

BrokerCheck Report

ESSEX FINANCIAL SERVICES, INC.

CRD# 127549

<u>Section Title</u>	<u>Page(s)</u>
Report Summary	1
Registration and Withdrawal	2
Firm Profile	3 - 9
Firm History	10
Firm Operations	11 - 16
Disclosure Events	17



When communicating online or investing with any professional, make sure you know who you're dealing with. [Imposters](#) might link to sites like BrokerCheck from [phishing](#) or similar scam websites, or through [social media](#), trying to steal your personal information or your money.

Please contact FINRA with any concerns.

About BrokerCheck®



BrokerCheck offers information on all current, and many former, registered securities brokers, and all current and former registered securities firms. FINRA strongly encourages investors to use BrokerCheck to check the background of securities brokers and brokerage firms before deciding to conduct, or continue to conduct, business with them.

- **What is included in a BrokerCheck report?**

- BrokerCheck reports for individual brokers include information such as employment history, professional qualifications, disciplinary actions, criminal convictions, civil judgments and arbitration awards. BrokerCheck reports for brokerage firms include information on a firm's profile, history, and operations, as well as many of the same disclosure events mentioned above.

- Please note that the information contained in a BrokerCheck report may include pending actions or allegations that may be contested, unresolved or unproven. In the end, these actions or allegations may be resolved in favor of the broker or brokerage firm, or concluded through a negotiated settlement with no admission or finding of wrongdoing.

- **Where did this information come from?**

- The information contained in BrokerCheck comes from FINRA's Central Registration Depository, or CRD® and is a combination of:
 - information FINRA and/or the Securities and Exchange Commission (SEC) require brokers and brokerage firms to submit as part of the registration and licensing process, and
 - information that regulators report regarding disciplinary actions or allegations against firms or brokers.

- **How current is this information?**

- Generally, active brokerage firms and brokers are required to update their professional and disciplinary information in CRD within 30 days. Under most circumstances, information reported by brokerage firms, brokers and regulators is available in BrokerCheck the next business day.

- **What if I want to check the background of an investment adviser firm or investment adviser representative?**

- To check the background of an investment adviser firm or representative, you can search for the firm or individual in BrokerCheck. If your search is successful, click on the link provided to view the available licensing and registration information in the SEC's Investment Adviser Public Disclosure (IAPD) website at <https://www.adviserinfo.sec.gov>. In the alternative, you may search the IAPD website directly or contact your state securities regulator at <http://www.finra.org/Investors/ToolsCalculators/BrokerCheck/P455414>.

- **Are there other resources I can use to check the background of investment professionals?**

- FINRA recommends that you learn as much as possible about an investment professional before deciding to work with them. Your state securities regulator can help you research brokers and investment adviser representatives doing business in your state.

-

Thank you for using FINRA BrokerCheck.



Using this site/information means that you accept the FINRA BrokerCheck Terms and Conditions. A complete list of Terms and Conditions can be found at brokercheck.finra.org



For additional information about the contents of this report, please refer to the User Guidance or www.finra.org/brokercheck. It provides a glossary of terms and a list of frequently asked questions, as well as additional resources. For more information about FINRA, visit www.finra.org.



ESSEX FINANCIAL SERVICES, INC.

CRD# 127549

SEC# 8-66015

Main Office Location

176 WESTBROOK ROAD
ESSEX, CT 06426

Mailing Address

P.O. BOX 999
ESSEX, CT 06426-0999

Business Telephone Number

860-767-4300

This firm is a brokerage firm and an investment adviser firm. For more information about investment adviser firms, visit the SEC's Investment Adviser Public Disclosure website at: <https://www.adviserinfo.sec.gov>

Report Summary for this Firm

This report summary provides an overview of the brokerage firm. Additional information for this firm can be found in the detailed report.

Firm Profile

This firm is classified as a corporation.

This firm was formed in Connecticut on 04/24/2003.

Its fiscal year ends in September.

Firm History

Information relating to the brokerage firm's history such as other business names and successions (e.g., mergers, acquisitions) can be found in the detailed report.

Firm Operations

This brokerage firm is no longer registered with FINRA or a national securities exchange.

Disclosure Events

Brokerage firms are required to disclose certain criminal matters, regulatory actions, civil judicial proceedings and financial matters in which the firm or one of its control affiliates has been involved.

Are there events disclosed about this firm? **Yes**

The following types of disclosures have been reported:

Type	Count
Regulatory Event	5

Registration Withdrawal Information

This section provides information relating to the date the brokerage firm ceased doing business and the firm's financial obligations to customers or other brokerage firms.



Date firm ceased business: 06/01/2021

Does this brokerage firm owe any money or securities to any customer or brokerage firm? No



Firm Profile

This firm is classified as a corporation.
This firm was formed in Connecticut on 04/24/2003.
Its fiscal year ends in September.

Firm Names and Locations

This section provides the brokerage firm's full legal name, "Doing Business As" name, business and mailing addresses, telephone number, and any alternate name by which the firm conducts business and where such name is used.

ESSEX FINANCIAL SERVICES, INC.
Doing business as ESSEX FINANCIAL SERVICES, INC.
CRD# 127549
SEC# 8-66015

Main Office Location
176 WESTBROOK ROAD
ESSEX, CT 06426

Mailing Address
P.O. BOX 999
ESSEX, CT 06426-0999

Business Telephone Number
860-767-4300

Other Names of this Firm

Name	Where is it used
ESSEX FINANCIAL	AK, AL, AR, AZ, CA, CO, CT, DC, DE, FL, GA, HI, IA, ID, IL, IN, KS, KY, LA, MA, MD, ME, MI, MN, MO, MS, MT, NC, NH, NJ, NM, NV, NY, OH, OK, OR, PA, RI, SC, TN, TX, UT, VA, VT, WA, WI, WV, WY



Firm Profile

This section provides information relating to all direct owners and executive officers of the brokerage firm.

