

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2005001745201**

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

RE: I-TRADEdirect.com Corp.
(CRD No. 18281)

Eric D. Arlt
(CRD No. 2306499)

Brian E. Sanders
(CRD No. 2743309)

Pursuant to Rule 9216 of NASD Code of Procedure, I-TRADEdirect.com Corp. (Member), Eric D. Arlt, and Brian E. Sanders (collectively referred to as Respondents) submit 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 the Respondents alleging violations based on the same factual findings described herein.

II.

ACCEPTANCE AND CONSENT

- A. The Respondents 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 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

I-TRADEdirect.com Corp. became a member of FINRA on December 1, 1986, and registered with the Securities and Exchange Commission (SEC) on August 29, 1986. The Member conducts a general securities business on a fully disclosed basis. The Member's membership with FINRA and registration with the SEC remain currently in effect.

Eric D. Arlt entered the securities industry in December 1992 as a registered representative with a member of FINRA. In November 1999, he became registered as a general securities principal with I-

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TRADEdirect.com Corp. Since then, he has remained registered with them.

Brian E. Sanders entered the securities industry in May 1996 as a registered representative with a member of FINRA. In September 1998, he became registered as a general securities principal with another member. Since June 2005, he has been registered as a general securities principal with I-TRADEdirect.com Corp.

RELEVANT PRIOR DISCIPLINARY HISTORY

On December 6, 2004, FINRA accepted a Letter of Acceptance, Waiver and Consent from the Member and Eric Arlt which contained findings of violations of NASD Conduct Rules 2110, 3010, and 3070, when the Member: failed to establish, maintain, and enforce an adequate supervisory system reasonably designed to achieve compliance with industry rules and regulations, in that the Member failed to adopt procedures to supervise sales of private placements, Form U-4 updates, and customer reporting, and failed to supervise a representative by allowing him to conduct business without being properly registered in two states; failed to monitor reasonably the progress of a criminal case against the representative to ensure that his Form U-4 was properly amended and a Rule 3070 report was filed timely upon his pleading guilty to fraud charges; and failed to ensure that the Member did not associate itself with a statutorily disqualified person. The Member was censured and fined \$20,000, \$7,500 of which was assessed jointly and severally against Eric Arlt.

OVERVIEW

The Member, Eric Arlt and Brian Sanders committed violations of NASD Rules stemming from the distribution of a private placement offering on behalf of an affiliated company in March 2006. Through its registered representatives, the Member sold preferred shares of the Member's parent company, ITRADEnow.com Corp., based on a private placement memorandum that contained inaccurate or misleading statements. Further, the Business Plan attached to the private placement memorandum contained miscommunications to the public. Additionally, the Member, acting through Eric Arlt, represented to a public customer the value of her investment in ITRADEnow.com Corp. without disclosing that the value per share was arbitrarily determined. Finally, the Member, acting through Eric Arlt and Brian Sanders, failed to establish, maintain and enforce a reasonable supervisory system and written supervisory procedures to ensure due diligence in connection with the private placement and subsequent sales of the private placement shares.

FACTS AND VIOLATIVE CONDUCT BY RESPONDENTS

Material, False or Misleading Statements Made in Private Placement Memorandum

1. In March 2006, the Member sold 38,000 preferred shares of ITRADEnow.com Corp., the Member's parent company (Parent Company), totaling \$190,000, to five investors, pursuant to a private placement memorandum (PPM) dated March 1, 2006. The sales took place using the means or instruments of transportation or communication in interstate commerce.
2. The PPM sought to raise \$5 million through the issuance of 1 million shares of cumulative convertible preferred stock of the Parent Company. The minimum investment was \$10,000 (2,000 shares) and provided for an 8% annual dividend payment, payable in cash or common stock, at the discretion of the Parent Company's Board of Directors.
3. Certain material statements contained in the PPM were either inaccurate or misleading, in that the PPM failed to adequately distinguish between the Parent Company and the Member and thus created the impression that the Parent Company, rather than the Member, its primary asset, was, at that time, regulated by the Securities and Exchange Commission (SEC) and FINRA. In fact, at no time was the Parent Company either registered with the SEC or a member of FINRA. The inaccurate or misleading statements include the following:
 - "The NASD must give approval to conduct different business other than what the [Parent Company] is currently approved for.";
 - "The [Parent Company] also operates pursuant to SEC Rule 15c3-3(k)(2)(ii) (The Customer Protection Rule). . . .";
 - "Pursuant to applicable regulatory requirements, the [Parent Company] is required to promptly notify NASD through the district office where it maintains its principle place of business in the event of: (a) changing its method of clearance, bookkeeping or record keeping; (b) a merger of the member with another member; (c) an acquisition by the member of another member of changes in its business operations or its ownership; (d) an acquisition of a significant portion, or all of the member's assets; (e) a

