

STATE OF ILLINOIS  
SECRETARY OF STATE  
SECURITIES DEPARTMENT

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IN THE MATTER OF :  
ITRADEDIRECT.COM  
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File No. 0700550

**TO THE RESPONDENT:**

**ITRADEDIRECT.COM CORP.  
1600 NW BOCA RATON BLVD  
SUITES 22&23  
BOCA RATON, FL 33432**

**ITRADEDIRECT.COM CORP.  
C/O PETER R. SONDERBY, ESQ.  
Ulmer & Berne, LLP  
SUITE 1205  
ONE NORTH FRANKLIN ST.  
CHICAGO, IL 60606**

**ITRADEDIRECT.COM CORP.  
ERIC ARLT, PRESIDENT  
08020 SHRIGLEY RD.  
CHARLEVOIX, MI 4972**

**ITRADEDIRECT.COM CORP.  
ERIC ARLT, PRESIDENT  
206 BRIDGE ST.  
CHARLEVOIX, MI 4972**

**ORDER OF REVOCATION AND PROHIBITION**

WHEREAS, on May 8, 2009, a Notice of Hearing was filed against ITradeDirect.Com., and certain co-respondents and on December 5, 2009, ITradeDirect.com, through its President and CEO, Eric Arlt, signed a Stipulation to Enter Consent Order and in December of 2009 the Consent Order was entered.

WHEREAS, pursuant to the Consent Order ITradeDirect.Com., and the two co-respondents agreed to enter into a Release and Settlement Agreement with an Illinois Investor providing the Investor \$150,000.00, with interest, paid in monthly installments through January 2011. ITradeDirect.com is liable for 50% of the settlement amount.

WHEREAS, pursuant to the Consent Order ITradeDirect.com acknowledged and agreed that the failure to comply with any of the obligations set forth in the Consent Order shall constitute an admission to the Allegations of Fact and Conclusions of Law contained in the Consent Order and shall also constitute a violation of section 8.E(1)(e)(iv) of the Illinois Securities Law of 1953, as amended.

WHEREAS, In April of 2010, ITradeDirect.Com ceased making payments pursuant to the Release and Settlement. ITradeDirect.com has since refused to honor the Release and Settlement Agreement and is in violation of the Consent Order.

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WHEREAS, by means of the Stipulation and Consent Order ITradeDirect.com has admitted to the following facts:

- 1) Paul S. Shechter ("Advisor") (CRD# 2589423) is a resident of the State of New York, has his series 7 and 63 licensure, and has been a registered salesperson representative for ITradeDirect.com ("ITrade"), since June, 2005.
- 2) Advisor works out of the registered ITrade branch office at 701 Middle Country Road, in Selden New York.
- 3) Brian Sanders ("Supervisor") (CRD# 2743309) is a resident of the State of New York, has his series 4, 7, 24, and 63 licensure, is a registered salesperson representative as well as the Chief Compliance Officer for ITrade, and is also a principal that is responsible for the supervision of Advisor.
- 4) Respondent ITradeDirect.com ("ITrade" CRD# 18281) is a securities brokerage firm with its headquarters located in Boca Raton, Florida, and is registered as a securities dealer with the State of Illinois.
- 5) Investor is a resident of Illinois.
- 6) In January 2007, Advisor made an unsolicited call to Investor to interest Investor in using ITrade's securities brokerage services.
- 7) In late January 2007, Advisor mailed Investor a New Account Application ("Application") as well a document to open a margin account and an "Intent to Maintain an Active Account" letter.
- 8) Based on information provided by Investor, Advisor had filled out the Application for Investor, stating Investor's income as \$900,000.00 per year, with a liquid net worth of \$750,000.00 and a total net worth of \$2,000,000.00. Based on that underlying information, Advisor also stated that Investor's investment objective was "speculation" and that his risk tolerance was "aggressive."
- 9) Investor, in his mid-thirties, married, and anticipating raising children, had investment experience primarily relating to mutual funds purchased through investment advisors.
- 10) On January 29, 2007, Investor, upon receiving the Application, contacted Advisor by e-mail and later spoke with him by telephone about the information on the Application.