Direct Owners and Executive Officers

Legal Name & CRD# (if any): ESSEX SAVINGS BANK

Is this a domestic or foreign entity or an individual? Domestic Entity

Position SHAREHOLDER

Position Start Date 04/2003

Percentage of Ownership 75% or more

Does this owner direct the management or policies of the firm? Yes

Is this a public reporting company? No

Legal Name & CRD# (if any): BAUER, JOHN

7031583

Is this a domestic or foreign entity or an individual? Individual

Position DIRECTOR

Position Start Date 09/2018

Percentage of Ownership Less than 5%

Does this owner direct the management or policies of the firm? Yes

Is this a public reporting company? No

Legal Name & CRD# (if any): BOONE, MARY EMELIA

6281326

Is this a domestic or foreign entity or an individual? Individual

Position DIRECTOR

Position Start Date 11/2013

Firm Profile



Direct Owners and Executive Officers (continued)

Percentage of Ownership Less than 5%

Does this owner direct the management or policies of the firm? Yes

Is this a public reporting company? No

Legal Name & CRD# (if any): CUMELLO, CHARLES ROBERT JR
2120572

Is this a domestic or foreign entity or an individual? Individual

Position PRESIDENT & CEO, DIRECTOR

Position Start Date 12/2013

Percentage of Ownership Less than 5%

Does this owner direct the management or policies of the firm? Yes

Is this a public reporting company? No

Legal Name & CRD# (if any): GLOWAC, BRUCE MICHAEL

Is this a domestic or foreign entity or an individual? Individual

Position DIRECTOR

Position Start Date 10/2013

Percentage of Ownership Less than 5%

Does this owner direct the management or policies of the firm? Yes

Is this a public reporting company? No

Legal Name & CRD# (if any): GRESHAM, STEPHEN DEANE
1126592

Firm Profile



Direct Owners and Executive Officers (continued)

Is this a domestic or foreign entity or an individual? Individual

Position DIRECTOR

Position Start Date 03/2020

Percentage of Ownership Less than 5%

Does this owner direct the management or policies of the firm? Yes

Is this a public reporting company? No

Legal Name & CRD# (if any): JACOBSON, GEOFFREY LEE

Is this a domestic or foreign entity or an individual? Individual

Position DIRECTOR

Position Start Date 09/2018

Percentage of Ownership Less than 5%

Does this owner direct the management or policies of the firm? Yes

Is this a public reporting company? No

Legal Name & CRD# (if any): NELSON, RONALD CLARK
1137618

Is this a domestic or foreign entity or an individual? Individual

Position CHIEF OPERATING OFFICER, TREASURER, SECRETARY

Position Start Date 05/2013

Percentage of Ownership Less than 5%

Does this owner direct the management or policies of the firm? Yes

Firm Profile



Direct Owners and Executive Officers (continued)

Is this a public reporting company? No

Legal Name & CRD# (if any): OROURKE, MICHAEL DENNIS
1551838

Is this a domestic or foreign entity or an individual? Individual

Position CHIEF COMPLIANCE OFFICER

Position Start Date 08/2004

Percentage of Ownership Less than 5%

Does this owner direct the management or policies of the firm? No

Is this a public reporting company? No

Legal Name & CRD# (if any): PAUL, DOUGLAS WILLIAMS

Is this a domestic or foreign entity or an individual? Individual

Position CHAIRMAN

Position Start Date 08/2013

Percentage of Ownership Less than 5%

Does this owner direct the management or policies of the firm? Yes

Is this a public reporting company? No

Legal Name & CRD# (if any): SHOOK, GREGORY RALPH

Is this a domestic or foreign entity or an individual? Individual

Position DIRECTOR

Position Start Date 04/2003

Percentage of Ownership Less than 5%

Firm Profile



Direct Owners and Executive Officers (continued)

Does this owner direct the management or policies of the firm? Yes

Is this a public reporting company? No

Legal Name & CRD# (if any): TERRIBILE, WILLIAM JOHN JR
1132498

Is this a domestic or foreign entity or an individual? Individual

Position FINANCIAL AND OPERATIONS PRINCIPAL, ROSFP

Position Start Date 12/2004

Percentage of Ownership Less than 5%

Does this owner direct the management or policies of the firm? No

Is this a public reporting company? No

Firm Profile

This section provides information relating to any indirect owners of the brokerage firm.

Indirect Owners

No information reported.



Firm History

This section provides information relating to any successions (e.g., mergers, acquisitions) involving the firm.

No information reported.



Firm Operations

Registrations

This section provides information about the regulators (Securities and Exchange Commission (SEC), self-regulatory organizations (SROs), and U.S. states and territories) with which the brokerage firm is currently registered and licensed, the date the license became effective, and certain information about the firm's SEC registration.

This firm is no longer registered.

The firm's registration was from 09/22/2003 to 08/03/2021.





Firm Operations

Types of Business

This section provides the types of business, including non-securities business, the brokerage firm is engaged in or expects to be engaged in.

This firm currently conducts 11 types of businesses.

Types of Business

Broker or dealer retailing corporate equity securities over-the-counter
Broker or dealer selling corporate debt securities
Mutual fund retailer
U S. government securities broker
Municipal securities broker
Broker or dealer selling variable life insurance or annuities
Put and call broker or dealer or option writer
Investment advisory services
Broker or dealer selling tax shelters or limited partnerships in the secondary market
Broker or dealer involved in a networking, kiosk or similar arrangement with a: bank, savings bank or association, or credit union
Broker or dealer involved in a networking, kiosk or similar arrangement with a: insurance company or agency

Other Types of Business

This firm does not effect transactions in commodities, commodity futures, or commodity options.

This firm does engage in other non-securities business.

Non-Securities Business Description: ESSEX FINANCIAL SERVICES, INC. FORMED ITS OWN GENERAL INSURANCE AGENCY FOR THE PURPOSE OF SELLING LIFE INSURANCE PRODUCTS, FIXED ANNUITIES AND LONG TERM HEALTH CARE.

Firm Operations



Clearing Arrangements

This firm does not hold or maintain funds or securities or provide clearing services for other broker-dealer(s).

Introducing Arrangements

This firm does refer or introduce customers to other brokers and dealers.

Name:	PERSHING LLC
CRD #:	7560
Business Address:	ONE PERSHING PLAZA JERSEY CITY, NJ 07399
Effective Date:	08/01/2003
Description:	ESSEX FINANCIAL SERVICES, INC. WILL BE A FULLY DISCLOSED INTRODUCING BROKER-DEALER AND HAS SIGNED A LETTER OF INTENT WITH PERSHING, LLC TO ACT AS ITS CLEARING BROKER-DEALER.

Firm Operations

Industry Arrangements



This firm does have books or records maintained by a third party.

Name: PERSHING LLC
CRD #: 7560
Business Address: ONE PERSHING PLAZA
JERSEY CITY, NJ 07399
Effective Date: 08/01/2003
Description: ESSEX FINANCIAL SERVICES, INC. WILL BE A FULLY DISCLOSED INTRODUCING BROKER-DEALER AND HAS SIGNED A LETTER OF INTENT WITH PERSHING, LLC TO ACT AS ITS CLEARING BROKER-DEALER.

This firm does have accounts, funds, or securities maintained by a third party.

