

STATE OF ILLINOIS  
SECRETARY OF STATE  
SECURITIES DEPARTMENT

\_\_\_\_\_  
IN THE MATTER OF: JOHN J. DERRICO )  
\_\_\_\_\_)

FILE NO. 0300655

NOTICE OF HEARING

TO THE RESPONDENT: John J. Derrico  
(CRD #: 2204033)  
1 Alex Drive  
Farmingdale, New Jersey 07727

C/o E Street Access  
480 Route Nine North  
Englishtown, New Jersey 07726

You are hereby notified that, pursuant to Section 11.F of the Illinois Securities Law of 1953 (815 ILCS 5 et. seq.) (the "Act") and 14 Ill. Adm. Code 130, Subpart K (the "Rules"), a public hearing is scheduled to be held at 69 West Washington Street, Suite 1220, Chicago, Illinois 60602, on the 19th day of November 2003, at 10:00 a.m., or as soon thereafter as counsel may be heard, before Soula J. Spyropoulos, Esq., or another duly designated Hearing Officer of the Secretary of State.

Said hearing will be held to determine whether an Order shall be entered suspending or revoking John J. Derrico's ("Respondent") registration as a dealer in the State of Illinois and/or granting such other relief as may be authorized under the Act including but not limited to the imposition of a monetary fine in the maximum amount pursuant to Section 11.E(4) of the Act, payable within ten (10) business days of the entry of the Order.

The grounds for such proposed action are as follows:

1. That at all relevant times, the Respondent was registered with the Secretary of State as a salesperson in the State of Illinois pursuant to Section 8 of the Act. He also serves as his firm's Designated Illinois Principal.

2. That on June 4, 2003 NASD entered a Letter of Acceptance, Waiver and Consent (AWC) submitted by the Respondent regarding File No. C9B030035 which sanctioned the Respondent as follows:
  - a. thirty (3) business day suspension from association with any NASD member in any principal capacity; and
  - b. \$12,500 fine.
3. That the AWC found:
  - a. ESA has been a member of NASD since on or about February 9, 2000. ESA conducts a general securities business. ESA employs approximately five registered persons. ESA has no formal NASD disciplinary history.
  - b. The Respondent became registered with NASD as a Series 7 general securities representative on or about January 21, 1992. Subsequently, he obtained Series 4, 24, 27, 55 and 63 licenses. From on or about February 9, 2000 through the present, he has been associated with ESA. While associated with ESA, he has served as ESA's President, Chief Executive Officer, FINOP, ROP, CROP and SROP. Prior to his association with ESA, he was associated with the following NASD member firms:

4/6/98	Russo Securities, Inc.
9/24/70 to 6/13/97	Murphey, Marseilles, Smith & Nammack, Inc.
  - c. At various times during 2000 through 2002, ESA, acting through the Respondent permitted two statutorily disqualified persons as defined under the Securities and Exchange Act of 1934 and Article 111 of the NASD ByLaws, to be associated with and conduct activities on behalf of the firm. As a result of such conduct, ESA and the Respondent, violated NASD Conduct Rules 1021, 1031, 2110 and Article 111 Sections 3 and 4 of the NASD ByLaws.
  - d. At various times during 2000 through 2001, ESA, acting through the Respondent, permitted one individual to act as a general securities representative, equity trader and general securities principal, while failing to have registered in such capacities. As a result of such conduct, ESA and the Respondent violated NASD

Membership and Registration Rules 1021, 1031 and 1032 and NASD Conduct Rule 2110.

- e. At various times during 2000 through 2002, ESA, acting through the Respondent, permitted three individuals to perform duties as registered persons while their registration status with the NASD was inactive due to their failure to timely complete the regulatory element of the Association's continuing education rule, as set forth in NASD Membership and Registration Rule 1120. As a result of such conduct, ESA and the Respondent, violated NASD Membership and Registration Rule 1120 and NASD Conduct Rule 2110.
  - f. On December 31, 2002, ESA, acting through the Respondent, conducted a securities business while failing to maintain net capital of \$100,000 as required by SEC Rule 15c3-1. The net capital deficiency was primarily caused by the failure to accrue various legal expenses. As a result of this conduct, ESA violated SEC Rule 15c3-1 and NASD Conduct Rule 2110 and the Respondent violated NASD Conduct Rule 2110.
4. That Section 8.E(1)(j) of the Act provides, inter alia, that the registration of a salesperson may be revoked if the Secretary of State finds that such salesperson has been suspended by any self-regulatory organization registered under the Federal 1934 Act or the Federal 1974 Act arising from any fraudulent or deceptive act or a practice in violation of any rule, regulation or standard duly promulgated by the self-regulatory organization.
  5. That NASD is a self-regulatory organization as specified in Section 8.E(1)(j) of the Act.
  6. That by the virtue of the foregoing, the Respondent's registration as a salesperson in the State of Illinois is subject to suspension or revocation pursuant to Section 8.E(1)(j) of the Act.

You are further notified that you are required pursuant to Section 130.1104 of the Rules and Regulations (14 Ill. Adm. Code 130) (the "Rules"), to file an answer to the allegations outlined above within thirty (30) days of the receipt of this Notice. A failure to file an answer within the prescribed time shall be construed as an admission of the allegations contained in the Notice of Hearing.

Furthermore, you may be represented by legal counsel; may present evidence; may cross-examine witnesses and otherwise participate. A failure to so appear shall

Notice of Hearing

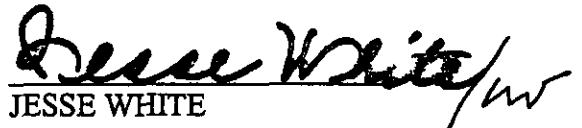
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constitute default, unless any Respondent has upon due notice moved for and obtained a continuance.

A copy of the Rules, promulgated under the Act and pertaining to Hearings held by the Office of the Secretary of State, Securities Department, is include with this Notice.

Delivery of Notice to the designated representative of any Respondent constitutes service upon such Respondent.

DATED: This 3rd day of October 2003.

  
JESSE WHITE  
Secretary of State  
State of Illinois

Attorney for the Secretary of State:  
Daniel Tunick  
Office of the Secretary of State  
Illinois Securities Department  
69 West Washington, Suite 1220  
Chicago, Illinois 60602  
(312) 793-3384

Hearing Officer:  
Soula J. Spyropoulos, Esq.  
6348 N. Cicero Ave.  
Chicago, Illinois 60646  
(773) 282-3400