Conduct Rules 3110 and 2110.

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

A censure and \$25,000 fine.

In addition, we shall comply with the following undertakings within the time periods specified below (unless otherwise extended by NASD staff):

1. Essex shall undertake to review its procedures regarding the preservation of electronic mail communications for compliance with NASD rules and the federal securities laws and regulations. Within 180 calendar days of the issuance of this AWC, an officer of Essex will certify to NASD in writing that it has completed its review and that it has established systems and procedures reasonably designed to achieve compliance with those laws, regulations, and rules concerning the preservation of electronic mail communications.
2. The certification, along with the procedures, must be submitted to NASD's Boston District Office staff. Although NASD staff may review the revised procedures, said review shall in no way constitute an approval of the revised procedures. The failure of NASD staff to alert Essex to any deficiencies in the revised procedures shall not preclude NASD from instituting a subsequent disciplinary action as a result of deficiencies in the revised procedures.

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

III.

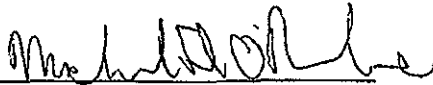
OTHER MATTERS

- A. We understand that we may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. We understand that we 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. We agree to pay any monetary sanctions imposed on us upon notice that this AWC has been accepted and that such payments are due and payable and have attached an Election of Payment form showing the method by which we propose to pay any fine imposed.
- C. We specifically and voluntarily waive any right to claim that we are unable to pay, now or at any time hereafter any monetary sanction imposed in this matter.

We certify that we have read and understand 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 us to submit it.

Essex Financial Services, Inc.,

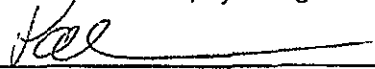
March 5, 2007
Date

By: 
Title: Chief Compliance Officer

Accepted by NASD:

3/21/07
Date

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


Paul M. Tyrrell
Regional Counsel
NASD
Department of Enforcement
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NASD District Director
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NATIONAL ASSOCIATION OF SECURITIES DEALERS

IN RE: ESSEX FINANCIAL SERVICES, INC.
NASD CASE NO. 20060039161

CORRECTIVE ACTION STATEMENT

Essex Financial Services, Inc. (the "Respondent") was notified of this problem during an NASD audit in July of 2006. Immediately, thereafter, the Respondent began taking corrective action.

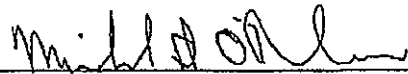
In July of 2006, with the assistance of a computer consultant, the Respondent activated the "Journaling" feature of its e-mail system (Microsoft Exchange 2003). This feature causes a copy of every electronic communication processed by the Respondent's server (whether it is an outgoing or an incoming electronic message) to be sent to a separate e-mail box that is accessible to and controlled by the Chief Compliance Officer of the Respondent, who monitors the communications and ensures that they are preserved in accordance with legal requirements.

The Respondent is currently seeking to acquire and install software products that will further automate the process of retaining all electronic communications sent or received by the personnel of the Respondent. The Respondent intends to acquire and install such software by April 13, 2007. Once the acquisition and installation is complete, the Respondent will notify the NASD. It will also implement an audit system to ensure compliance with all relevant legal requirements. The audit system will be fully described in the Respondent's Written Supervisory Procedures Manual.

These corrective efforts are part of a comprehensive review that the Respondent has been conducting since July 2006, of its procedures regarding the preservation of electronic mail communications for compliance with NASD rules and the federal securities laws and regulations. In conducting this review, the Respondent has retained the services of technical experts and legal counsel. Within the timeframe described in Section II(B)(2) of the AWC, the Respondent will complete this review and establish systems and procedures reasonably designed to achieve compliance with the laws, regulations, and rules concerning the preservation of electronic mail communications. An officer of the Respondent will certify to NASD in writing that it has completed this review and that it has established these systems and procedures.

Essex Financial Services, Inc.

Date: March 19, 2007

By: 

Title: Chief Compliance Officer

THIS CORRECTIVE ACTION STATEMENT IS SUBMITTED
BY THE RESPONDENT. IT DOES NOT CONSTITUTE
FACTUAL OR LEGAL FINDINGS BY NASD, NOR DOES IT
REFLECT THE VIEWS OF NASD OR ITS STAFF.