Chester A. McPherson
Acting Commissioner

IN THE MATTER OF:	)	
	)	
SUCCESS TRADE SECURITIES, INC.,	)	ADMINISTRATIVE CONSENT ORDER SB-CO-03-15
	)	
SUCCESS TRADE INC., and	)	
	)	
FUAD AHMED	)	
	)	
Respondents.	)	

WHEREAS, Success Trade Securities, Inc. ("STS") is a former broker-dealer registered in the District of Columbia ("CRD# 46027) located at 1900 L. STREET NW, SUITE 301, WASHINGTON, DC 20036; and

WHEREAS, Success Trade Inc. ("STI") is a holding company that operates in the District of Columbia;

WHEREAS, Fuad Ahmed ("Ahmed") is a former registered broker-dealer agent in the District of Columbia ("CRD# 2404244), and is the President and Owner of Success Trade Securities and Success Trade Inc.;

WHEREAS, the Department of Insurance, Securities and Banking ("Department") conducted an examination of Success Trade Securities, and began an investigation of Success Trade Inc., Success Trade Securities, and Fuad Ahmed (collectively, "Respondents");

WHEREAS, Respondents have cooperated with the Department by responding to inquiries, providing documentary evidence and other materials, and providing the Department with access to facts relating to the query; and

WHEREAS, Respondents have advised the Department of its agreement to resolve the Department's investigation relating to activities of Respondents outlined in this Administrative Consent and Settlement Agreement ("Order"); and

WHEREAS, Respondents agree that the Department has sufficient evidence to substantiate the allegations contained in its Notice of Intent (No. SB-NOI-02-14) and in the Statement of Facts and Conclusions of Law contained therein; and

WHEREAS, Respondents elect to permanently waive any right to a hearing and appeal under the District of Columbia Administrative Procedure Act, D.C. Official Code §§ 2-509(a) and 2-510(a) (2001); the Rules of Practice and Procedures for Hearings in the District of Columbia, 26 DCMR §§ B300 *et seq.*; D.C. Official Code § 31-5602.02; D.C. Official Code § 31-5602.03 and sections 602(b) and 803(a) of the Securities Act of 2000, effective September 29, 2000 (D.C. Law 13-203, D.C. Official Code § 31-5601.01 *et seq.* (2001)) ("Act"), D.C. Official Code §§ 31-5606.02(b) and 31-5608.03(a) with respect to this Order; and

WHEREAS, solely for the purposes of settlement of the issues, Respondents, consent to this Order;

NOW, THEREFORE, the Commissioner of the Department ("Commissioner"), as administrator of the Act pursuant to D.C. Official Code § 31-5607.01 hereby enters this Order:

I.
STATEMENT OF FACTS

A. Success Trade, Inc., Success Trade Securities, Inc., and Fuad Ahmed

1. STS was established in 1999 and operates as an online deep discount brokerage firm through two subdivisions: Just2Trade.com and LowTrades.com.

2. STS conducts transactions in a mix of equities, options, mutual funds, variable annuities and life products, and low-priced securities.

3. Except for purchases of the private securities offerings described below, all of STS's client transactions are self-directed and many of the clients are day traders. STS is a wholly-owned subsidiary of STI.

4. STI operates as a holding company for STS and BP Trade, Inc., a Canadian software developer that provides trading applications for STS, including order-entry, routing, execution, and risk management solutions.

5. STI has no business function other than acting as a holding company for STS and BP Trade, Inc.

6. STS maintains its principal place of business in Washington, DC. STS maintained a branch office in McLean, Virginia that was located at the offices of Jade Private Wealth Management, LLC ("JADE") from July 3, 2009 to April 23, 2013 pursuant to an independent contractor agreement between STS and the broker-dealer agents located at JADE.

7. JADE is an investment adviser licensed with Virginia since November 10, 2009. The District initially approved JADE's investment adviser license on January 4, 2010.

8. At JADE's request, the District terminated JADE's investment adviser license on December 20, 2010.

9. JADE provided personal and financial management services to professional athletes. JADE also provides financial planning services, portfolio management, and selection of other advisers for individuals and high net worth clients.

10. Four of JADE's employees were registered as broker-dealer agents for STS. Those STS broker-dealer agents split their brokerage commissions with STS so that STS received 11% of the commission and the agents received 89% of the commission.

11. All of JADE's advisory clients maintained brokerage accounts with STS and STS provides all of JADE's broker-dealer services.

12. STI funded JADE's operations from approximately March 2009 through June 2012.

13. Ahmed is the President, Chief Executive Officer, and sole board member of both STS and STI.

14. Ahmed is the majority shareholder of STI.

15. Chae Yi was the supervisor and person-in-charge at STS's branch office at JADE.

16. Ahmed makes all decisions on behalf of both STS and STI.

17. At all relevant times herein, STI and STS acted by and through Ahmed and STI's and STS's employees.

18. STS acted by and through Ahmed and its licensed broker-dealer agents.

19. Ahmed was an employee and officer of STI and STS and was acting in the course and scope of his duties when he committed the violations set forth herein.