change in the equity ownership or partnership capital of the member that results in one person or entity owning or controlling 25 percent or more of the equity or partnership capital; (f) a material change in the members (sic) business operations; or any significant change of the firm's key personnel, including but not limited to, change or loss of the Securities Principal, Chief Compliance Officer, and/or Financial and Operations Principal.”;

- “The inability of the [Parent Company] to compete and to acquire business or clients is high because of current restrictions by the regulatory bodies (NASD and the SEC). Because of the nature of the products the [Parent Company] does participate in, such as buying stock on an agency basis, the time it potentially takes to gain approval from the NASD for upgrades in status to release regulatory restriction and any change of securities business is extensive and could be indefinite. The net capital requirements set by the NASD could affect the [Parent Company's] ability to perform in the securities industry.”;
- “Moreover the proposed expansion of the [Parent Company's] operations, including the establishment of up to 60 branch offices (if approved by N.A.S.D.R.), will increase the [Parent Company's] operations expenses and may adversely effect the [Parent Company's] net income.”;
- “The [Parent Company's] business and the securities industry generally, are subject to extensive regulation at both the federal and state levels. In addition, the NASD requires compliance with its rules and regulations.... Failure to comply with any of these laws, rules or regulations of any independent, state or federal regulatory authority could result in fines, injunctions, suspension or expulsion from the industry, which could have a material adverse impact upon the [Parent Company]. The SEC and the NASD also have stringent provisions with respect to net capital requirements applicable to the operation of a securities firm.... Furthermore, amendments to existing statutes (sic) and regulations or the adoption of new statutes (sic) or regulations could require the [Parent Company] to alter its methods of operation, which could entail substantial expense and adversely impact profitability. The [Parent Company] believes it is currently in compliance with all of such regulations governing its business.”;

- “If the [Parent Company] receives regulatory approval for market making activities, it will clear all transactions for its customers on a fully disclosed basis with a clearing broker, which carries and clears all customer securities accounts.”; and
 - “The securities business is subject to frequently changing federal and state laws and substantial regulations under such laws by the Commission and various state agencies and self-regulatory organizations, such as the NASD and MSRB....The [Parent Company] believes it is currently in material compliance with all such regulations governing its business.”.
4. By stating in the PPM that the Parent Company, instead of the Member, was subject to the rules and regulations of the SEC and FINRA, when the Parent Company was not registered with the SEC or a member of FINRA, the Member made material, inaccurate or misleading statements, in violation of NASD Conduct Rule 2110.

**Miscommunications to the Public Made in
the Parent Company's Business Plan**

5. Attached to and made apart of the PPM and distributed to approximately 16 prospective investors was a Business Plan for the Parent Company. The Business Plan offered information about both the Parent Company and the Member. Specifically, it provided management, organization and ownership information for both the Parent Company and the Member. It also provided information about the products and services offered by the Member as well as the Member's goals and strategies. Finally, it included financial data that projected the Parent Company's 1) revenues, 2) expenses, 3) profits, 4) cash and 5) assets and liabilities for the years 2006, 2007 and 2008.
6. The Business Plan, however, failed to include the current or past financial information related to the Parent Company as well as certain non-financial information, such as the Parent Company's products, services, goals and strategies. By omitting the above referenced information, the Business Plan did not provide prospective investors with a sound basis for evaluating the facts with regard to an investment in the Parent Company.

7. The Business Plan also contained the following representation regarding the Member's implementation of a program trading platform: "If you'd (sic) like to sit back, and reap the rewards of the market but yet feel like you're in control [the Member] can help. The launch of [the Member's] program trading platform is exactly what you need. The Program trading software will buy and sell on specific technical and Fundamental timing indicators. The result is a proven track record of over 63% return year after year." By stating that the Member's program trading platform had a proven track record of over 63%, the Member implied that past performance would recur and made an exaggerated and unwarranted claim or forecast.
8. These statements contained in the Business Plan were made by the Member in violation of NASD Conduct Rules 2110, 2210(d)(1)(A) and 2210(d)(1)(D).

