

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2006003853701**

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REGISTRATION & DISCLOSURE

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

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

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

II.

ACCEPTANCE AND CONSENT

- A. The Member hereby accepts and consents, without admitting or denying the findings, and solely for the purposes of this proceeding and any other proceeding brought by or on behalf of FINRA, or to which FINRA is a party, prior to a hearing and without an adjudication of any issue of law or fact, to the entry of the following findings by FINRA:

BACKGROUND

I-TRADEdirect.com Corp. became a member of FINRA (f/k/a NASD) 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.

RELEVANT PRIOR DISCIPLINARY HISTORY

On December 6, 2004, FINRA accepted a Letter of Acceptance, Waiver and Consent from the Member which contained findings that the Member violated NASD Conduct Rules 2110, 3010, and 3070, when it: 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;

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and failed to supervise a representative by allowing him to conduct business without being properly registered in two states, failing 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 failing to ensure that the Member did not associate itself with a statutorily disqualified person. The Member was censured and fined \$20,000.

OVERVIEW

From September 2005 to March 2006, the Member effected 21 transactions with markups, markdowns, or commissions that were not fair and reasonable. The Member also failed to maintain customer complaint files, and failed to timely report customer complaints. The Member failed to follow the requirements of NASD Membership and Registration Rule 1017 and its Membership Agreement, when it expanded its business without notifying the FINRA District Office. The Member also failed to maintain a checks received and disbursement blotter. Finally, the Member failed to maintain sufficient written supervisory procedures and failed to establish and maintain a reasonable supervisory system designed to achieve compliance with the applicable securities laws and regulations.

FACTS AND VIOLATIVE CONDUCT BY RESPONDENT

The Fair Pricing Rule

1. NASD Conduct Rule 2440 provides that, in "over-the-counter" transactions,

if a member buys for his own account from his customer, or sells for his own account to his customer, he shall buy or sell at a price which is fair, taking into consideration all relevant circumstances... If he acts as agent for his customer, the member shall not charge his customer more than a fair commission or service charge, taking into consideration all relevant circumstances...
2. Since 1943, FINRA has had a policy which sets five percent as the guideline in determining whether markups, markdowns or commissions are excessive. The Board of Governors has made clear, however, that the "5% Policy" is a guide, not a rule. IM-2440(a)(1). The policy set forth in IM-2440 applies equally to commissions on agency trades and to markups or markdowns on principal transactions. (See Notice to Members 93-81.)

3. The percentage of the charge is only one of the factors considered in determining fairness. IM-2440(b) identifies seven other factors that members should take into consideration in determining the fairness of a charge. The first factor is the type of security involved. As is noted in the Interpretive Memo, a higher percentage is generally appropriate for common stock transactions than for bond transactions. The second factor is the availability of the security in the market. How actively the security is traded, the effort and cost needed to buy or sell the security, or any other unusual circumstances involving acquiring or selling the security may have a bearing on the charge. The third factor is the price of the security, and the fourth factor is the size of the transaction. Lower priced securities and transactions that involve a small amount of money may justify higher percentage charges because of handling costs. Conversely, higher priced securities and larger transactions should generally have lower percentage charges. The fifth factor is whether disclosure to the customer is made before the transaction is effected, although "[d]isclosure itself ... does not justify a commission or markup which is unfair or excessive in light of all other relevant circumstances." The sixth factor is the pattern of the member's charges. "While each transaction must meet the test of fairness...particular attention should be given to the pattern of a member's markups." (See IM-2440(b)(6).) The seventh factor is the nature of the member's business. The cost of providing services to customers may be considered in determining the fairness of charges.

The Member Charged Excessive Markups, Markdowns, or Commissions in Equity Securities Transactions

4. Between September 2005 and March 2006, the Member charged customers markups, markdowns or commissions, which were not fair and reasonable, in consideration of the factors set forth in IM-2440(b). The Member solicited 21 securities transactions in actively traded, highly liquid common stock transactions for customers, and charged the customers markups, markdowns or commissions that exceeded 5%, as shown on Schedule A, attached hereto and incorporated by reference. The market prices of these securities ranged from \$7.39 per share to \$74.67 per share. The transactions were also large, in that they ranged from 950 shares to 25,000 shares of stock. In addition, nothing in the nature of the Member's business justified the markups, markdowns or commissions of over 5%.