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- 11) During that conversation Advisor alleviated Investor's concerns by stating that most of ITrade clients are speculative and aggressive investors, but that Investor was not in a position to invest that aggressively, yet.
- 12) Investor, comforted by Advisor's explanation, signed the Application, the margin account agreement and the Intent to maintain an Active Account letter. Investor mailed the documents back to ITrade.
- 13) On or about February 28, 2007, Investor made an initial deposit of approximately \$13,500.00 into the account.
- 14) Investor made three more cash deposits into the account for a total cash contribution of approximately \$94,000. Investor would, as detailed more fully below, also transfer a significant amount of corporate stock that he owned into the ITrade account.
- 15) From February through July Advisor actively traded in the account with the consent of Investor, buying and selling stock of emerging market corporations. By July 2007, there had been approximately \$12,800.00 in losses in Investor's account.
- 16) On August 17, 2007, Investor spoke with Advisor about the account losses. Advisor explained that most of the losses occurred in the margin account, and then Advisor further discussed the mechanics of margin trading with Investor.
- 17) Investor contends that during the telephone conversation he instructed Advisor to cease buying on margin, and, later that day, Investor sent Advisor an e-mail instructing the same.
- 18) Through July and into early August, Advisor had also spoken with Investor about transferring to the ITrade account a significant amount of stock Investor had acquired through his employer's employee compensation plan (the "Oracle Stock").
- 19) Initially, Investor did not want to sell his Oracle Stock, but listened to Advisor's plan regarding the transfer and subsequent management of the Oracle Stock.
- 20) Advisor informed Investor that he believed that the fourth quarter of 2007 would be good for technology stock, so that the Oracle stock probably would not need to be sold, if at all, until after the fourth quarter, and even so, at that time he did not anticipate that more than one quarter of the Oracle stock would be recommended to be sold and the proceeds reinvested.
- 21) Investor, satisfied with this preliminary and tentative plan, authorized the transfer of his Oracle Stock to the ITrade account. On or about July 27, 2007, Investor's 9,613 shares of Oracle Stock were transferred to the ITrade Account.

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- 22) Investor e-mailed Advisor to inform him that the transfer had been authorized and to not touch the Oracle Stock until they had spoken.
- 23) On August 6, 2007 all of Investor's Oracle stock was sold for \$190,811.73.
- 24) Following the liquidation of his Oracle stock Investor, sent Advisor an e-mail expressing his displeasure.
- 25) The proceeds of the Oracle sale were used to purchase and sell stock, almost exclusively, on margin, until Investor closed his account in October.
- 26) Soon thereafter Investor closed his Trade Account, having suffered approximately \$199,861.95 in losses, primarily from the margin trades made after the liquidation of the Oracle Stock.
- 27) Advisor derived commissions from the sale of the Oracle stock, and obtained additional commissions with the margin trading activities initiated with the proceeds of that sale.
- 28) Advisor recommended, offered to sell and sold stock to Investor. Stock is a security as defined by Section 2.1 of the Illinois Securities Law of 1953, and Advisor's recommending, offering and selling stock constitutes the activities of a salesperson as defined by Sections 2.5a, 2.5 and 2.9 of the Illinois Securities Law of 1953. (815 ILCS 5/1 et seq.) (the "Act").
- 29) Section 12. F. of the Act states that it shall be a violation of the provisions of the Act for any person to engage in any transaction, practice or course of business in connection with the sale or purchase of securities which works or tends to work a fraud or deceit upon the purchaser or seller thereof.
- 30) ITrade's policies and procedures require that the principal for its representatives review all incoming correspondence, including e-mails, from a client, and any that raise concerns be addressed.
- 31) The policies and procedures state that ITrade's CCO is responsible for ensuring that all registered personnel are fully aware of their obligations when handling a margin account and that appropriate surveillance activities are undertaken to ensure compliance, including initial and annual delivery of margin disclosure statements.
- 32) The policies and procedures also state that ITrade's designated supervising principals are responsible for overseeing, on an ongoing basis, all margin account transactions being dealt with by the individuals under their direct supervision and for ensuring that all appropriate compliance and disclosure requirements are adhered to.

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- 33) Furthermore, the policies and procedures require "Clear Consent" to be obtained from the customer before opening a margin account.
- 34) Investor sent several e-mails to Advisor's ITrade e-mail address, including one before opening the ITrade account, that, had they been reviewed, could have raised concerns that could have been addressed by Supervisor and ITrade, including:
  - a. A January 29, 2007 e-mail relating to the information Advisor placed on Investor's Application;
  - b. The July 27, 2007, e-mail regarding Investor's instruction for Advisor with respect to the sale of the Oracle stock;
  - c. An August 17, 2007, e-mail instructing Advisor to cease margin trading and also questioning Advisor's sale of the Oracle stock.
- 35) Supervisor reviewed, but did not sufficiently investigate Investor's e-mail correspondence to Advisor, so that he would be able to address investor's concerns about his account.
- 36) Therefore, Supervisor did not ensure that there was clear subjective consent from Investor to trade on margin.
- 37) Section 8. E. (1)(e)(iv) of the Act states in pertinent part that the registration of a dealer, salesperson, investment advisor or investment advisor representative may be denied, suspended or revoked if it is found that the dealer, salesperson, investment advisor, investment advisor representative, or any principal officer, director, partner, member or manager, "has failed to maintain and enforce written procedures to supervise the types of business in which it engages and to supervise the activities of its salespersons that are reasonable designed to achieve compliance with applicable securities laws and regulations."

