

STATE OF ILLINOIS  
SECRETARY OF STATE  
SECURITIES DEPARTMENT

\_\_\_\_\_  
IN THE MATTER OF: PAUL S. SHECHTER )  
\_\_\_\_\_) )  
\_\_\_\_\_)

No. C0700550

**TEMPORARY ORDER OF PROHIBITION AND SUSPENSION**

**TO THE RESPONDENT : PAUL S. SHECHTER**

**(CRD# 2589423)**

**27 LITTEL HARBOR RD.**

**MOUNT SINAI, NY 11766**

**PAUL S. SHECHTER**

**ITRADEDIRECT.COM CORP.**

**BRANCH OFFICE**

**701 MIDDLE COUNTRY RD.**

**SELDEN, NY 11784**

**PAUL S. SHECHTER**

**ITRADEDIRECT.COM CORP.**

**BRANCH OFFICE**

**300 WHEELER RD.**

**4<sup>TH</sup> FLOOR**

**HAUPPAUGE, NY 11788**

**NATURE OF THE CASE**

The Respondent, Paul S. Shechter, is a sales representative for ITRADEDIRECT.COM Corp., working out of two New York-based ITrade branch offices. During December of 2006 through January of 2007, Shechter called an Illinois citizen several times to offer securities brokerage services. Once Shechter had obtained the investor's confidence, and money, Shechter then began a series of fraudulent conduct, including falsifying the investor's account opening documents, enacting unauthorized trades in the investor's brokerage account, and ignoring investor's explicit instruction to not sell certain securities and to not trade in the margin account that Shechter had opened in the investor's name.

Temporary Order of Prohibition

On information and belief, I, Jesse White, Secretary of State of Illinois, through my designated representative, who has been fully advised in the premises by the staff of the Securities Department, Office of the Secretary of State, herein find:

1. Respondent Paul S. Shechter ("Shechter") is a citizen 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, to the present.
2. Shechter works out of the registered ITrade branch office at 701 Middle Country Road, in Selden New York, as well the unregistered ITrade branch office at 300 Wheeler Road, 4<sup>th</sup> Floor, in Hauppauge, New York.
3. Shechter's last known residential address is 27 Littel Harbor Road, Mount Sinai, New York, 11766.
4. Investor is a citizen of Illinois and has little experience in investing.
5. Investor had accumulated some mutual funds, which he understood to be safe, long-term investment vehicles, and Investor had also obtained substantial stock in his employer, Oracle, through an employee stock-purchase program.
6. In January 2007, Shechter "cold-called" Investor to solicit Investor for ITrade's securities brokerage services.
7. Shechter, after several telephone calls and assuring Investor of his ability as a securities broker, convinced Investor to open a brokerage account with ITrade.
8. In late January 2007, Shechter filed out a New Account Application ("Application") for Investor. Shechter also filed out an account opening documents for Investor, including a contract to open a margin account.
9. Shechter, in the Application, stated that Investor's investment objective was "speculation" and that his risk tolerance was "aggressive." Furthermore, Shechter stated in the Application that Investor had "extensive" knowledge and experience in Stock/Bonds and Options.
10. Investor is not, nor ever was, seeking speculative investments and he did not have an aggressive risk tolerance. Moreover, Investor did not have "extensive" knowledge of stocks/bonds and options.
11. On January 29, 2007, Investor, upon receiving the Application Shechter filled out, contacted Shechter about the misstatements in the Application.
12. Investor was not comfortable moving his money and investments to Shechter in light of the misinformation Shechter had placed on the Application.

- 3 -  
C0700550  
Temporary Order of Prohibition

13. Shechter told Investor to not worry, explaining to Investor that the Application and the information placed on it was used for “marketing.”
14. Shechter continued to alleviate Investor’s concerns by stating that most of ITrade clients invest in speculative investments, but that Investor was not in a position to invest that aggressively, yet.
15. Investor, feeling comforted by Shechter’s explanation, proceeded to open up the ITrade account.
16. Shechter’s first recommendation to Investor was to purchase stock in Aerovironment Inc. (“AVAV”). Shechter told Investor that AVAV was having its initial public offering (“IPO”) at twenty-five dollars (\$25.00) per share.
17. Shechter insisted to Investor that AVAV’s value would break twenty-eight dollars (\$28.00) per share by the end of March, 2007.
18. AVAV, was an IPO and constituted a speculative and risky investment.
19. On January 23, 2007, without the signed Application that Shechter filled out for Investor, Shechter bought five-hundred (500) shares of AVAV for Investor, only to later cancel the purchase.
20. Upon receipt of the Application, Shechter began buying and selling AVAV stock in Investor’s account.
21. Shechter’s trading of AVAV was designed to increase Shechter’s commissions at the detriment of Investor:

Date	Buy/Sell	Price/share	Commission charged
2/ 1/ 07	Buy 500	\$22.80	
2/ 7/ 07	Buy 500	\$25.00	
2/ 7/ 07	Sell 500	\$22.92	\$355.62
2/ 9/07	Sell 30	\$21.67	
4/12/07	Buy 500	\$23.10	\$346.00
7/13/07	Sell 970	\$20.13	\$100

22. On Shechter’s AVAV recommendation and trading Investor lost \$4,615.42 and Shechter made \$801.62.

Temporary Order of Prohibition

23. Despite Shechter's prediction the AVAV would break \$28.00 by March, Shechter traded the AVAV stock prior to March for the sole purpose of garnering commissions.
24. Moreover, Shechter had no reasonable basis to recommend Investor purchase AVAV, in light of Investor's actual investment objectives and risk tolerance.
25. By late March of 2007, with Shechter's inaccurate and baseless prediction regarding AVAV's value not coming true, and Investor, seeing losses in his account due to Shechter's trades and commissions, via electronic mail, inquired about the losses with the AVAV transactions.
26. Shechter refused to respond to Investor's repeated inquiries regarding AVAV, until April 9, 2007, when Investor asked Shechter if he was still his broker.
27. Shechter told Investor that he was still his broker and to call him.
28. After Shechter's inappropriate prediction regarding the value of AVAV was not realized, Shechter began initiating trades in Investor's account for other speculative and risky securities.
29. Throughout the months of April, May, June and July, Investor's ITrade account continued to suffer losses in value.
30. The losses were due to the whirlwind of trading activity instituted by Shechter; many of the trades being done without Investor's consent.
31. In July Investor complained about the losses in his ITrade account.
32. Shechter promised Investor that from that point on he would charge no more than one hundred dollars per trade in commissions on investment's that lost value, and .5% on trades that resulted in a profit, until Investor's account losses were made up.
33. Despite this promise, Shechter continued to charge commissions well in excess of one hundred dollars per trade on those that resulted in losses, and well in excess of .5% on those few trades that resulted in profits.
34. For instance, Shechter's unauthorized and illogical purchases and sales of NYMEX Holdings Inc. during July and August not only resulted in losses to Investor's account value, but also garnered considerable commissions for Shechter:

Date	Buy/Sell	Price/share	Commission charged
7/12/07	Buy 700	\$131.89	\$1,850.00

Temporary Order of Prohibition

7/16/07	Sell 700	\$137.74	\$100.00
8/ 6/07	Buy 1000	\$124.45	\$1,250.00
8/ 7/07	Buy 1000	\$127.68	\$1,280.00
8/15/07	Buy 1000	\$124.18	\$1,250.00
8/16/07	Sell 3000	\$114.01	\$3,000.00

35. However, Shechter's misconduct is not limited to his commission-garnering trading practices.
36. From the time Shechter initiated contact with Investor and discovered that Investor held a significant number of shares of Oracle stock, Shechter had attempted to convince Investor to transfer that stock to the ITrade account.
37. Investor, however, had no intention of selling the Oracle stock, and stated such to Shechter many times.
38. In late July, upon Shechter's continued insistence and assurances that he would not touch the Oracle stock, Investor authorized the transfer of the stock to the ITrade account.
39. Investor told, many times prior to and after the transfer, Shechter not to sell the stock.
40. Moreover, up until Investor transferred the Oracle stock to his ITrade account Shechter had told Investor that the Fourth Quarter of 2007 would be big for Technology stock, giving Investor the impression that any serious discussion regarding the sale of the Oracle stock would occur after the Fourth Quarter.
41. Despite explicit, clear, unambiguous and repeated instructions by Investor to Shechter to not sell the Oracle stock, on August 6, 2007, Shechter sold all of the Oracle stock and began purchasing, without authorization, more high-risk, speculative stock.
42. Shechter derived commissions from his unauthorized sale of the Oracle stock, as well as obtained additional commissions with the unauthorized trading activity he initiated with the proceeds of that sale.
43. Furthermore, Shechter, having opened up a margin account for Investor, had also been trading in it without Investor's knowledge.
44. On August or about August 17, 2007, Investor contacted Shechter regarding the continuing losses Investor's account had suffered since Shechter exerted his control over it.
45. Shechter informed Investor that many of the losses occurred with margin trading.