5. As set forth above, the Member violated NASD Conduct Rules 2110 and 2440 by failing to charge its customers fair prices in securities transactions.

**Failure to Promptly Amend a Form U-5 Uniform
Termination Notice for Securities Industry Registration**

6. Daniel Koffman was registered with the Member from March 11, 2003, until November 11, 2004, as a General Securities Representative. On August 5, 2005, the Member received a written complaint from CD, a member of the public, about Koffman. CD's complaint stated that Koffman traded her account excessively and charged her very high commissions. CD also maintained that Koffman placed unauthorized trades in her account. CD's complaint letter was required to be reported as an investment-related, customer-initiated, written complaint involving events that occurred while Koffman was employed with the Member.
7. Despite receiving CD's complaint letter on August 5, 2005, the Member did not file an amendment to Koffman's Form U-5 Uniform Termination Notice for Securities Industry Registration (Form U-5) within 30 days as required by Article V, Section 3(b) of NASD By-laws. The Member did not file an amendment to Koffman's Form U-5 disclosing CD's complaint until 280 days after the date that it should have been filed.
8. As set forth above, the Member violated Article V, Section 3(b) of NASD By-Laws and NASD Conduct Rule 2110 by failing to timely submit an amended Form U-5 reporting CD's complaint letter.

**Failure to Promptly File Reports of Disciplinary Actions that the
Member Took Against Representatives**

9. Christopher J. Gill was registered as a General Securities Representative with the Member from June 20, 2005 to March 1, 2006. On February 20, 2006, Gill's employment with the Member was terminated because he downloaded client account information to an external storage device. Pursuant to NASD Conduct Rule 3070(a)(10) and (b), the Member was required to report to FINRA that it terminated Gill for disciplinary reasons within 10 business days after such termination. The Member was required to file a report of the disciplinary action by March 6, 2006, but failed to file the report until April 17, 2006, which was 42 days late.

10. Calvin L. Kelle was registered as a General Securities Representative with the Member from July 7, 2003 to September 6, 2005, and was registered as a General Securities Principal with the Member from November 18, 2003 to September 6, 2005. On September 6, 2005, Kelle's employment with the Member was terminated because he failed to appear for an "on the record" interview requested by FINRA. Pursuant to NASD Conduct Rule 3070(a)(10) and (b), the Member was required to report to FINRA that it terminated Kelle for disciplinary reasons within 10 business days after such termination. The Member was required to file a report of the disciplinary action by September 20, 2005, but failed to file the report until April 17, 2006, which was 209 days late.
11. As set forth above, the Member violated NASD Conduct Rules 2110 and 3070 by failing to timely file with FINRA two Rule 3070 reports on a timely basis.

**Failure to Promptly File Summaries of
Customer Grievances**

12. DT, ED, PK, CD, BT, and JK were members of the public who maintained securities accounts with the Member.
13. On May 26, 2005, a written complaint from DT, who had power of attorney for her mother, ED, was sent to the Member by facsimile. Among other things, DT complained that one of the Member's representatives, who handled ED's account, recommended and sold unsuitable securities to her. Pursuant to NASD Rule 3070(c), the Member was required to report statistical and summary information about DT's and ED's grievance by the 15th day of the month following the calendar quarter in which DT's and ED's complaint was received. Since DT's written grievance was received by the Member in May 2005, it was required to file statistical and summary information about the grievance by July 15, 2005, but failed to report the required information until May 24, 2006, which was 313 days late.
14. On August 4, 2005, PK sent a written grievance to the Member by facsimile. Among other things, PK complained about the manner in which he was treated by a registered representative of the Member who was handling his securities account. Since the Member received PK's written grievance in August 2005, it was required under Rule 3070(c) to file statistical and summary information about the grievance by October 17, 2005, but failed to

report the required information until May 23, 2006, which was 218 days late.