STI Notes and Offering

20. From March 2009 to February 2013, STI sold at least 138 promissory notes to 68 investors and raised a total of approximately $22.1 million from the sale of STI notes. From March 2009 to February 2013, STI made approximately $4.4 in principal repayments to note holders and approximately $4 million in interest payments to note holders.

21. STI sold its notes through STS broker-dealer agents located at JADE to investors, most of which are JADE clients, who were also STS brokerage clients.

22. About three-fourths of the investors are aspiring, current, or former professional athletes with the NFL and NBA.

23. The STI notes were sold to investors in Arizona, California, Connecticut, Florida, Georgia, Illinois, Indiana, Maryland, Missouri, New Jersey, Pennsylvania, South Carolina, Tennessee, Texas, and Virginia.

24. During the course of selling the STI notes, STI used at least four private placement memoranda dated January 1, 2009 ("January 2009 PPM"), February 1, 2009 ("February 2009 PPM"), September 29, 2009 ("September 2009 PPM"), and November 30, 2009 ("November 2009 PPM") (collectively, "PPMs").

25. STI also used a supplement dated June 30, 2010 ("June 2010 PPM Supplement") that was provided in conjunction with the November 2009 PPM.

26. The PPMs included a Subscription Agreement, Accredited Investor Questionnaire, and Promissory Note.

27. The PPMs did not include a balance sheet, income and expense statement, statement of cash flows, or other information regarding STI's or STS's financial condition.

28. Respondents provided STI PPMs to investors in connection with the sale of 87 notes, 72 of which were issued pursuant to the November 2009 PPM.

29. A June 2010 PPM Supplement was provided in connection with the sale of at least 9 notes.

30. STI did not provide PPMs or other disclosure document in connection with 51 sales of STI notes.

31. STI's PPMs offered $100,000 unsecured promissory notes from STI at an annual rate of 12.5% simple interest, paid monthly, and a maturity date of 36 months from the date of commencement.

32. STI notes were convertible into STI common stock at $2.00 per share on the note holder's request.

33. STI's PPMs stated that the offering was exempt from securities registration utilizing the exemption provided by Rule 506 of Regulation D, 17 C.F.R. § 230.506. Sales were to only be made to "accredited investors," as defined by Rule 501(a) of Regulation D, 17 C.F.R. § 230.501(a).

34. STI's PPMs stated that funds would be used for the following purposes: offering expenses, commissions, capital investments in STS (advertising and website developments), capital investment in BP Trade (data center infrastructure, software programming, and equipment), share buyback and debt retirement, legal and accounting expenses, and working capital.

35. The June 2010 PPM Supplement also disclosed that investor proceeds would be used for capital investments in BP Trade for a market data feed.

36. STI's PPMs did not disclose STI's or STS's relationship with JADE or that STI had made loans to that company and was funding JADE's operations.

37. The June 2010 PPM Supplement amended the November 2009 PPM to notify investors of STI's and STS's relationship with JADE and of STI's business loans to JADE of $590,000, comprised of a $300,000 revolving line of credit due and payable by November 5, 2012 and four promissory notes maturing November 11, 2011.

38. STI's January 2009 PPM stated that STI would raise $7.5 million through the offering. The February 2009 PPM, September 2009 PPM, and November 2009 PPM stated that STI would raise a maximum of $5 million through the offering. The June 2010 PPM

Supplement also stated that STI would raise a maximum of $5 million through the offering, but that STI may in its discretion elect to exceed the $5 million limit.

39. STI's January 2009 PPM stated that the offering period would last through February 27, 2009.

40. The September 2009 PPM and November 2009 PPM also allowed STI to extend the offering period up to an additional 90 days without notice. STI's June 2010 PPM Supplement did not amend or extend the offering period provided by the November 2009 PPM.

Examination of STS

41. The Examinations Division of the Securities Bureau of the Department conducted an on-site examination of STS's books and records on June 12 and 13, 2012 in cooperation with the Virginia State Corporation Commission Division of Securities and Retail Franchising.

42. STS submitted additional documentation to the Examinations Division by email and courier from June 12 to July 2, 2012. The Department's Examinations Division ("Examinations Division") reviewed STS's books and records pursuant to routine examination procedures designed to ensure compliance with the Act and applicable broker-dealer rules.

43. As a result of this Examination, the Examinations Division provided STS with its written findings detailing violations of the Act and areas of concern on October 9, 2012.

44. The Examinations Division also instructed STS to cease certain conduct, take actions to remedy violations, and provide additional information to the Examinations Division.

45. In particular, the Examinations Division made a preliminary finding that STS offered and sold approximately $7 million in unregistered promissory notes in violation of D.C. Official Code § 31-5603.01; that STS sold the promissory notes to unsuitable investors in violation of 26 DCMR § B119.2(bb) and FINRA Rule 2111(a); and that the sales of the

promissory notes were not in compliance with STS's written supervisory procedures in violation of 26 DCMR § B119.2(bb) and FINRA Rule 3010(b)(1).