Name: PERSHING LLC
CRD #: 7560
Business Address: ONE PERSHING PLAZA
JERSEY CITY, NJ 07399
Effective Date: 08/01/2003
Description: ESSEX FINANCIAL SERVICES, INC. WILL BE A FULLY DISCLOSED INTRODUCING BROKER-DEALER AND HAS SIGNED A LETTER OF INTENT WITH PERSHING, LLC TO ACT AS ITS CLEARING BROKER-DEALER.

This firm does have customer accounts, funds, or securities maintained by a third party.

Name: PERSHING LLC
CRD #: 7560
Business Address: ONE PERSHING PLAZA
JERSEY CITY, NJ 07399
Effective Date: 08/01/2003
Description: ESSEX FINANCIAL SERVICES, INC. WILL BE A FULLY DISCLOSED INTRODUCING BROKER-DEALER AND HAS SIGNED A LETTER OF INTENT WITH PERSHING, LLC TO ACT AS ITS CLEARING BROKER-DEALER.

Control Persons/Financing

This firm does not have individuals who control its management or policies through agreement.

Firm Operations

Industry Arrangements (continued)



This firm does not have individuals who wholly or partly finance the firm's business.



Firm Operations

Organization Affiliates

This section provides information on control relationships the firm has with other firms in the securities, investment advisory, or banking business.

This firm is not, directly or indirectly:

- in control of
 - controlled by
 - or under common control with
- the following partnerships, corporations, or other organizations engaged in the securities or investment advisory business.**

This firm is directly or indirectly, controlled by the following:

- bank holding company
- national bank
- state member bank of the Federal Reserve System
- state non-member bank
- savings bank or association
- credit union
- or foreign bank

ESSEX SAVINGS BANK is a State Non Member Bank and controls the firm.

Business Address: 35 PLAINS ROAD
ESSEX, CT 06426

Effective Date: 04/24/2003

Description: ESSEX SAVINGS BANK, A NON MEMBER BANK, OWNS 100% AS A DIRECT
OWNER AS OF JULY 2013



Disclosure Events

All firms registered to sell securities or provide investment advice are required to disclose regulatory actions, criminal or civil judicial proceedings, and certain financial matters in which the firm or one of its control affiliates has been involved. For your convenience, below is a matrix of the number and status of disclosure events involving this brokerage firm or one of its control affiliates. Further information regarding these events can be found in the subsequent pages of this report.

	Pending	Final	On Appeal
Regulatory Event	0	5	0



Disclosure Event Details

What you should know about reported disclosure events:

1. **BrokerCheck provides details for any disclosure event that was reported in CRD. It also includes summary information regarding FINRA arbitration awards in cases where the brokerage firm was named as a respondent.**
2. **Certain thresholds must be met before an event is reported to CRD, for example:**
 - A law enforcement agency must file formal charges before a brokerage firm is required to disclose a particular criminal event.
3. **Disclosure events in BrokerCheck reports come from different sources:**
 - Disclosure events for this brokerage firm were reported by the firm and/or regulators. When the firm and a regulator report information for the same event, both versions of the event will appear in the BrokerCheck report. The different versions will be separated by a solid line with the reporting source labeled.
4. **There are different statuses and dispositions for disclosure events:**
 - A disclosure event may have a status of *pending*, *on appeal*, or *final*.
 - A "pending" event involves allegations that have not been proven or formally adjudicated.
 - An event that is "on appeal" involves allegations that have been adjudicated but are currently being appealed.
 - A "final" event has been concluded and its resolution is not subject to change.
 - A final event generally has a disposition of *adjudicated*, *settled* or *otherwise resolved*.
 - An "adjudicated" matter includes a disposition by (1) a court of law in a criminal or civil matter, or (2) an administrative panel in an action brought by a regulator that is contested by the party charged with some alleged wrongdoing.
 - A "settled" matter generally involves an agreement by the parties to resolve the matter. Please note that firms may choose to settle customer disputes or regulatory matters for business or other reasons.
 - A "resolved" matter usually involves no payment to the customer and no finding of wrongdoing on the part of the individual broker. Such matters generally involve customer disputes.
5. **You may wish to contact the brokerage firm to obtain further information regarding any of the disclosure events contained in this BrokerCheck report.**

Regulatory - Final

This type of disclosure event involves (1) a final, formal proceeding initiated by a regulatory authority (e.g., a state securities agency, self-regulatory organization, federal regulator such as the U.S. Securities and Exchange Commission, foreign financial regulatory body) for a violation of investment-related rules or regulations; or (2) a revocation or suspension of the authority of a brokerage firm or its control affiliate to act as an attorney, accountant or federal contractor.

Disclosure 1 of 5

Reporting Source: Regulator

Current Status: Final



Allegations: SEC ADMIN RELEASE IA 40-5392 / SEPTEMBER 30, 2019: THE SECURITIES AND EXCHANGE COMMISSION DEEMS IT APPROPRIATE AND IN THE PUBLIC INTEREST THAT PUBLIC ADMINISTRATIVE AND CEASE-AND-DESIST PROCEEDINGS BE INSTITUTED AGAINST ESSEX FINANCIAL SERVICES, INC. ("RESPONDENT"). ON THE BASIS OF THIS ORDER AND RESPONDENT'S OFFER, THE COMMISSION FINDS THAT THESE PROCEEDINGS ARISE OUT OF BREACHES OF FIDUCIARY DUTY AND INADEQUATE DISCLOSURES BY REGISTERED INVESTMENT ADVISER ESSEX FINANCIAL SERVICES, INC. IN CONNECTION WITH ITS MUTUAL FUND SHARE CLASS SELECTION PRACTICES AND THE FEES IT RECEIVED PURSUANT TO RULE 12B-1 UNDER THE INVESTMENT COMPANY ACT OF 1940 ("12B-1 FEES"). AT TIMES DURING THE PERIOD JANUARY 1, 2014 TO MAY 22, 2018 (THE "RELEVANT PERIOD"), RESPONDENT PURCHASED, RECOMMENDED, OR HELD FOR ADVISORY CLIENTS MUTUAL FUND SHARE CLASSES THAT CHARGED 12B-1 FEES INSTEAD OF LOWER-COST SHARE CLASSES OF THE SAME FUNDS FOR WHICH THE CLIENTS WERE ELIGIBLE. RESPONDENT RECEIVED 12B-1 FEES IN CONNECTION WITH THESE INVESTMENTS. RESPONDENT FAILED TO DISCLOSE IN ITS FORM ADV OR OTHERWISE THE CONFLICTS OF INTEREST RELATED TO (A) ITS RECEIPT OF 12B-1 FEES, AND/OR (B) ITS SELECTION OF MUTUAL FUND SHARE CLASSES THAT PAY SUCH FEES. DURING THE RELEVANT PERIOD, RESPONDENT RECEIVED 12B-1 FEES FOR ADVISING CLIENTS TO INVEST IN OR HOLD SUCH MUTUAL FUND SHARE CLASSES. AS A RESULT OF THE CONDUCT, RESPONDENT WILLFULLY VIOLATED SECTION 206(2) OF THE ADVISERS ACT.