15. In August 2005, a written complaint from CD was sent to the Member. Among other things, CD complained that a registered representative of the Member excessively traded her securities account and charged very high commissions. Since the Member received CD's written grievance in August 2005, it was required under Rule 3070(c) to file statistical and summary information about the grievance by October 17, 2005, but failed to report the required information until May 23, 2006, which was 220 days late.
16. In November 2005, a written complaint from BT was sent to the Member. Among other things, BT complained about an unauthorized transaction on margin in his securities account. Since the Member received BT's written grievance in November 2005, it was required under Rule 3070(c) to file statistical and summary information about the grievance by January 17, 2006, but failed to report the required information until May 23, 2006, which was 126 days late.
17. In December 2005, JK sent a written grievance to the Member. Among other things, JK complained about discrepancies in costs for a securities transaction. Since the Member received JK's written grievance in November 2005, it was required under Rule 3070(c) to file statistical and summary information about the grievance by January 17, 2006, but failed to report the required information until May 23, 2006, which was 126 days late.
18. As set forth above, the Member violated NASD Conduct Rules 2110 and 3070 by failing to timely report statistical and summary information about 5 customer grievances.

**Failure to Maintain and Preserve a Separate File
of All Written Customer Complaints**

19. From at least June 2005 to April 2006, the Member failed to keep and preserve, in its Office of Supervisory Jurisdiction located in New York, a separate file of all the customers' complaints and grievances and action taken by the Member, including those described above in paragraphs 14 through 17. The Member also failed to keep and preserve documents associated with the complaints and grievances.

20. NASD Rule 3110(d) requires that each member keep and preserve in each Office of Supervisory Jurisdiction, either a separate file of all written customer complaints and action taken by the member, if any, or a separate record of such complaints and a clear reference to the files containing the correspondence connected with such complaint as maintained in that office. SEC Rule 17a-3(a)(18)(i) requires that members make and keep a copy of customer complaints in a separate file along with the disposition of the complaint. In the alternative, the Member should make and keep current a record of each customer complaint received concerning its registered representatives, which includes: the complainant's name, address, account number; the date that the complaint was received; the name of all registered representatives identified in the complaint; a description of the nature of the complaint; and the disposition of the complaint. SEC Rule 17a-4(b)(1) requires that member firms shall preserve these records for not less than 3 years, the first 2 years in an easily accessible place.
21. As set forth above, the Member violated SEC Rules 17a-3(a)(18)(i) and 17a-4(b)(1) and NASD Conduct Rules 2110 and 3110(d) by failing to keep and preserve a separate file for the customer's complaints noted above in paragraphs 14 through 17, or by failing to make and maintain a list of customers' complaints.

**Failure to File an Application for Approval
of Material Changes in Business Operations**

22. From January 2005 to January 2006, the number of representatives that were registered with the Member grew from about 7 representatives to 32 representatives.
23. NASD Membership and Registration Rule 1017 requires that a member file an application for approval of, among other things, a material change in business operations at least 30 days prior to the change with the District Office where the member's principal office is located. NASD Membership and Registration Rule IM-1011-1 creates a safe harbor exemption from this requirement, in that a member with 1 to 10 registered representatives can hire up to 10 persons within a one-year time period without having to file a Rule 1017 Application.
24. Since the Member only employed 7 registered representatives in January 2005, and then hired an additional 25 representatives in a one-year period, it was not eligible for the safe harbor exemption under Rule IM-1011-1. The Member was required to file a Rule

1017 Application with the District Office at least 30 days before it hired the additional individuals. The Member failed to file any application for the approval of its material change in business operations prior to hiring the additional registered representatives.

25. As set forth above, the Member violated NASD Membership and Registration Rule 1017 and Conduct Rule 2110 by failing to file an application for approval of a material change in its business operations.

