

NASD
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. EAF0401060001

TO: Department of Enforcement
NASD

RE: Edgetrade.com, Inc., CRD No. 42071
Joel Rosenfeld, CRD No. 1344127
Respondents

Pursuant to Rule 9216 of NASD Code of Procedure, Respondents Edgetrade.com, Inc. ("Edgetrade" or "the firm") and Joel Rosenfeld ("Rosenfeld") (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 in Part II below. This AWC is submitted on the condition that, if accepted, NASD will not bring any future actions against Respondents alleging violations based on the same factual findings.

Respondents understand that:

1. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by NASD's Department of Enforcement and National Adjudicatory Council ("NAC") Review Subcommittee or Office of Disciplinary Affairs ("ODA"), pursuant to NASD Rule 9216;
2. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against Respondents; and
3. If accepted:
 - a. this AWC will become part of Respondents' permanent disciplinary record and may be considered in any future actions brought by NASD or any other regulator against them;
 - b. this AWC will be made available through NASD's public disclosure program in response to public inquiries about Respondents' disciplinary record;
 - c. NASD may make a public announcement concerning this agreement and the subject matter thereof in accordance with NASD Rule 8310 and IM-8310-2; and

- d. 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.

Respondents also understand that their experience in the securities industry and disciplinary history may be factors that will be considered in deciding whether to accept this AWC. That experience and history are as follows:

Edgetrade.com, Inc.

Edgetrade has been a member of NASD since 1997. The firm has one office in New York City and currently employs twelve registered representatives. Edgetrade has no relevant disciplinary history.

Joel Rosenfeld

Rosenfeld entered the securities industry in 1983. He worked at seven firms prior to joining Edgetrade. He has been registered with Edgetrade as a General Securities Representative, General Securities Principal, Uniform State Law Agent, Municipal Securities Principal, Financial & Operations Principal and Registered Options Principal since July 1997. Rosenfeld has no relevant disciplinary history.

I.

WAIVER OF PROCEDURAL RIGHTS

Respondents specifically and voluntarily waive the following rights granted under NASD's Code of Procedure:

- A. To have a Formal Complaint issued specifying the allegations against them;
- 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, 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.

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.

II.

ACCEPTANCE AND CONSENT

- A. Respondents hereby accept and consent, without admitting or denying the allegations or findings, and solely for the purposes of this proceeding and any other proceeding brought by or on behalf of NASD, or to which NASD 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 NASD:

Summary

Between June and July 2002 ("the relevant period"), Rosenfeld and Edgetrade sold approximately 1,037,036 shares of Freestar Technology, Inc. ("FSTI") stock (the "FSTI shares") for Client C to the public in approximately 45 trades. Although the FSTI shares were delivered to Edgetrade in the form of unlegended certificates, these shares were not registered and no applicable exemption from registration applied.

Investor B donated the FSTI shares to Client C. The FSTI shares had been held by FSTI's CEO and President, who pledged them as collateral to secure a financing agreement between Investor B and FSTI. When FSTI defaulted on its obligations under the financing agreement, the FSTI shares were distributed to Investor B.

By virtue of this conduct, Edgetrade and Rosenfeld participated in the public sale of unregistered securities, thereby failing to comply with Section 5 of the Securities Act of 1933 and violating NASD Conduct Rule 2110. Edgetrade also failed to establish an effective supervisory system and adequate written supervisory procedures governing the purchase and sale of restricted securities, in violation of NASD Conduct Rules 3010(a) and (b) and 2110.

1. Freestar Technology, Inc.'s Financing Agreement With Investor B

On approximately March 25, 2002, Investor B entered into a financing agreement with FSTI (the "Financing Agreement"). FSTI traded on the Over the Counter Bulletin Board during the relevant period. Under the Financing Agreement, Investor B loaned FSTI \$70,000 and FSTI issued Investor B a \$70,000 note. The note was convertible into common stock starting on May 25, 2002.

FSTI was required to register the shares to be received by Investor B pursuant to the note by May 25, 2002 or it would default on its Financing Agreement with Investor B.

FSTI's President and CEO pledged certain restricted FSTI shares as collateral for the note. By virtue of his position as an officer of FSTI, the President and CEO was an affiliate of FSTI.

2. FSTI Defaults on the Financing Agreement

FSTI defaulted on the Financing Agreement by not filing a registration statement for the shares to be received by Investor B on or before May 25, 2002. Investor B was therefore entitled to receive the FSTI shares. On approximately June 7, 2002, 1,037,036 shares were issued to Investor B in certificate form. Each certificate bore a restrictive legend.

By letter dated June 10, 2002, counsel for Investor B instructed the transfer agent to issue Investor B certificates representing free trading shares, on the mistaken assumption that the FSTI shares were registered pursuant to Form S-8. In fact, public filings revealed that the FSTI shares were not registered pursuant to Form S-8, and the shares could not be issued without a restrictive legend. Notwithstanding these facts, the transfer agent issued the FSTI shares to Investor B in two unlegended certificates dated June 11, 2002 - one for 636,363 shares, and the other for 400,673 shares.

3. Edgetrade, Acting through Rosenfeld, Execute Sales of the FSTI Shares in Violation of Section 5

a. Investor B Donates the FSTI Shares to Client C and Client C Sells Them to the Public

In June 1999, Rosenfeld opened an account at Edgetrade for Client C. During the relevant period, Rosenfeld was the registered representative assigned to Client C's account. In June 2002, Investor B donated the FSTI shares in certificate form to Client C, evidenced by two letters, dated June 13 and 24, from Investor B to Rosenfeld. On June 13, Investor B donated 636,363 shares; on June 24, it donated 400,673 shares.