Initiated By: UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Date Initiated: 09/30/2019

Docket/Case Number: 3-19559

Principal Product Type: Mutual Fund(s)

Other Product Type(s):

Principal Sanction(s)/Relief Sought: Cease and Desist

Other Sanction(s)/Relief Sought:

Resolution: Order

Resolution Date: 09/30/2019



Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?

Yes

Sanctions Ordered:

Censure
Disgorgement/Restitution
Cease and Desist/Injunction

Other Sanctions Ordered:

UNDERTAKINGS AND PREJUDGMENT INTEREST WITH THE DISGORGEMENT.

IT WAS ORDERED THAT RESPONDENT SHALL PAY \$2,755,879 DISGORGEMENT AND \$230,710.94 PREJUDGMENT INTEREST TO AFFECTED INVESTORS, TOTALING \$2,986,589.94, BUT PAYMENT OF SUCH AMOUNT EXCEPT FOR \$645,000 ("PAYABLE AMOUNT") IS WAIVED BASED UPON RESPONDENT'S SWORN REPRESENTATIONS IN ITS STATEMENT OF FINANCIAL CONDITION, DATED NOVEMBER 26, 2018, AND OTHER DOCUMENTS SUBMITTED TO THE COMMISSION.

Sanction Details:

THE RESPONDENT SHALL CEASE AND DESIST FROM COMMITTING OR CAUSING ANY VIOLATIONS AND ANY FUTURE VIOLATIONS OF SECTIONS 206(2) OF THE ADVISERS ACT. RESPONDENT IS CENSURED, SHALL PAY THE PAYABLE AMOUNT OF DISGORGEMENT AND PREJUDGMENT INTEREST OF \$645,000, AND SHALL COMPLY WITH THE UNDERTAKINGS ENUMERATED IN THE OFFER OF SETTLEMENT.

Regulator Statement

RESPONDENT HAS SUBMITTED AN OFFER OF SETTLEMENT (THE OFFER) WHICH THE COMMISSION HAS DETERMINED TO ACCEPT. IN VIEW OF THE FOREGOING, THE COMMISSION DEEMS IT APPROPRIATE IN THE PUBLIC INTEREST TO IMPOSE THE SANCTIONS AGREED TO IN THE RESPONDENT'S OFFER. ACCORDINGLY, IT IS ORDERED THAT RESPONDENT SHALL CEASE AND DESIST FROM COMMITTING OR CAUSING ANY VIOLATIONS AND ANY FUTURE VIOLATIONS OF SECTION 206(2) OF THE ADVISERS ACT. RESPONDENT IS CENSURED, SHALL PAY THE PAYABLE AMOUNT OF DISGORGEMENT AND PREJUDGMENT INTEREST OF \$645,000, AND SHALL COMPLY WITH THE UNDERTAKINGS ENUMERATED IN THE OFFER OF SETTLEMENT.

RESPONDENT ACKNOWLEDGES THAT THE COMMISSION IS NOT IMPOSING A CIVIL PENALTY BASED UPON RESPONDENT'S SELF-REPORT IN THE SCSD INITIATIVE. RESPONDENT SELF-REPORTED TO THE COMMISSION THE VIOLATIONS DISCUSSED IN THIS ORDER PURSUANT TO THE DIVISION OF ENFORCEMENT'S (THE "DIVISION") SHARE CLASS SELECTION



DISCLOSURE INITIATIVE ("SCSD INITIATIVE"). ACCORDINGLY, THIS ORDER AND RESPONDENT'S OFFER ARE BASED ON THE INFORMATION SELF-REPORTED BY RESPONDENT.

Reporting Source: Firm

Current Status: Final

Allegations: THE SECURITIES AND EXCHANGE COMMISSION (COMMISSION) FOUND THAT DURING THE PERIOD JANUARY 1, 2014 TO MAY 22, 2018 (THE "RELEVANT PERIOD"), ESSEX FINANCIAL SERVICES, INC. (EFS) PURCHASED, RECOMMENDED, OR HELD FOR ADVISORY CLIENTS MUTUAL FUND SHARE CLASSES THAT CHARGED 12B-1 FEES INSTEAD OF LOWER COST SHARE CLASSES OF THE SAME FUNDS FOR WHICH THE CLIENTS WERE ELIGIBLE. EFS FAILED TO DISCLOSE IN ITS FORM ADV OR OTHERWISE THE CONFLICTS OF INTERESTS RELATED TO (A) ITS RECEIPT OF 12B-1 FEES, AND/OR (B) ITS SELECTION OF MUTUAL FUND SHARE CLASSES THAT PAY SUCH FEES. AS A RESULT OF THIS CONDUCT, IT WAS DETERMINED THAT EFS WILLFULLY VIOLATED SECTION 206(2) OF THE ADVISERS ACT.

Initiated By: SECURITIES AND EXCHANGE COMMISSION

Date Initiated: 09/30/2019

Docket/Case Number: 3-19559

Principal Product Type: Mutual Fund(s)

Other Product Type(s):

Principal Sanction(s)/Relief Sought: Cease and Desist

Other Sanction(s)/Relief Sought: CENSURE, DISGORGEMENT, UNDERTAKING

Resolution: Order

Resolution Date: 09/30/2019

Sanctions Ordered: Censure
Disgorgement/Restitution
Cease and Desist/Injunction

Other Sanctions Ordered: UNDERTAKINGS AND PREJUDGMENT INTEREST WITH THE DISGORGEMENT.

IT WAS ORDERED THAT RESPONDENT SHALL PAY \$2,755,879 DISGORGEMENT AND \$230,710.94 PREJUDGMENT INTEREST TO AFFECTED



INVESTORS, TOTALING \$2,986,589.94, BUT PAYMENT OF SUCH AMOUNT EXCEPT FOR \$645,000 ("PAYABLE AMOUNT") WAS WAIVED BASED UPON EFS'S SWORN REPRESENTATIONS IN ITS STATEMENT OF FINANCIAL CONDITION, DATED NOVEMBER 26, 2018, AND OTHER DOCUMENTS SUBMITTED TO THE COMMISSION.