Failure to Abide by Membership Agreement

26. On March 3, 2000, the Member signed a Membership Agreement under which the Member agreed to limit the type of business it conducted. The provisions of the Membership Agreement included an agreement by the Member that it would:
- a. Operate pursuant to SEC Rule 15c3-1(a)(2)(vi);
 - b. Not hold customer funds or safekeep customer securities; and
 - c. Promptly notify NASD through the District Office where it maintained its principal place of business if the Firm intended to open a branch office.
27. From June 28, 2005 to December 12, 2005, the Member received securities from customers on seven occasions, and held the securities for short periods of time. By receiving and safekeeping customers' securities, the Member did not operate its business pursuant to SEC Rule 15c3-1(a)(2)(vi), and was safekeeping customer securities on seven occasions, in violation of its Membership Agreement.
28. In June 2005, the Member opened a branch office in New York, but failed to promptly notify NASD of such action through the District Office where it maintained its principal place of business.
29. As set forth above, the Member violated NASD Conduct Rule 2110 by failing to abide by its Membership Agreement with FINRA.

**Failure to Prepare and Maintain a
Checks Received and Forwarded Blotter**

30. Among other things, SEC Rule 17a-3(a)(1) requires member firms to prepare a checks received and forwarded blotter to record the dates and amounts of all checks received by a firm and the dates that the checks were forwarded to the clearing firm. SEC Rule 17a-4(a) requires that members preserve a checks received and forwarded blotter for at least six years, with the records to be kept in an easily accessible location for at least the first two years. NASD Rule 3110(a) requires that member firms make and preserve books and records that are required to be maintained pursuant to SEC Rules 17a-3(a)(1) and 17a-4(a).
31. From at least June 2005 to December 12, 2005, the Member received checks from customers, but failed to prepare and maintain a blotter showing the checks received and forwarded. Specifically, the Member simply kept a photocopy of the checks that it received with a single date marked on the photocopy.
32. As set forth above, the Member violated SEC Rules 17a-3(a)(1) and 17a-4(a) and NASD Conduct Rules 2110 and 3110(a) by failing to prepare and maintain a checks received and forwarded blotter.

**Failure to Implement an Adequate Supervisory System Designed to
Detect and Prevent Rule Violations**

33. NASD Rule 3010(a) requires that each member establish and maintain a system to supervise the activities of each registered representative, registered principal and associated person that is reasonably designed to achieve compliance with the applicable securities laws and regulations.
34. From January 2005 to May 2006, the Member failed to have a supervisory system designed to achieve compliance with the applicable securities laws and regulations, in that the Member was not aware of supervisory requirements related to:
 - a. Handling and reporting customer complaints, which caused the violations described in paragraphs 6 through 18; and
 - b. Implementing material changes in its business operations and changes to its Membership Agreement, which caused the violations described in paragraphs 22 through 29.

35. The Member's system of compliance was not kept current and therefore the Member failed to maintain a supervisory system reasonably designed to achieve compliance with the applicable securities laws and regulations.
36. As set forth above, the Member violated NASD Conduct Rules 2110 and 3010(a) by failing to implement an adequate supervisory system to detect and prevent the Rule violations previously described.

**Failure to Prepare and Maintain
Adequate Written Supervisory Procedures**

37. From at least January 2005 to May 2006, the Member failed to prepare and maintain adequate written supervisory procedures, in that the procedures failed to address or adequately address the following business operations of the Member:
 - a. Under NASD Conduct Rule 3070 requirements to file customer complaints and grievances, and disciplinary actions taken by the Member against its representatives;
 - b. Obligations to amend Forms U-5 for customer complaints received by the Member after the termination of a representative; and
 - c. Requirements to submit requests under NASD Membership and Registration Rule 1017 for material changes in business operations.
 38. As set forth above, the Member violated NASD Conduct Rules 2110 and 3010(b) by failing to implement an adequate supervisory system to detect and prevent the above Rule violations.
- B. The Member also consents to the imposition, at a maximum, of the sanctions of:
1. A censure;
 2. A \$60,000 fine; and
 3. In connection with the charges alleged in paragraphs 1 through 5 above, an order to disgorge excess charges to the customers listed on the attached Schedule A in the total amount of \$865.17, plus interest at the rate set forth in Section 6621(a)(2) of the Internal Revenue Code, 26 U.S.C. 6621(a)(2), from [date], the date of the

violative conduct, until the date this AWC is accepted by the NAC. Satisfactory proof of payment of the restitution or of reasonable and documented efforts undertaken to effect restitution shall be provided to FINRA staff no later than [120] days after acceptance of this AWC. If, for any reason, Respondent cannot locate any customer identified in Schedule A after reasonable and documented efforts within such period, or such additional period agreed to by the staff, Respondent shall forward any undistributed restitution and interest to the appropriate escheat, unclaimed property, or abandoned property fund for the state in which the customer is last known to have resided.