Edgetrade received instructions to sell various increments of the 1,037,036 FSTI shares in Client C's account beginning on June 18, 2002, only five days after FSTI shares had been issued to Investor B. Aside from one sale of another security in early July, sales of FSTI accounted for the only activity in Client C's account between mid June and mid July. By approximately July 11, 2002, Rosenfeld and Edgetrade had sold to the public all 1,037,036 shares of FSTI Client C received from Investor B--approximately 2.3% of the FSTI common stock outstanding at the time. Client C realized approximately \$122,511 from these sales.

The FSTI shares were unregistered when they were received in Client C's account and at no time during the relevant period was there a registration statement filed for the shares. Moreover, no applicable exemption from registration applied. Therefore, the sales violated Section 5 of the Securities Act of 1933.

b. Edgetrade and Rosenfeld Fail to Conduct Due Diligence

In effecting sales of the FSTI shares to the public, Edgetrade and Rosenfeld failed to comply with their obligations to exercise due care to prevent the sale of unregistered securities. Edgetrade and Rosenfeld were confronted with several red flags that, in the aggregate, should have alerted them the FSTI shares were unregistered. Among other things, Client C deposited a large number of FSTI shares in two large blocks; FSTI stock traded in the OTCBB market; and Client C began selling the shares almost immediately after acquiring them, sold all 1,037,036 shares in less than one month, and the shares sold comprised approximately 2.3% of the public float of FSTI common stock.

Despite these circumstances, and before executing sales of FSTI, Edgetrade and Rosenfeld failed to conduct a reasonable investigation, which would have alerted them that the shares were unregistered and not exempt.

4. Edgetrade Did Not Have An Adequate Supervisory System and Written Supervisory Procedures for Sales of Restricted Securities

During the relevant period, the firm lacked an adequate supervisory system and written procedures for sales of restricted stock. Among other things, the firm failed to provide guidance to its brokers sufficient to enable its brokers to identify circumstances that should lead the broker to conclude the stock was restricted, instruct its brokers as to the steps necessary to conduct due diligence before selling stock that may be restricted, or establish the steps supervisors or the Compliance Department needed to take to review transactions in such stock. Finally, the firm lacked systems to provide reasonable assurance that its brokers were conducting a reasonable investigation into whether securities were registered or subject to a valid exemption from registration.

5. Violations

Edgetrade and Rosenfeld Violated Section 5

Section 5 of the Securities Act of 1933 states that it is unlawful to use the mails or interstate commerce to sell any security unless the security is registered or exempt from registration.

By virtue of the activities described above, Rosenfeld and Edgetrade violated Section 5 of the Securities Act of 1933, and thereby violated NASD Conduct Rule 2110.

Edgetrade Failed to Have Adequate Supervisory Systems and Procedures

NASD Conduct Rule 3010(a) requires a member firm "to establish and maintain a system to supervise the activities of each registered representative and associated person that is reasonably designed to achieve compliance with applicable securities laws and regulations, and with the Rules of the Association."

NASD Conduct Rule 3010(b) states that "[e]ach member shall establish, maintain and enforce written procedures to supervise the types of business in which it engages and to supervise the activities of registered representatives and associated persons that are reasonably designed to achieve compliance with applicable securities laws and regulations, and with the applicable Rules of this Association."

By virtue of the activities described above, Edgetrade violated NASD Conduct Rules 2110 and 3010(a) and (b).

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

1. Edgetrade consents to:
 - a. A censure;
 - b. A fine of \$30,000, which includes the disgorgement to NASD of unlawful profits of approximately \$290.00; and
 - c. Edgetrade shall undertake to review its systems and procedures regarding the purchase and sale of restricted securities for compliance with NASD rules and the federal securities laws and regulations and, within 60 days of notice that this AWC has been accepted, an officer of Edgetrade shall 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 purchase and sale of restricted securities.
2. Rosenfeld consents to:
 - a. A fine of \$10,000, which includes the disgorgement to NASD of unlawful profits of approximately \$590.00; and
 - b. A suspension from associating with any member firm in all capacities for a period of fifteen business (15) days.

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

III.

OTHER MATTERS

- A. 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. Respondents 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 NASD, nor does it reflect the views of NASD or its staff.
- B. Respondents agree to pay any monetary sanction imposed on them upon notice that this AWC has been accepted and that such payments are due and payable and have attached Election of Payment forms showing the method by which they propose to pay any fine imposed.

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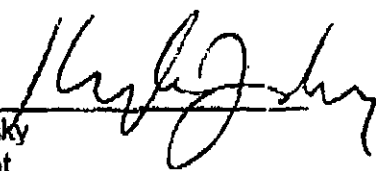
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- C. Respondents specifically and voluntarily waive any right to claim that they are unable to pay, now or at any time hereafter, any monetary sanction imposed in this matter.
- D. Respondent Rosenfeld understands that if he is barred or suspended from associating with any NASD member, he becomes subject to a statutory disqualification as that term is defined in Section 3(a)(39) of the Securities Exchange Act of 1934, as amended. Accordingly, Rosenfeld may not be associated with any NASD member in any capacity, including clerical or ministerial functions, during the period of the bar or suspension. (See NASD Rule 8310 and IM-8310-1.)

Respondents certify that they have read and understand all of the provisions of this AWC and have 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 them to submit it.

6/20/05
Date

Edgetrade.com, Inc.

By: 

Kyle Zasky
President

June 20/05
Date


Joel Rosenfeld

Reviewed by:

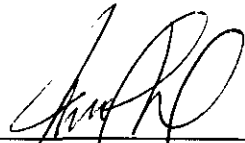


Brian H. Reis, Esq.
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New York, NY 10006

Counsel for Respondents Edgetrade.com, Inc. and Joel Rosenfeld

Accepted by NASD:

7/13/05
Date



James E. Day,
Chief Counsel, Director,
Department of Enforcement

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