Sanction Details:

EFS SHALL CEASE AND DESIST FROM COMMITTING OR CAUSING ANY VIOLATIONS AND ANY FUTURE VIOLATIONS OF SECTIONS 206(2) OF THE ADVISERS ACT. RESPONDENT IS CENSURED, SHALL PAY THE PAYABLE AMOUNT OF DISGORGMENT AND PREJUDGMENT INTEREST OF \$645,000 AND SHALL COMPLY WITH THE UNDERTAKINGS ENUMERATED IN THE OFFER OF SETTLEMENT.

Firm Statement

EFS, IN ITS CAPACITY AS A REGISTERED INVESTMENT ADVISER, VOLUNTARILY PARTICIPATED IN THE COMMISSION'S SHARE CLASS SELECTION DISCLOSURE ("SCSD") INITIATIVE. WITHOUT ADMITTING OR DENYING THE ALLEGATIONS, EFS SUBMITTED AN OFFER OF SETTLEMENT WHICH THE COMMISSION ACCEPTED. IN DETERMINING TO ACCEPT EFS'S OFFER, THE COMMISSION CONSIDERED THAT EFS SELF-REPORTED ITS CONDUCT TO THE COMMISSION PURSUANT TO THE SCSD INITIATIVE. IN ADDITION THE COMMISSION ACKNOWLEDGED THAT EFS HAS CERTIFIED TO THE COMMISSION STAFF THAT IT HAS COMPLETED CERTAIN UNDERTAKINGS SPECIFIED IN THE OFFER.

Disclosure 2 of 5

Reporting Source:

Regulator

Current Status:

Final

Allegations:

SEC ADMIN RELEASE 34-79757, IA RELEASE 40-4603, JANUARY 9, 2017: THE SECURITIES AND EXCHANGE COMMISSION ("COMMISSION") DEEMS IT APPROPRIATE AND IN THE PUBLIC INTEREST THAT PUBLIC ADMINISTRATIVE AND CEASE-AND-DESIST PROCEEDINGS BE, AND HEREBY ARE, INSTITUTED PURSUANT TO SECTION 15(B) OF THE SECURITIES EXCHANGE ACT OF 1934 ("EXCHANGE ACT"), AND SECTIONS 203(E) AND 203(K) OF THE INVESTMENT ADVISERS ACT OF 1940 ("ADVISERS ACT"), AGAINST ESSEX FINANCIAL SERVICES, INC. ("ESSEX" OR "RESPONDENT").

THE COMMISSION FINDS THAT ESSEX FINANCIAL SERVICES ("ESSEX") IS A CONNECTICUT-BASED REGISTERED INVESTMENT ADVISER AND BROKER-DEALER. FROM EARLY 2011 TO AT LEAST APRIL 2013, ESSEX'S THEN PRESIDENT AND CEO AND A CONNECTICUT ATTORNEY, FRAUDULENTLY SCHEMED TO CIRCUMVENT THE RULE REGARDING PAYMENTS FOR CLIENT SOLICITATIONS. ESSEX'S CEO AGREED TO PAY THE ATTORNEY FOR THE REFERRAL OF THE ATTORNEY'S WEALTHY CLIENT. ESSEX DID NOT DISCLOSE THE SOLICITATION ARRANGEMENT, AND THE RESULTING



CONFLICT OF INTEREST, TO THIS CLIENT-AN ELDERLY WIDOW WITH ACCOUNTS VALUED IN EXCESS OF \$100 MILLION. THE TWO ASSOCIATED SOLICITATION PAYMENTS WERE DISGUISED AS THE PAYMENT OF FAKE LEGAL INVOICES FROM THE ATTORNEY FOR LEGAL SERVICES HE SUPPOSEDLY PROVIDED TO JOINT CLIENTS OF ESSEX AND THE ATTORNEY.

AS A RESULT OF THE CONDUCT, ESSEX WILLFULLY VIOLATED SECTION 206(4) OF THE ADVISERS ACT AND RULE 206(4)-3 THEREUNDER, WHICH MAKES UNLAWFUL THE PAYMENT, DIRECTLY OR INDIRECTLY, OF A CASH FEE BY AN INVESTMENT ADVISER REQUIRED TO BE REGISTERED PURSUANT TO SECTION 203 OF THE ADVISERS ACT TO A SOLICITOR WITH RESPECT TO SOLICITATION ACTIVITIES UNLESS THE DISCLOSURE AND OTHER REQUIREMENTS OF THE RULE ARE MET.

Initiated By:	UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Date Initiated:	01/09/2017
Docket/Case Number:	3-17762
Principal Product Type:	No Product
Other Product Type(s):	
Principal Sanction(s)/Relief Sought:	Cease and Desist
Other Sanction(s)/Relief Sought:	
Resolution:	Order
Resolution Date:	01/09/2017
Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?	Yes
Sanctions Ordered:	Disgorgement/Restitution Cease and Desist/Injunction
Other Sanctions Ordered:	UNDERTAKINGS
Sanction Details:	ESSEX IS ORDERED TO CEASE AND DESIST FROM COMMITTING OR CAUSING ANY VIOLATIONS AND ANY FUTURE VIOLATIONS OF SECTION 206(4) OF THE ADVISERS ACT AND RULE 206(4)-3 PROMULGATED THEREUNDER. ESSEX IS ORDERED TO PAY DISGORGEMENT OF \$170,000 AND



PREJUDGMENT INTEREST OF \$13,181.31.
 ESSEX IS ALSO ORDERED TO COMPLY WITH CERTAIN UNDERTAKINGS
 INCLUDING PROVIDING NOTICE OF THIS ORDER TO ITS ADVISORY
 CLIENTS.

Regulator Statement

RESPONDENT HAS SUBMITTED AN OFFER OF SETTLEMENT (THE "OFFER")
 WHICH THE COMMISSION HAS DETERMINED TO ACCEPT.
 ESSEX WILLFULLY VIOLATED SECTION 206(4) OF THE ADVISERS ACT AND
 RULE 206(4)-3 THEREUNDER.
 IT IS ORDERED THAT ESSEX CEASE AND DESIST FROM COMMITTING OR
 CAUSING ANY VIOLATIONS AND ANY FUTURE VIOLATIONS OF SECTION
 206(4) OF THE ADVISERS ACT AND RULE 206(4)-3 PROMULGATED
 THEREUNDER.
 ESSEX SHALL PAY DISGORGEMENT OF \$170,000 AND PREJUDGMENT
 INTEREST OF \$13,181.31.
 ESSEX IS ALSO ORDERED TO COMPLY WITH CERTAIN UNDERTAKINGS
 INCLUDING PROVIDING NOTICE OF THIS ORDER TO ITS ADVISORY
 CLIENTS.