The Member agrees to pay the monetary sanction upon notice that this AWC has been accepted and that such payment is due and payable. The Member has submitted an Election of Payment form showing the method by which it proposes to pay the fine imposed.

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

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

II.

WAIVER OF PROCEDURAL RIGHTS

The Member specifically and voluntarily waives 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 Member specifically and voluntarily waive any right to claim bias or prejudgment of the General Counsel, the NAC, or any member of the NAC, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including acceptance or

rejection of this AWC.

The Member 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 Member understands that:

- A. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by the NAC, a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs (ODA), pursuant to 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 Member; and,
- C. If accepted:
 - 1. this AWC will become part of the Member's permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against it;
 - 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 Member 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 Member understands that it may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. The Member also understands that it may not deny the charges or make any statement that is inconsistent with the AWC in this Statement. This Statement does not constitute factual or legal findings by FINRA, nor does it reflect the views of FINRA or its staff.

The Member certifies 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.

ITRADEdirect.com Corp.

10/19/07
Date

By Eric Art
the President

Reviewed by:

Council for Respondent

Accepted by FINRA:

Date 11/27/07

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


Richard S. Schultz
Regional Counsel
FINRA Department of Enforcement
55 West Monroe Street, Suite 2700
Chicago, Illinois 60603-5052
(312) 890-4334

**STATEMENT OF CORRECTIVE ACTION
LETTER OF ACCEPTANCE WAIVER AND CONSENT
NO. 20060038537**

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. 20060038537 (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.

The AWC to which this Statement of Corrective Action relates resulted a branch examination conducted by FINRA in March 2006. The branch examination occurred shortly after the Member underwent a substantial transition including: (1) the opening of a new branch office in June 2005, including the addition of approximately 25 registered representatives; (2) the transfer of the Member's main compliance controls from the firm's Michigan office to the new branch office; and (3) the appointment of a new Chief Compliance Officer for the Member.

BACKGROUND

In June 2005, the Member opened a branch office in Hauppauge, NY and increased its number of registered representatives by approximately 25. In doing so, and naming the Hauppauge branch as an Office of Supervisory Jurisdiction, the firm determined to transition its main compliance operations from Traverse City, Michigan to Hauppauge, NY. This transition eventually resulted in the appointment of Brian Sanders as Chief Compliance Officer. Although previously licensed as a supervisor (Series 24) and compliance officer for a branch, Mr. Sanders had not previously served in such a position nor been responsible for the compliance operations of an entire firm. Almost immediately after taking on this position, Mr. Sanders began the process of reviewing the Member's then existing supervisory policies and procedure and searching for ways to upgrade the Member's compliance program and written supervisory policies and procedures. The March 2006 FINRA Branch Examination interrupted this process. However, shortly after the completion of the Branch Examination, and to address issues raised in the exit conference, the Member culminated its efforts in late Spring 2006, discarding its then existing written policies and procedures and adopting completely new Written Supervisory Policies and Procedures ("WSP") that among other items, responded to and addressed deficiencies identified by FINRA during the examination and the items raised in the AWC.

CORRECTIVE ACTIONS

1. Violations of the Fair Pricing Rule

The AWC identifies 21 transactions out of a total 6,583 that occurred between September 2005 and March 2006 in which the total fees, including commissions, mark-ups and markdowns, exceeded 5% of the transaction price. Prior to the Branch

Examination, the Member was not aware that fully disclosed ticket charges and postage fees would be considered in determining whether the commissions, markup, and markdowns charged exceeded the 5% Guideline set forth in the Fair Pricing Rule. A review of each of the transactions on Schedule A to the AWC reflects that in none of the 21 transactions did the commissions, markups or markdowns alone exceed 5% of the transaction price.