- 6 -  
C0700550  
Temporary Order of Prohibition

46. Investor did not know what trading on margin was.
47. Shechter explained what a margin account was, and how it was used for investing.
48. On August 17, 2007, now apprised of what trading on margin meant, Shechter explicitly instructed Shechter to no longer trade on margin.
49. Despite Investor's clear and unambiguous instruction, in September and October of 2007, Investor received two bills, the first for almost sixty thousand dollars (\$60,000.00), and the second for over twenty nine thousand dollars (\$29,000.00) requesting the money to pay for the margin trading Shechter had made without Investor's authorization or knowledge.
50. By September of 2007, barely ten months after opening the ITrade account, Shechter's fraudulent conduct and mismanagement of Investor's account resulted in losses in excess of one hundred and twenty-five thousand dollars (\$125,000.00).
51. On November 29, 2007, the Illinois Securities Department (the "Department"), pursuant to Section 11.C of the Act, issued a letter to ITrade requesting information related to this investigation (the "Letter").
52. The Letter was sent by overnight delivery and was received the morning of November 30, 2007.
53. At 11:30 a.m. of November 30, 2007, in response to the Letter, Shechter called Investor and declared, "Here is what is going to happen..."
54. Investor informed Shechter that he should contact the Department if he needed anything and hung up the telephone.
55. Shechter, as with all of Investor's previous instructions, ignored Investor a contacted him again by text message:

Here is the difference between you and I. I don't lie you manipulate the truth, If I was in your shoes would I be upset absolutely. But I would draw the line by fabricating a story against someone who would ultimately tarnish one's career!!! We both know we discussed the Oracle sell more than sufficiently.. I have no doubt you not only know this, but are aware that you are contriving a story, that now you have crossed the line!!! They say it is a good measurement of one's character when the chips are down. you have proved that you will say anything and do anything to alleviate the pain of losing money. You want to talk about karma???? My performance was feeble and it hurts me to lose any client money,

Temporary Order of Prohibition

but I never lied and you did. So who is the disengenious one?????  
Karma is a boomerang.  
Paul

[SIC]

56. Shechter's telephone call and text message were made for the sole purpose of intimidating and harassing Investor.
57. Section 12.F of The Illinois Securities Law of 1953, 815 ILCS 5/1 *et seq*, (The "Act") states that it shall be a violation of the provisions of this 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." 815 ILCS 5/12.F.
58. Section 12.G of the Act states that it shall be a violation of the provisions of this Act for any person to, "obtain money or property through the sale of securities by means of any untrue statement of a material fact or any omission to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading." 815 ILCS 5/12.G.
59. Section 8.E(1)(b) of the Act states that the registration of a dealer, salesperson, investment advisor or investment advisor representative may be suspended or revoked if that investment advisor representative has engaged in any unethical practice in connection with any security, the offer or sale of securities or in any fraudulent business practice. 815 ILCS 5/8.E (1)(b).
60. The allegations contained in the paragraphs, above, constitute violations of Sections 12.F, 12.G and 8.E(1)(b) of the Act.

**PROHIBITION**

61. Section 11(F)(2) of the Act states that the Secretary of State may temporarily prohibit or suspend, by order effective immediately, the registration of a dealer, salesperson, investment advisor, investment advisor representative, or the offer or sale of securities by any person, if the Secretary of State shall in his or her opinion, based on credible evidence, deem it necessary to prevent an imminent violation of the Act or to prevent losses to investors.
62. This action is necessary to prevent imminent losses to existing investors and to protect the public as the above described evidence shows that Respondent Shechter has committed fraud in the sale of securities and continues to do business into the State of Illinois, and has contacted Investor for the purposes of harassment. Furthermore, Shechter has a complaint history, including a settlement for

Temporary Order of Prohibition

unauthorized trading in clients' accounts in which the clients alleged that Shechter's conduct caused losses in excess of two hundred and thirty thousand dollars (\$230,000.00).

NOW THEREFORE IT IS HEREBY ORDERED THAT: pursuant to the authority granted by Section 11.F of the Act, Respondent PAUL S. SHECHTER is **PROHIBITED** from offering or selling securities in or from this State, and his registration in the State of Illinois are **SUSPENDED** until further Order of the Secretary of State.

NOTICE is hereby given that Respondent may request a hearing on this matter by transmitting such request in writing to the Director, Illinois Securities Department, 69 W. Washington Street, Suite 1220, Chicago, Illinois 60602. Such request must be made within thirty (30) calendar days of the date of entry the Temporary Order of Prohibition. Upon receipt of a request for hearing, a hearing will be scheduled as soon as reasonably practicable. A request for hearing will not stop the effectiveness of this Temporary Order and will extend the effectiveness of this Temporary Order for sixty days from the date the hearing request is received by the Department.

FAILURE BY ANY RESPONDENT TO REQUEST A HEARING WITHIN THIRTY (30) CALENDAR DAYS AFTER ENTRY OF THIS TEMPORARY ORDER OF PROHIBITION SHALL CONSTITUTE AN ADMISSION OF ANY FACTS ALLEGED HEREIN AND SHALL CONSTITUTE SUFFICIENT BASIS TO MAKE THIS TEMPORARY ORDER OF PROHIBITION FINAL.

Dated: This 10<sup>th</sup> day of December 2007.

Attorney for the Secretary of State:  
Jason Chronopoulos  
Office of the Secretary of State  
Illinois Securities Department  
69 W. Washington Street, Suite 1220  
Chicago, Illinois 60602  
Telephone: (312) 793-3388



JESSE WHITE  
Secretary of State  
State of Illinois