WHEREAS, by means of the Stipulation and Consent Order ITradeDirect.com has admitted to the following violations of the Illinois Securities Law of 1953 and acknowledged that they shall be adopted as the Secretary of State's Conclusions of Law:

- 1) Advisor violated Section 12.F of the Illinois Securities Law of 1953 by continuing to trade on margin when instructed not to do so, and by ignoring Investor's instructions to not sell Investor's Oracle Stock.

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- 2) Supervisor and ITradeDirect.coms' registrations as a salesperson of securities and as a securities dealer in the State of Illinois are subject to revocation pursuant to Section 8. E.(1)(e)(i) of the Act for failing to maintain and enforce written procedures to supervise the types of business in which it engages and to supervise the activities of Advisor, in particular:
  - a. Not sufficiently investigating Investor's e-mail correspondence to Advisor so that he would be able to address the concerns raised by Investor in those e-mails; and
  - b. Failing to ensure that Investor had given clear subjective consent to trade on margin.

WHEREAS, Section 8. E. (1)(e)(i) of the Act states in pertinent part that the registration of a dealer, salesperson, or investment advisor, "may be denied, suspended, revoked if the Secretary of State finds the dealer, salesperson, investment advisor... has failed reasonably to supervise the securities activities of any of its salespersons or has facilitated a violation of Section 12 of this Act..."

WHEREAS, Section 8. E. (1)(e)(iv) of the Act states in pertinent part that the registration of a dealer, salesperson, investment advisor or investment advisor representative may be denied, suspended or revoked if it is found that the dealer, salesperson, investment advisor, investment advisor representative, or any principal officer, director, partner, member or manager, "has failed to maintain and enforce written procedures to supervise the types of business in which it engages and to supervise the activities of its salespersons that are reasonable designed to achieve compliance with applicable securities laws and regulations."

WHEREAS, Section 12.D of the Act states in pertinent part that it shall be a violation of the provisions of the Act for any person to, "fail to comply with the terms of any Order of the Secretary of State..."

WHEREAS, Section 11. E.(2) states that, "If the Secretary of State shall find that any person has violated subsection C, D, E, F, G, H, I, J, or K of Section 12 of this Act, the Secretary of State may by written order temporarily or permanently prohibit or suspend the person from offering or selling any securities..."

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NOW THEREFORE IT SHALL BE AND IS HEREBY ORDERED THAT:

- 1). ITradeDirect.com's registration as a Broker Dealer in the State of Illinois is revoked pursuant to Sections 8.E.(1)(e)(i) and (iv) of the Act for failing to reasonably supervise the securities activities of its salesperson, facilitating a violation of Section 12 of the Act, in particular, Section 12.F Fraud In The Sale of Securities; and for failing to maintain and enforce written procedures to supervise the types of business in which it engages and to supervise the activities of its salespersons that are reasonable designed to achieve compliance with applicable securities laws and regulations.
- 3). ITradeDirect.com violated Section 12.D of the Act for failing to comply with the terms of the Consent Order.
- 3). Pursuant to Section 11.E.(2) of the Act, ITradeDirect.com is PERMANENTLY PROHIBITED from offering or selling securities in the State of Illinois for facilitating a violation of Section 12.F of the Act and for violating Section 12.D of the Act.

ENTERED: This <sup>22<sup>nd</sup></sup> day of September, 201



JESSE WHITE  
Secretary of State  
State of Illinois

**NOTICE: Failure to comply with the terms of this Order shall be a violation of Section 12.D of the ACT. Any person or entity that fails to comply with the terms of this Order of the Secretary of State, having knowledge of the existence of this Order, shall be guilty of a Class 4 felony for each offense.**

**This is a final order subject to administrative review pursuant to the Administrative Review Law [735 ILCS 5/3-101 et seq.] and the Rules and Regulations of the Act (14 Ill. Admin. Code, Ch. 1 Sec. 130.1123). Any action for judicial review must be commenced within thirty-five (35) days from the date a copy of this Order is served upon the party seeking review.**

Attorney for the Department:  
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