Reporting Source:	Firm
Current Status:	Final
Allegations:	THE SECURITIES AND EXCHANGE COMMISSION ALLEGED THAT THE FIRM VIOLATED THE CASH SOLICITATION PORTIONS OF THE INVESTMENT ADVISERS ACT WHICH PROHIBIT THE PAYMENT OF REFERRAL FEES TO A SOLICITOR UNLESS DISCLOSURE AND OTHER REQUIREMENTS ARE MET.
Initiated By:	SECURITIES AND EXCHANGE COMMISSION
Date Initiated:	01/09/2017
Docket/Case Number:	3-17762
Principal Product Type:	No Product
Other Product Type(s):	
Principal Sanction(s)/Relief Sought:	Cease and Desist
Other Sanction(s)/Relief Sought:	DISGORGEMENT OF \$170,000 AND PREJUDGEMENT INTEREST OF \$13,181.31.
Resolution:	Settled
Resolution Date:	01/09/2017
Sanctions Ordered:	Disgorgement/Restitution Cease and Desist/Injunction



Other Sanctions Ordered:	DISGORGEMENT OF \$170,000 AND PREJUDGEMENT INTEREST OF \$13,181.31.
Sanction Details:	DISGORGEMENT OF \$170,000 AND INTEREST OF \$13181.31 PAID ON JANUARY 19, 2017.
Firm Statement	THE ALLEGED VIOLATIONS OCCURRED FROM EARLY 2011 TO AT LEAST APRIL 2013, WHEN THE FIRM'S FORMER PRESIDENT AND CEO, ALONG WITH A CONNECTICUT ATTORNEY, FRAUDULENTLY SCHEMED TO CIRCUMVENT THE RULE REGARDING PAYMENTS FOR CLIENT SOLICITATIONS. THE FIRM SELF-REPORTED THE ALLEGED VIOLATIONS TO THE COMMISSION AND ON NOVEMBER 23, 2015, THE FIRM TERMINATED THE EMPLOYMENT OF ITS FORMER PRESIDENT AND CEO. WITHOUT ADMITTING OR DENYING THE ALLEGATIONS, THE FIRM SUBMITTED AN OFFER OF SETTLEMENT (THE "OFFER") WHICH THE COMMISSION DETERMINED TO ACCEPT. IN THE OFFER, THE FIRM AGREED TO PROVIDE DISGORGEMENT OF \$170,000 (PLUS INTEREST), WHICH REPRESENTED REVENUE THE FIRM RECEIVED FROM THE IMPROPER REFERRAL FEE ARRANGEMENT. IN DETERMINING TO ACCEPT THE OFFER, THE COMMISSION CONSIDERED REMEDIAL ACTS PROMPTLY UNDERTAKEN BY THE FIRM AND COOPERATION AFFORDED THE COMMISSION STAFF.

Disclosure 3 of 5

Reporting Source:	Regulator
Current Status:	Final
Allegations:	ON NOVEMBER 23, 2015, THE BANKING COMMISSIONER ENTERED A CONSENT ORDER (NO. CO-15-8158-S) WITH RESPECT TO ESSEX FINANCIAL SERVICES, INC. A CONNECTICUT-REGISTERED BROKER-DEALER LOCATED AT 176 WESTBROOK ROAD, ESSEX, CONNECTICUT 06426. THE FIRM IS ALSO AN INVESTMENT ADVISER REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION. THE CONSENT ORDER ALLEGED THAT THE FIRM 1) VIOLATED SECTION 36B-6(C)(3) OF THE CONNECTICUT UNIFORM SECURITIES ACT BY ENGAGING AN ATTORNEY TO WHOM REFERRAL FEES WERE PAID AS AN UNREGISTERED INVESTMENT ADVISER AGENT; 2) VIOLATED SECTION 36B-31-14A(A) OF THE REGULATIONS UNDER THE ACT BY FAILING TO KEEP SEC REQUIRED RECORDS, NOTABLY LEDGERS AND SUPPORTING DOCUMENTS, TRUE AND ACCURATE; AND 3) CONTRAVENED SECTION 36B-31-6F(B) OF THE REGULATIONS UNDER THE ACT BY FAILING TO ESTABLISH, ENFORCE AND MAINTAIN A SYSTEM FOR SUPERVISING THE ACTIVITIES OF ITS AGENTS, INVESTMENT ADVISER AGENTS AND CONNECTICUT OFFICE OPERATIONS THAT WAS REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH APPLICABLE SECURITIES LAWS AND REGULATIONS.



Initiated By: CONNECTICUT
Date Initiated: 11/23/2015
Docket/Case Number: CO-15-8158-S
URL for Regulatory Action:
Principal Product Type: No Product
Other Product Type(s):
Principal Sanction(s)/Relief Sought: Civil and Administrative Penalt(ies) /Fine(s)
Other Sanction(s)/Relief Sought:
Resolution: Consent
Resolution Date: 11/23/2015
Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct? No
Sanctions Ordered: Monetary/Fine \$25,000.00
Cease and Desist/Injunction
Other Sanctions Ordered: THE CONSENT ORDER FINED THE FIRM \$25,000 AND DIRECTED THAT IT CEASE AND DESIST FROM REGULATORY VIOLATIONS.
Sanction Details: SEE RESPONSE TO ITEM 13.B.

Reporting Source: Firm
Current Status: Final
Allegations: ON NOVEMBER 23, 2015, THE BANKING COMMISSIONER ("COMMISSIONER") ENTERED A CONSENT ORDER (NO. CO-15-8158-S) WITH RESPECT TO ESSEX FINANCIAL SERVICES, INC. THE CONSENT ORDER ALLEGED THAT THE FIRM 1) VIOLATED SECTION 36B-6(C)(3) OF THE CONNECTICUT UNIFORM SECURITIES ACT BY ENGAGING AN ATTORNEY TO WHOM REFERRAL FEES WERE PAID AS AN UNREGISTERED INVESTMENT ADVISER AGENT; 2) VIOLATED SECTION 36B-31-14A(A) OF THE REGULATIONS UNDER THE ACT BY FAILING TO KEEP SEC REQUIRED RECORDS, NOTABLY LEDGERS AND SUPPORTING DOCUMENTS, TRUE AND ACCURATE; AND 3) CONTRAVENED SECTION 36B-31-6F(B) OF THE



REGULATIONS UNDER THE ACT BY FAILING TO ESTABLISH, ENFORCE AND MAINTAIN A SYSTEM FOR SUPERVISING THE ACTIVITIES OF ITS AGENTS, INVESTMENT ADVISER AGENTS AND CONNECTICUT OFFICE OPERATIONS THAT WAS REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH APPLICABLE SECURITIES LAWS AND REGULATIONS.

