

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20100210389-01**

TO: Department of Enforcement
Financial Industry Regulatory Authority ("FINRA")

RE: E1 Asset Management, Inc. (BD No. 46872) ("E1" or "Respondent")
Member Firm

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Respondent submits this Letter of Acceptance, Waiver and Consent ("AWC") for the purpose of proposing a settlement of the alleged rule violations described below. This AWC is submitted on the condition that, if accepted, FINRA will not bring any future actions against Respondent alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. Respondent 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 FINRA, or to which FINRA 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 FINRA:

BACKGROUND

E1 has been a member of FINRA since September 24, 1999. The firm conducts a general securities business.

E1 currently has approximately 40 registered representatives operating out of three branch offices located in New York, New York, Philadelphia, Pennsylvania and Miami, Florida.

RELEVANT DISCIPLINARY HISTORY

E1 has no formal disciplinary history with the Securities and Exchange Commission, any self regulatory organization or any state securities regulator.

OVERVIEW

This AWC contains a number of violations relating to financial, reporting and recordkeeping requirements.

E1 conducted a securities business while maintaining insufficient net capital on two dates in 2008 and one date in 2009, and its financial books and records were inaccurate.

In addition, the firm failed to retain instant messages ("IMs") from an internal IM system utilized by the firm during the period of at least January to March 2008.

During the period of 2006 to 2010, the firm failed to (i) report, (ii) accurately report, and/or (iii) timely report customer complaints as required by NASD Conduct Rule 3070.

Finally, during the period of 2006 to 2010, the firm failed to: (i) amend Uniform Applications for Securities Industry Registration or Transfer ("Forms U4") for registered representatives to report customer complaints, and (ii) failed to timely file certain Form U4 amendments.

FACTS AND VIOLATIVE CONDUCT

1. Net Capital Violations

While conducting a securities business on two dates in 2008 and one date in 2009, E1 failed to maintain the required minimum net capital as required by SEC Rule 15c3-1.

E1's net capital violations in 2008 resulted from the fact that the firm improperly netted payroll advances to its employees against the firm's monthly payroll accruals. The net capital violations also resulted from the fact that the firm included amounts held in a brokerage account as an allowable asset even though the firm did not have a Proprietary Accounts of Introducing Broker/Dealer ("PAIB") Agreement with a clearing firm. The firm also failed to properly accrue some expenses and took a larger deduction than permitted for a fidelity bond deductible.

E1's net capital violation in 2009 arose from the fact that on May 27, 2009, a FINRA arbitration panel in Case Number 07-02044 issued an award against E1 in a case brought by eight claimants who were customers of E1. The total amount of the compensatory and punitive damages, costs and expert witness fees awarded to the Claimants was \$2,702,638.92. E1 was also assessed an additional \$40,800 in hearing session fees. E1, however, did not book the arbitration award as a liability on its financial books and records in a timely manner.

The three dates are as follows:

(a) On Monday, March 31, 2008, E1's minimum required net capital was the greater of \$5,000 or \$40,353, pursuant to SEC Rule 15c3-1(a)(1)(i) (the Aggregate Indebtedness Standard). On this date, a day the firm engaged in a securities business, the firm's actual net capital was \$17,234, a deficiency of \$23,119.

(b) On Wednesday, April 30, 2008, E1's minimum required net capital was the greater of \$5,000 or \$81,989, pursuant to SEC Rule 15c3-1(a)(1)(i) (the Aggregate Indebtedness Standard). On this date, a day the firm engaged in a securities business, the firm's actual net capital was (\$9,941), a deficiency of \$91,930.

(c) On Friday, May 29, 2009, E1's minimum required net capital was the greater of \$5,000 or \$218,133, pursuant to SEC Rule 15c3-1(a)(1)(i) (the Aggregate Indebtedness Standard). On this date, a day the firm engaged in a securities business, the firm's actual net capital was (\$2,271,084), a deficiency of \$2,489,217.

By reason of the foregoing, E1 violated SEC Rule 15c3-1 and NASD Rule 2110.

2. Inaccurate Financial Books and Records

During the period of March 2008 through May 2008, E1's financial books and records, including the firm's trial balances and net capital calculations were inaccurate. As stated above, the firm improperly netted payroll advances against its monthly payroll accrual, improperly included amounts held in a brokerage account as an allowable asset even though the firm did not have a PAIB agreement, failed to accrue some expenses and took a larger deduction than permitted for a fidelity bond deductible.

By reason of the foregoing, E1 violated SEC Rule 17a-3 and NASD Rule 2110.

3. Rule 3070 Filing Violations

(a) E1 failed to report to FINRA statistical and summary information for complaints. Specifically:

- between January 2006 and May 2008, E1 failed to report such data for 17 complaints; and
- between July 2008 and July 2010, E1 failed to report such data for 9 complaints.

(b) E1's 3070 reporting was inaccurate in that E1 reports for these complaints included: erroneous complaint dates, incorrect product codes, inaccurate problem codes and/or identified the wrong registered representative. Specifically:

- between January 2006 and May 2008, E1's 3070 reporting for 26 complaints was inaccurate; and
- between July 2008 and July 2010, E1's 3070 reporting for 15 complaints was inaccurate.

By reason of the foregoing, E1 violated NASD Conduct Rules 3070(c) and 2110.