**Negligent Misrepresentations Made in
Customer Account Statements**

9. In July 2003, public customer ED purchased \$200,000 of the Parent Company's preferred shares for her individual retirement account (IRA).
10. In January 2004, customer ED received an account statement from her IRA custodian reflecting that the value of her investment with the Parent Company had increased from \$200,000 to \$300,000.
11. In March 2006, ED received another account statement from her IRA custodian reflecting that the value of her investment with the Parent Company had increased from \$300,000 to \$350,000.
12. The PPM provides that the initial price of the preferred shares was determined solely by the Parent Company and that there can be no assurances that the price will be sustained or that the price will not decline. It further provides that the price of the shares has been arbitrarily determined by the Parent Company and that it does not necessarily bear any relation to established valuation criteria.
13. The valuations contained in the IRA Custodian account statements were provided to the IRA custodian by Eric Arlt, and were arbitrarily determined.
14. Despite the fact that the valuations bore no relation to established valuation criteria, the Member, acting through Eric Arlt, failed to

inform the custodian that these valuations were arbitrary. As such, this information did not appear on the account statements that ED received. By representing to the IRA Custodian that the price of the preferred shares of the Parent Company had increased in value since their initial issuance, without informing the custodian that these valuations were arbitrary, the Member, acting through Eric Arlt, violated NASD Conduct Rule 2110.

**Failure to Maintain and Enforce a Reasonable Supervisory System
and Written Supervisory Procedures**

15. NASD Rule 3010(a) requires each member to establish and maintain a system to supervise the activities of its registered representatives, registered principals and associated persons that is reasonably designed to achieve compliance with the applicable securities laws and regulations. NASD Rule 3010(b) requires each member to establish and maintain written procedures to supervise the activities of its registered representatives, registered principals and associated persons.
16. Between November 2004 and March 2006, the Member, acting through Eric Arlt, failed to establish and maintain a reasonable supervisory system to ensure due diligence in connection with the private placement and the subsequent sales of the preferred shares of the Parent Company to the public. The Member also failed to maintain a reasonable system to train and supervise its representatives who solicited and sold the preferred shares of the Parent Company to members of the public.
17. The Member's written supervisory procedures failed to address what steps the Member would follow to ensure that the PPM would be drafted in compliance with all applicable securities laws and regulations. The procedures also failed to describe how the Member would supervise the solicitation and sale of the private placement securities by registered representatives of the Member to public customers, with a view to ensuring that such sales were made in compliance with securities laws and regulations.
18. By failing to establish and maintain a reasonable supervisory system and written supervisory procedures as described above, the Member, acting through Arlt, violated NASD Rules 2110 and 3010.
19. Between November 2004 and March 2006, the Member's written supervisory procedures required the Member's Compliance

Director to conduct a due diligence investigation of any distribution of a private offering of securities, including ensuring that all material facts related to the private offering were disclosed in the PPM, adequately and accurately. The Member, acting through Brian Sanders, failed to conduct an adequate due diligence investigation in connection with the Parent Company's private placement in order to ensure that it did not contain inaccurate or misleading statements and miscommunications to potential investors.

20. By failing to enforce the Member's written supervisory procedures as described above, the Member, acting through Brian Sanders, violated NASD Rules 2110 and 3010.

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

1. **I-TRADEdirect.com** is hereby censured and fined \$35,000;
2. **I-TRADEdirect.com** and **Brian Sanders** are jointly and severally fined \$10,000;
3. **Eric Arlt** is suspended for 60 days in all principal capacities and is fined \$25,000; and
4. **Brian Sanders** is suspended for 10 business days in all principal capacities.

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

We specifically and voluntarily waive any right to claim that we are 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

The Respondents specifically and voluntarily waive the following rights granted under FINRA'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, the Respondents 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.

The Respondents 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.

III.

OTHER MATTERS

The Respondents understand 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 NASD Rule 9216;
- B. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against the Respondents; and,
- C. If accepted:
 - 1. this AWC will become part of the Respondent's permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against them;

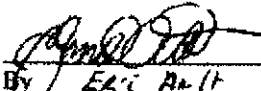
2. this AWC will be made available through FINRA's public disclosure program in response to public inquiries about its disciplinary record;
 3. FINRA may make a public announcement concerning this agreement and the subject matter thereof in accordance with NASD Rule 8310 and IM-8310-2; and,
 4. the Respondents 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 allegation in this AWC or create the impression that the AWC is without factual basis. Nothing in this provision affects Respondents' testimonial obligations or right to take legal or factual positions in litigation or other legal proceedings in which NASD is not a party.
- D. The Respondents understand that they may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. The Respondents also understand that they 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.