Initiated By: CONNECTICUT

Date Initiated: 11/23/2015

Docket/Case Number: CO-15-8158-S

Principal Product Type: No Product

Other Product Type(s):

Principal Sanction(s)/Relief Sought: Civil and Administrative Penalt(ies) /Fine(s)

Other Sanction(s)/Relief Sought: CEASE AND DESIST

Resolution: Consent

Resolution Date: 11/23/2015

Sanctions Ordered: Monetary/Fine \$25,000.00
Cease and Desist/Injunction

Other Sanctions Ordered:

Sanction Details: FINE OF \$25,000.00 WAS FULLY PAID BY THE FIRM ON 11/23/2015. NO PORTION OF THE PENALTY WAS WAIVED.

Firm Statement

WITHOUT ADMITTING OR DENYING THE ALLEGATIONS, THE FIRM CONSENTED TO THE DESCRIBED SANCTIONS. IN THE CONSENT ORDER, THE COMMISSIONER ACKNOWLEDGED THAT THE FIRM SELF-REPORTED THE ALLEGED VIOLATIONS TO THE DEPARTMENT OF BANKING AND COOPERATED WITH THE CONNECTICUT SECURITIES DIVISION THROUGHOUT ITS EXAMINATION AND INVESTIGATION OF THE FIRM. THE CONSENT ORDER AND RELATED BULLETIN RECITED THAT THE FIRM'S BOARD OF DIRECTORS, ON ITS OWN INITIATIVE, INSTITUTED A SERIES OF REMEDIAL MEASURES IN RESPONSE TO THE EVENTS RESULTING IN THE ALLEGED VIOLATION, INCLUDING, BUT NOT LIMITED TO, REMOVING ITS FORMER PRESIDENT AND CEO FROM THOSE POSITIONS AND RESTRUCTURING THE REPORTING STRUCTURE TO ADDRESS POTENTIAL COMPLIANCE PROBLEMS. ON NOVEMBER 23, 2015, THE FIRM TERMINATED THE EMPLOYMENT OF ITS FORMER PRESIDENT.



Reporting Source:	Regulator
Current Status:	Final
Allegations:	<p>FINRA RULE 2010, NASD RULES 3010, 3110: FROM JANUARY 2009 THROUGH DECEMBER 2009 (THE RELEVANT PERIOD), THE FIRM FAILED TO ESTABLISH AND MAINTAIN A SUPERVISORY SYSTEM AND TO ESTABLISH, MAINTAIN AND ENFORCE WRITTEN SUPERVISORY PROCEDURES THAT WERE REASONABLY DESIGNED TO ACHIEVE COMPLIANCE RELATING TO WAIVERS OF MUTUAL FUND SALES CHARGES. AS A RESULT, DURING THE RELEVANT PERIOD, APPROXIMATELY FOUR FIRM REGISTERED REPRESENTATIVES IMPROPERLY SOUGHT SALES CHARGE WAIVERS IN CONNECTION WITH 987 MUTUAL FUND TRANSACTIONS TOTALING APPROXIMATELY \$31,390,670. THOSE REPRESENTATIVES PLACED THE MUTUAL FUND TRADES INVOLVING CLASS "A" SHARES FOR CUSTOMERS AT NET ASSET VALUE DESPITE THE FACT THAT THE PURCHASES DID NOT QUALIFY FOR THAT PRICING. WHEN THEY ENTERED THE TRADES ELECTRONICALLY, THE REPRESENTATIVES IMPROPERLY INDICATED THAT THE MUTUAL FUND PURCHASES WERE OCCURRING IN ADVISORY ACCOUNTS, WHICH WOULD QUALIFY THE CUSTOMERS TO PURCHASE THE SHARES WITHOUT PAYING THE INITIAL SALES CHARGE AS OUTLINED IN THE PROSPECTUS FOR EACH FUND. THE PURCHASES AT ISSUE, HOWEVER, WERE IN NON-ADVISORY ACCOUNTS AT THE FIRM. MOREOVER, THE IMPROPER SALES CHARGE WAIVERS ENTERED BY THE FIRM REPRESENTATIVES CAUSED THE FIRM'S BOOKS AND RECORDS TO CONTAIN FALSE INFORMATION REGARDING THE CUSTOMERS' ENTITLEMENT TO SUCH WAIVERS. THE FIRM FAILED TO PROVIDE FOR EFFECTIVE FOLLOW-UP AND REVIEW OR OTHERWISE MONITOR MUTUAL FUND TRANSACTIONS TO ENSURE THAT THE SALES CHARGES WAIVERS WERE GRANTED IN APPROPRIATE CIRCUMSTANCES.</p>
Initiated By:	FINRA
Date Initiated:	04/04/2012
Docket/Case Number:	2010020870501
Principal Product Type:	Mutual Fund(s)
Other Product Type(s):	
Principal Sanction(s)/Relief Sought:	Other
Other Sanction(s)/Relief Sought:	N/A
Resolution:	Acceptance, Waiver & Consent(AWC)
Resolution Date:	04/04/2012



Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct? No

Sanctions Ordered: Censure
Monetary/Fine \$30,000.00

Other Sanctions Ordered: UNDERTAKING

Sanction Details: WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS; THEREFORE IT IS CENSURED, FINED \$30,000 AND UNDERTAKES, WITHIN 60 DAYS OF THE ISSUANCE OF THE AWC, THAT A FIRM PRINCIPAL OR PRINCIPALS WILL CERTIFY TO FINRA IN WRITING THAT THE FIRM HAS REVIEWED ITS SUPERVISORY SYSTEM AND PROCEDURES FOR MUTUAL FUND SALES CHARGE WAIVERS BASED ON A CUSTOMER'S STATUS AS AN ADVISORY CLIENT FOR COMPLIANCE WITH FINRA RULES AND THE FEDERAL SECURITIES LAWS AND REGULATIONS, AND THAT THE FIRM CURRENTLY HAS IN PLACE SYSTEMS AND PROCEDURES REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH THOSE RULES, LAWS AND REGULATIONS. THE CERTIFICATION, ALONG WITH THE CURRENT PROCEDURES, MUST BE SUBMITTED TO FINRA. ALTHOUGH FINRA STAFF MAY REVIEW THE REVISED PROCEDURES, SAID REVIEW SHALL IN NO WAY CONSTITUTE AN APPROVAL OF THE REVISED PROCEDURES. THE FAILURE OF FINRA STAFF TO ALERT THE FIRM TO ANY DEFICIENCIES IN THE REVISED PROCEDURES SHALL NOT PRECLUDE FINRA FROM INSTITUTING A SUBSEQUENT DISCIPLINARY ACTION AS A RESULT OF DEFICIENCIES IN THE REVISED PROCEDURES. FINE PAID IN FULL APRIL 11, 2012.