However, consistent with the guidance from FINRA, the Member adopted new policies so that this issue does not recur. The new WSP adopted by the Member implements policies and procedures designed to ensure compliance with the Fair Pricing Rule. Specifically, the new WSP includes policies addressing the 5% Guideline and requires supervisory review of any transactions in which the fees charged to the customer exceed 5% of the transaction price.

2. Violations Related to the Prompt Filing of Regulatory Notices

The AWC highlights several areas in which the Member failed to make timely regulatory filings. Specifically, the AWC addresses the Member's failure to make timely Rule 3070 filings and timely Forms U-5 updates. The Member's new WSP includes policies and procedures designed to address both compliance with Rule 3070 and the filing of updated or amended Forms U-4 and U-5. With regard to Rule 3070, the new WSP is designed to help the Member identify events for which reporting is required and highlights the dates on which filings must be submitted. The new WSP similarly sets forth the time periods for filing of updated or amended Forms U-4 and 5. With regard to each of these new policies, the Member has assigned responsibility for ensuring compliance its Chief Compliance Officer, Brian Sanders.

3. Books and Records Issues

The AWC raises three issues directly or indirectly related to the Member maintenance of books and records each of which has been specifically addressed in the firms new WSP:

- **The Maintenance of Customer Complaint Files**

The AWC includes a finding that the Member did not maintain a separate written complaint file. However, the issue raised in this violation does not involve the Member's failure to maintain a "complaint file" or the Member's failure to retain the "complaints" at issue, but, rather, the Member's failure to identify the written correspondence at issue as "complaints." The new WSP adopted by the Member specifically includes policies and procedures to assist the Member in identifying correspondence as complaints. The new WSP further delegates responsibility to the Chief Compliance Officer to ensure that copies of the complaint are maintained along with any related documents and that appropriate investigation concerning the complaint occurs and are documented.

- **Handling of Customer Securities**

The AWC also identifies that the Member, on seven occasions, received securities from customers in violation of its Membership Agreement and that by doing so violated its agreement to operate pursuant to SEC Rule 15c3-1(a)(2)(vi). The new WSP adopted by the Member more completely addresses the Member's responsibility with regard to securities received from customers who, notwithstanding contrary to instructions from the Member, persist in sending securities to the Member. The new WSP further delegates responsibility to the Chief Compliance Officer to ensure that a "Securities Received and Disbursed" log is maintained evidencing receipt of the securities and their prompt delivery to the clearing firm or appropriate third-party. These new policies will ensure that if securities are received from customers -- despite instructions not to do so -- that the securities will be promptly disbursed to the appropriate party.

- **Receipt of Customer Checks**

The AWC also notes the Member's failure to comply with SEC Rule 17a-3(a)(1) as it relates to the maintenance of a checks received and forwarded blotter. Although the Firm maintained a record of checks received and forwarded, the records maintained by the firm did not separately identify the date the checks were received and the dates that the checks were forwarded. Upon learning from FINRA that the Member's then existing blotter was insufficient, the Member updated its recordkeeping system relating to the maintenance of its checks received and disbursed blotter. Among other things, the Member's new WSP notes the requirement that the blotter include separate entries for among other items, the date the check was received and disbursed.

4. Compliance with Membership Rules and Membership Agreement

The AWC identifies two violations related to the Member's failure to notify FINRA of changes in its business or operations. Each of these relates to the Member's opening of the Hauppauge, NY branch office and the addition of 25 registered representatives associated with that Branch. Member's newly adopted WSP addresses the Member's compliance with Membership and Registration Rule 1017 and delegates responsibility to the Chief Compliance Officer to notify FINRA of any changes in its business operations. The new WSP further addresses the Member's obligation to notify FINRA through Form BR about the opening of new branch offices.

