

BEFORE THE
DIVISION OF SECURITIES
DEPARTMENT OF FINANCIAL INSTITUTIONS
STATE OF WISCONSIN

In the Matter of
EQUITRADE SECURITIES CORP.

PETITION FOR ORDER

Respondent.

File No. S-00284(LX)

The staffs of the Bureau of Licensing & Compliance and the Enforcement Unit, Bureau of Registration & Enforcement, of the Division of Securities, Department of Financial Institutions, State of Wisconsin have conducted an investigation in this matter pursuant to sec. 551.56, Wis. Stats., and as a result thereof allege as follows:

1. Equitrade Securities Corp. ("Equitrade") is a broker-dealer (CRD #29558) with a last known address at 23736 Birtcher Dr., Lake Forest, CA 92630;
2. On August 17, 1999, Equitrade filed an application on the CRD to become licensed as a broker-dealer in the state of Wisconsin;
3. On August 18, 1999, the staff sent a letter to Equitrade asking for more information and documents, including a completed Wisconsin securities activity questionnaire and advising them that they had until February 17, 2000 to complete the application or it may be referred for denial;
4. The August 18 letter contained an admonition that the firm should conduct no business in Wisconsin until it was licensed;
5. At the same time, the staff sent a letter to Equitrade's clearing broker-dealer asking for details of all of Equitrade's Wisconsin activity;
6. On August 29, 1999, Kim Carroll, CFO and Senior Compliance Officer ("Carroll"), on behalf of Equitrade filed with the Division a Wisconsin Broker-Dealer Activity questionnaire stating that the firm had never transacted business in Wisconsin;
7. On September 3, 1999, Stephen H. Roebuck, President of Equitrade, on behalf of Equitrade, filed with the Division a second Wisconsin Broker-Dealer Activity questionnaire stating that the firm had never transacted business in Wisconsin;
8. On November 12, 1999, Equitrade's clearing broker provided the staff with a list of 12 Equitrade accounts that were for persons in Wisconsin;

9. On November 25, 1999, the staff wrote to Equitrade asking them to explain the 12 accounts and again admonishing them that no business was to be conducted until the firm was licensed;
10. On June 13, 2000, Carroll, on behalf of the firm, responded to the November 25 letter stating that the accounts were “opened either inadvertently, or under the belief that said accounts fell under a de-minimus or institutional investor exemption. The firm has subsequently closed all of the subject accounts and has refused to open any further accounts in and for the state of Wisconsin.”
11. A review of the 12 accounts revealed that:
 - a. they were opened by 5 different agents,
 - b. that all but one were approved by Carroll, and
 - c. that activity had continued until October 19, 1999;
12. On June 26, 2000, the staff sent Equitrade a copy of a sample rescission offer and asked them to respond by July 11 with their intentions regarding their civil liability for their unlicensed activity;
13. The June 26 letter again contained the admonition that Equitrade was not to conduct business while their license application was pending;
14. On August 8, 2000, the staff received a copy of a proposed rescission offer from Equitrade;
15. On September 21, the staff received a call from Equitrade inquiring about its licensing status and the firm was informed that they would not be licensed until we received copies of the final rescission offer and it had resolved its civil liability;
16. On October 3, 2000, the staff received copies of the rescission letters that were sent out to Equitrade’s customers, signed by Ronald Froug, Compliance Officer, on behalf of Equitrade,;
17. The rescission letters showed that activity had continued through August 2, 2000;
18. On October 16, 2000 the staff sent out a letter stating our concerns with firm’s supervision and asking them to address our concerns;
19. On November 14 we received a response to our letter that included additional rescission offers for transactions that had occurred in September;
20. The November 14 response stated that, “at the time the firm opened the accounts the firm “lacked a structured method to insure account activity only in states in which we were registered.”
21. Equitrade’s actions in filing an application which contained statements which were, in light of the circumstances under which they were made, false or misleading with respect to a

material fact, as described above, provide the basis, pursuant to sec. 551.34(1)(a), Wis. Stats., for the denial of its license application;

22. Equitrade's actions, in continuing to allow its agents to transact business while it was not licensed, failed reasonably to supervise agents, to assure their compliance with this chapter, which provides a basis pursuant to sec. 551.34(1)(j), Wis. Stats., for the denial of the firm's license application;

23. Equitrade's actions in filing an application which contained statements which were, in light of the circumstances under which they were made, false or misleading with respect to a material fact, as described above, violated sec. 551.54, Wis. Stats.

THEREFORE, the staffs of the Bureau of Licensing & Compliance and Registration & Enforcement petition the Administrator for the issuance of the attached Order.

DATED this 20th day of December, 2000.



Nancy R. Jackson
Examiner
Bureau of Licensing & Compliance



David A. Cohen
Supervising Attorney
Bureau of Registration & Enforcement