Reporting Source: Firm

Current Status: Final

Allegations: VIOLATION OF NASD RULES 3010 AND 3110 AND FINRA RULE 2010. FROM JANUARY 2009 THROUGH DECEMBER 2009, THE FIRM FAILED TO ESTABLISH AND MAINTAIN A SUPERVISORY SYSTEM FOR, AND TO ESTABLISH, MAINTAIN AND ENFORCE WRITTEN SUPERVISORY PROCEDURES THAT WERE REASONABLY DESIGNED TO ACHIEVE COMPLIANCE RELATING TO, WAIVER OF MUTUAL FUND SALES CHARGES. AS A RESULT, DURING THE RELEVANT PERIOD, APPROXIMATELY FOUR FIRM REGISTERED REPRESENTATIVES IMPROPERLY SOUGHT SALES CHARGE WAIVERS IN CONNECTION WITH 987 MUTUAL FUND TRANSACTIONS TOTALLING APPROXIMATELY \$31,390,670. THOSE



REPRESENTATIVES PLACED THE MUTUAL FUND TRADES CLASS "A" SHARES FOR CUSTOMERS AT NET ASSET VALUE DESPITE THE FACT THAT THE PURCHASES DID NOT QUALIFY FOR THAT PRICING. WHEN THEY ENTERED THE TRADES ELECTRONICALLY, THE REPRESENTATIVES IMPROPERLY INDICATED THAT THE MUTUAL FUND PURCHASES WERE OCCURRING IN ADVISORY ACCOUNTS, WHICH WOULD QUALIFY THE CUSTOMERS TO PURCHASE SHARES WITHOUT PAYING THE INITIAL SALES CHARGE AS OUTLINED IN THE PROSPECTUS FOR EACH FUND. THE PURCHASES AT ISSUE, HOWEVER, WERE IN NON-ADVISORY ACCOUNTS AT THE FIRM. MOREOVER, THE IMPROPER SALES CHARGE WAIVERS ENTERED BY THE FIRM REPRESENTATIVES CAUSED THE FIRM'S BOOKS AND RECORDS TO CONTAIN FALSE INFORMATION REGARDING THE CUSTOMERS' ENTITLEMENT TO SUCH WAIVERS. THE FIRM FAILED TO PROVIDE FOR EFFECTIVE FOLLOW-UP AND REVIEW OR OTHERWISE MONITOR MUTUAL FUND TRANSACTIONS TO ENSURE THAT THE SALES CHARGE WAIVERS WERE GRANTED IN APPROPRIATE CIRCUMSTANCES.

Initiated By:	FINRA
Date Initiated:	04/04/2012
Docket/Case Number:	2010020870501
Principal Product Type:	Mutual Fund(s)
Other Product Type(s):	
Principal Sanction(s)/Relief Sought:	Censure
Other Sanction(s)/Relief Sought:	MONETARY/FINE \$30,000
Resolution:	Acceptance, Waiver & Consent(AWC)
Resolution Date:	04/04/2012
Sanctions Ordered:	Censure Monetary/Fine \$30,000.00
Other Sanctions Ordered:	UNDERTAKING
Sanction Details:	WITHIN 60 DAYS OF THE ISSUANCE OF THE AWC, A FIRM PRINCIPAL OR PRINCIPALS WILL CERTIFY TO FINRA IN WRITING THAT THE FIRM HAS REVIEWED ITS SUPERVISORY SYSTEM AND PROCEDURES FOR MUTUAL FUND SALES CHARGE WAIVERS BASED ON A CUSTOMER'S STATUS AS AN ADVISORY CLIENT FOR COMPLIANCE WITH FINRA RULES AND FEDERAL SECURITIES LAWS AND REGULATIONS, AND THAT THE FIRM HAS CURRENTLY IN PLACE SYSTEMS AND PROCEDURES REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH THOSE RULES, LAWS AND



REGULATIONS.

Firm Statement

WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF THE FINDINGS.

Disclosure 5 of 5

Reporting Source: Regulator

Current Status: Final

Allegations: EXCHANGE ACT RULE 17A-4 AND NASD RULES 2110 AND 3110: ESSEX FAILED TO MAINTAIN AND PRESERVE ALL OF ITS ELECTRONIC COMMUNICATIONS AS REQUIRED BY THE SEC RULE 17A-4. ESSEX ELECTRONICALLY "BACKED-UP" COMMUNICATIONS AT THE END OF EACH DAY, SAVING ELECTRONIC COMMUNICATIONS IN THE INBOX, SENT AND DELETED ITEM FOLDERS. THE SYSTEM, HOWEVER, FAILED TO CAPTURE, MAINTAIN AND PRESERVE ANY ELECTRONIC COMMUNICATIONS DELETED FROM A USER'S DELETE BOX DURING THE DAY.

Initiated By: NASD

Date Initiated: 03/21/2007

Docket/Case Number: [2006003916101](#)

Principal Product Type: No Product

Other Product Type(s):

Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 03/21/2007

Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct? No

Sanctions Ordered: Censure
Monetary/Fine \$25,000.00

Other Sanctions Ordered: UNDERTAKINGS: WITHIN 180 DAYS REQUIRED TO REVIEW AND CERTIFY IN WRITING ITS PROCEDURES REGARDING THE PRESERVATION OF



ELECTRONIC MAIL COMMUNICATIONS FOR COMPLIANCE WITH NASD RULES AND THE FEDERAL SECURITIES LAWS AND REGULATIONS.

Sanction Details:

WITHOUT ADMITTING OR DENYING THE FINDINGS, RESPONDENT MEMBER FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS; THEREFORE, THE FIRM IS CENSURED AND FINED \$25,000.

Reporting Source:

Firm

Current Status:

Final

Allegations:

FROM AT LEAST FEBRUARY 2, 2004, THROUGH JULY 9, 2006, 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. 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.

Initiated By:

NASD

Date Initiated:

03/21/2007

Docket/Case Number:

[2006003916101](#)

Principal Product Type:

No Product

Other Product Type(s):

Principal Sanction(s)/Relief Sought:

Censure

Other Sanction(s)/Relief Sought:

\$25,000 FINE

Resolution:

Acceptance, Waiver & Consent(AWC)

Resolution Date:

03/21/2007

Sanctions Ordered:

Censure
Monetary/Fine \$25,000.00

Other Sanctions Ordered:

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 THE 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.

Sanction Details:

FIRM WAS CENSURED AND FINED \$25,000.00.

Firm Statement

WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO A CENSURE AND \$25,000.00 FINE.

End of Report



This page is intentionally left blank.