5. Supervisory Systems and Controls

The AWC finally identifies violations relating to the Member's failure to prepare, maintain and implement adequate supervisory procedures. As discussed above, in the immediate aftermath of the branch examination by FINRA, the Member discarded its old

supervisory procedures and adopted a comprehensive new WSP. The new WSP established new policies and addresses and delegates responsibility for compliance with regard to each of the rule violations identified in the AWC. Moreover, the Member has been through two additional branch examinations, each of which afforded the Member and its management the opportunity to evaluate its compliance policies and systems and ensure that adequate systems are in place to prevent future violations of the type identified in the AWC.

NGEDOCs: 1458248.2

Schedule of Transactions Effected by I-TRADEdirect.com Corp.
With Mark-ups, Mark-downs, and Commissions of Over 5%

Account	Reg. Rep.	Trade date	Equity	Buy/Sell	Customer's Price	Mark-up or Mark-down	Market price	Number of shares	Total trade without commission and fees	Commission, Mark-up or Mark-down Paid	Percent of Charges without fees	Fees	Percent Paid including all fees, commissions etc.	5% Charge	Total charge to customer	Amount of over-charge
	2575	9/12/2005	INTC	buy	26.2768	1.25	25.0268	3000	75080.41	3750	4.99	53	5.07	3754.02	3803	\$48.98
	2571	8/9/2005	SLAB	buy	28.85	0	28.85	5000	144250	7200	4.99	53	5.03	7212.5	7253	\$40.50
	2571	10/5/2005	PKS	buy	6.9433	0	6.9433	25000	173582.5	8679	5.00	53	5.03	8679.13	8732	\$52.87
	2580	12/13/2005	AAPL	buy	74.6696	0	74.6696	1000	74669.6	3700	4.98	53	5.03	3733.48	3753	\$19.52
	2536	1/11/2006	MOT	buy	24.99	1.19	23.8	7500	176500	8925	5.00	53	5.03	8925	8978	\$53.00
	2580	1/17/2006	TIE	buy	74.33	0	74.33	950	70613.5	3500	4.96	53	5.03	3530.68	3553	\$22.32
	2575	10/28/2005	PKS	sell	7.39	0	7.39	9000	66510	3294	4.95	53	5.04	3325.5	3349.79	\$24.29
	2534	10/24/2005	SIMG	buy	8.012	0.38	7.632	10000	76320	3800	4.98	53	5.05	3816	3853	\$37.00
	2580	1/27/2006	VLO	buy	60.48	0	60.48	1000	60480	3000	4.96	53	5.05	3024	3053	\$29.00
	2571	8/17/2005	CCMP	buy	29.55	0	29.55	2500	73875	3693	5.00	53	5.07	3693.75	3746	\$52.25
	2534	10/24/2005	SIMG	buy	8.012	0.38	7.632	7500	57240	2850	4.98	53	5.07	2862	2903	\$41.00
	2536	1/23/2006	ET	buy	23.11	1.1	22.01	2500	55025	2750	5.00	53	5.07	2751.25	2803	\$51.75
	2536	7/11/2005	MSFT	buy	26.38	1.25	25.13	2000	50260	2500	4.97	53	5.08	2513	2553	\$40.00
	2580	7/20/2005	SLAB	buy	26.9999	0	26.9999	2000	53999.8	2700	5.00	53	5.10	2700	2753	\$53.00
	2577	7/25/2005	ATVI	buy	19.37	0.92	18.45	4150	76567.5	3818	4.99	53	5.06	3828.38	3871	\$42.82
	2577	8/2/2005	AUO	buy	16.82	0.8	16.02	5000	80100	4000	4.99	53	5.06	4005	4053	\$48.00
	2577	8/16/2005	CMOS	buy	10.5987	0.5	10.0987	5000	50498.5	2500	4.95	53	5.06	2524.93	2553	\$28.07
	2580	11/11/2005	CREE	buy	25.1699	0	25.1699	2000	50339.8	2500	4.97	53	5.07	2517	2553	\$36.00
	2454	1/9/2006	VLO	buy	55.9298	0	55.9299	1000	55929.9	2796	5.00	53	5.09	2796.5	2849	\$52.50
	2536	3/16/2006	SLE	buy	18.91	0.9	18.01	3000	54030	2700	5.00	53	5.10	2701.5	2753	\$51.50

\$865.17