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The Respondents certify that a duly authorized representative has read and understands all of the provisions of this AWC and has 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 it to submit it.

I-TRADEdirect.com Corp.

Date 11/1/07

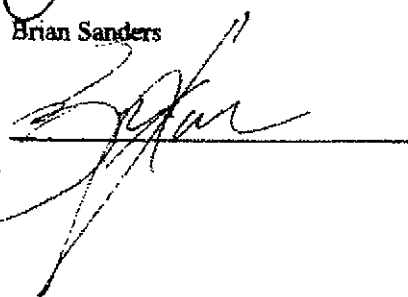
By 
Eric Arlt
Its CEO

Eric Arlt

Date 11/1/07


Brian Sanders

Date 11/1/07



Reviewed by:

Counsel for Respondents

Accepted by FINRA:

Date 11/27/07

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


Richard A. March
Regional Counsel
FINRA Department of Enforcement
55 West Monroe Street, Suite 2700
Chicago, Illinois 60603-5052 (312)899-4351

**STATEMENT OF CORRECTIVE ACTION
LETTER OF ACCEPTANCE WAIVER AND CONSENT
NO. 20050017452**

Please accept this as I-TRADEdirect.com's (the "Member") Statement of Corrective Action in connection with its submission of its Letter of Acceptance Waiver and Consent No. 20050017452 (the "AWC"). This Statement of Corrective Action is submitted by the Member. It does not constitute factual or legal findings by FINRA, nor does it reflect the views of FINRA or its staff.

INTRODUCTION

The AWC to which this Statement of Corrective Action primarily relates to the Member's participation in the distribution of a private placement of convertible preferred shares offered by the Member's parent company, Itradenow.com Corp. ("Parent Company") in March 2006. The AWC highlights several statements in the Parent Company's private placement memorandum ("PPM") that may have allowed the line distinguishing the Parent Company from the Member to become blurred. Specifically, the wording of the PPM indicated that the Parent Company was subject to the rules and regulations of the SEC and FINRA when, in fact, it was only the Member who was registered with the SEC and FINRA therefore subject to their regulatory regime. The AWC also notes that the Business Plan distributed with the PPM omitted certain financial information regarding the Parent Company and included exaggerated or unwarranted claims regarding a trading program offered by the Member.

The AWC further takes issue with the adequacy of the Member's supervisory policies and procedures related to the distribution of the Parent Company's private placement and the implementation of those policies. Among other items, the AWC raises issues with regard to the Member's failure to maintain and enforce a reasonable supervisory system and procedures in connection with the distribution of private placements and in particular the sale of the convertible preferred shares of the Parent Company. The AWC highlights the Member's failure to perform adequate due diligence related to the private placement, and the failure to maintain a system to train and supervise representatives who solicited and sold shares in the private placement. The AWC further notes that the Member did not have adequate procedures in place to ensure that the private placement memorandum was drafted in compliance with securities laws and regulations and that the sale of the private placement would be in compliance with securities laws and regulations.

CORRECTIVE ACTION

In the months following the Branch Examination in March 2006, the Member discarded its prior existing written policies and procedures and adopted completely new Written Supervisory Policies and Procedures ("WSP") responsive to the concerns expressed by FINRA following the Examination. This new WSP cured the deficiencies contained in the existing procedures and provided further direction regarding the Member's conducting of due diligence in connection with private offerings. Specifically, the new WSP provides extensive detail regarding the due diligence that the Member needed to conduct before participating in any future

private placements. For instance, the new WSP requires the Member to "Thoroughly [review] the offering document/prospectus and critically [analyze], for reasonableness, all representations made in the document." WSP pg. 317. The firm has further implemented a structure to ensure that the due diligence policies are complied with. Specifically, the Chief Compliance Officer will delegate responsibility to conduct due diligence to another individual (most likely the Chief Executive Officer) and will thereafter review the due diligence efforts to ensure that the due diligence was conducted in compliance with the provisions of the new WSP.

The WSP further includes new procedures to be followed by the firm to ensure that any offerings of private placements are made in compliance with SEC and FINRA rules, including policies to ensure compliance with various offering exemptions that may be applicable to the private placement. Finally, the new WSP includes policies designed to ensure that registered representatives who participate in the distribution are trained regarding the new product and provided with appropriate oversight to ensure that they only sell the product in compliance with securities laws and regulations.