4. Form U4 Reporting

(a) In connection with some of its registered employees, E1 failed to amend or ensure the amendment of Forms U4 to disclose customer complaints and the resolution of those complaints. Specifically,

- between July 2006 and May 2008, E1 failed to amend or ensure the amendment of Forms U4 to disclose five (5) customer complaints involving four registered individuals; and
- between July 2008 and May 2009, E1 failed to amend or ensure the amendment of Forms U4 to disclose four (4) customer complaints involving four registered individuals.

(b) In addition to failing to amend Forms U4s, E1 also filed late Form U4 amendments. Article V, Section 2(c) of the NASD By-Laws, related to Forms U4, provides that "Every application for registration filed with the NASD shall be kept current at all times." Such amendments must be made no later than 30 days after the member learns of the facts or circumstances giving rise to the amendment. Specifically:

- between May 2006 and May 2008, in at least seven (7) instances involving five registered representatives, E1 filed late (3 to 130 days late) Form U4 amendments.
- during the period from July 2008 through May 2009, in at least six (6) instances involving six registered individuals, E1 filed late (46 to 364 days late) Form U4 amendments.

By reason of the foregoing, E1 violated Article V, Sections 2(c) of NASD's By-Laws and NASD Conduct Rule 2110.

5. Failure to Retain Instant Messages

During the period of at least January 1, 2008 through at least March 31, 2008, E1 failed to have an adequate system to preserve IM sent or received by registered representatives of the firm. The firm did not archive IMs in a non-erasable, non-rewritable format. As a result, the firm failed to maintain and preserve copies of all of electronic communications, as required by Section 17(a) of the Exchange Act and Rule 17a-4 thereunder.

Based on the foregoing, E1 violated SEC Rule 17a-4 and NASD Conduct Rules 3110(a) and 2110.

B. I also consent to the imposition of the following sanctions:

- a censure; and
- a fine in the amount of \$75,000.

Respondent agrees to pay the monetary sanctions upon notice that this AWC has been accepted and that such payments are due and payable. Respondent has submitted an Election of Payment form showing the method by which Respondent proposes to pay the fine imposed.

Respondent specifically and voluntarily waives any right to claim that it is unable to pay, now or at any time hereafter, the monetary sanctions imposed in this matter.

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

II.

WAIVER OF PROCEDURAL RIGHTS

Respondent specifically and voluntarily waives the following rights granted under FINRA's Code of Procedure:

- To have a Complaint issued specifying the allegations against Respondent;
- To be notified of the Complaint and have the opportunity to answer the allegations in writing;
- 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
- To appeal any such decision to the National Adjudicatory Council ("NAC") and then to the U.S. Securities and Exchange Commission and a U.S. Court of Appeals.

Further, Respondent 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.

Respondent further specifically and voluntarily waive any right to claim that a person violated the ex parte prohibitions of FINRA Rule 9143 or the separation of functions prohibitions of FINRA 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.

III.

OTHER MATTERS

Respondent understands that:

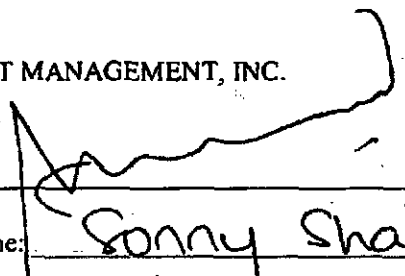
- A. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by the NAC, a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs ("ODA"), pursuant to FINRA Rule 9216;
- B. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against me; and
- C. If accepted:
 - 1. this AWC will become part of Respondent's my permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against Respondent;
 - 2. this AWC will be made available through FINRA's public disclosure program in response to public inquiries about Respondent's disciplinary record;
 - 3. FINRA may make a public announcement concerning this agreement and the subject matter thereof in accordance with FINRA Rule 8313; and
 - 4. Respondent 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. Respondent may not take any position in any proceeding brought by or on behalf of FINRA, or to which FINRA is a party, that is inconsistent with any part of this AWC. Nothing in this provision affects my right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party.

- D. Respondent may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. Respondent 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 FINRA, nor does it reflect the views of FINRA or its staff.

The undersigned, on behalf of Respondent, certifies that a person duly authorized to act on its behalf has read and understands all of the provisions of this AWC and have been given a full opportunity to ask questions about it; that Respondent has agreed to its provisions voluntarily; and that no offer, threat, inducement, or promise of any kind, other than the terms set forth herein and the prospect of avoiding the issuance of a Complaint, has been made to induce Respondent to submit it.

EI ASSET MANAGEMENT, INC.

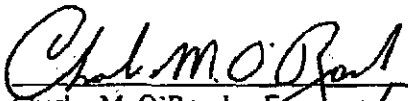
6-23-11
Date

By: 

Print Name: Sonny Shaikh

Title: Director.

Reviewed By:

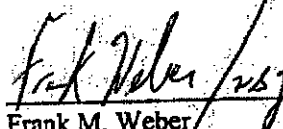

Charles M. O'Rourke, Esq. 6/24/11
Counsel for Respondent

Accepted by FINRA:

July 12, 2011

Date

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

A handwritten signature in dark ink, appearing to read "Frank Weber / 2257", is written over a horizontal line.

Frank M. Weber

Senior Regional Counsel

FINRA Department of Enforcement

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