46. The Examinations Division notified STS that the STI notes were unregistered and instructed STS to immediately cease offering and selling the notes and to offer repayment to investors.

47. During the course of the Examination, the Examinations Division requested that STS provide investor lists, private placement memoranda, subscription agreements, accredited investor questionnaires, and notes associated with the sale of STI notes. The Examinations Division also requested the STS brokerage account application for each investor.

48. At the on-site examination, STS provided an investor list that contained only 42 of the 68 investors and identified approximately $7 million of the $22.1 Million in investments from June 2009 to March 2012.

49. STS provided copies of the November 2009 PPM and the June 2010 PPM Supplement, but did not also provide copies of the January 2009 PPM, February 2009 PPM, or September 2009 PPM.

50. In response to another request, STS provided private placement memoranda, accredited investor questionnaires, subscription agreements, and promissory notes for the sale of 76 of the 138 notes.

STI's Financial Condition

51. STI's primary source of operating revenue is STS.

52. STI receives approximately $25,000 in management fees from STS each month.

53. STS has generated approximately half of the business necessary to be profitable at the commission rates it charges to customers.

54. STI has relied primarily on money raised from the sale of STI notes to keep the company in business. STI has only been able to meet its monthly interest obligations on STI notes by selling additional STI notes and using those proceeds to make payments to existing note holders.

55. On August 15, 2012, STI deposited $100,000 into its bank account, which came from Respondents' sale of an STI note.

56. At the time of the deposit, STI had only $9,055.47 in its bank account. On August 17, 2012, STI deposited an additional $100,000 into its bank account, which came from Respondents' sale of another STI note, for a total of $209,055.47 in available cash. These funds did not include funds available to success trade securities.

57. On August 17, 2012, STI used the proceeds from these two investors to make interest payments to 42 investors totaling $121,294.82.

58. On August 31, 2012, STI deposited $50,000 into its bank account, which came from the sale of an STI note.

59. At the time of the deposit, STI had only $4,647.75 in its bank account. On September 4, 2012, STI used the investment principle from one investor to make $16,000 in interest payments to another investor.

60. On September 17, 2012, STI had an initial bank account balance of $2,568.04. STI made interest expense payments of $106,097.61 on September 17 and 19, 2012 to 40 investors. After interest payments to investors and other expenses, STI had a negative balance of $143,781.11.

61. On September 18, 2012, STI sold a $300,000 promissory note. STI deposited a total of $225,000 in funds from the sale of that note on September 19, 21, and 24, 2012.

62. The proceeds from that sale brought STI's bank account from a negative balance to a positive balance of $50,918.89 on September 24, 2012.

Material Misrepresentations and Omissions in the Offer and Sale of STI Notes

63. The PPMs and June 2010 PPM Supplement contained a chart identifying how offering proceeds would be used – offering expenses, commissions, capital investments in STS (advertising and website developments), capital investment in BP Trade (data center infrastructure, software programming, and equipment), share buyback and debt retirement, legal and accounting expenses, and working capital.

64. The June 2010 PPM Supplement also disclosed that investor proceeds would be used for capital investments in BP Trade for a market data feed.

65. The PPMs and June 2010 PPM Supplement were misleading because they did not disclose that Respondents intended to and did use investor funds for purposes other than what was described in the PPMs and June 2010 PPM Supplement. Those undisclosed purposes included:

a. Paying approximately $4 million for note holder interest;

b. Paying approximately $1 million for Ahmed's personal expenditures through what he referred to as "officer loans." These purported loans were undocumented, unsecured, and interest-free. These "officer loans" were used to pay for, among other things, the balances on Ahmed's personal credit cards, his personal travel, and his clothes;

c. Making car payments on Ahmed's Range Rover lease at approximately $1,300 per month; Pay approximately $91,000 to Ahmed's brother through undocumented, interest-free loans;

d. Making approximately $1.25 million in payments to JADE to finance JADE's operations;

e. Trading in STI's brokerage account; and Providing the funds for loans to JADE.

f. The June 2010 PPM Supplement disclosed that STI had made loans to JADE, but did not disclose that the loans were funded, in part, from the proceeds of sales of STI notes. The June 2010 PPM Supplement provided a chart identifying how the proceeds were to be used, but did not identify that the investor proceeds were used to pay for these loans.

66. On June 12, 2009, STI deposited $50,000 into its bank account from the sale of an STI note to Investor E. By June 16, 2009, STI used the proceeds from that investment to provide $10,000 to Ahmed's brother, pay note holder interest of $1,041, provide $7,800 to JADE for its payroll, and provide Ahmed with a $1,860 "officer loan."

Misleading Statements and Omissions on the Size and Dates of the Offering

67. Respondents' June 2010 PPM Supplement had numerous misstatements concerning the size and dates of the offering of STI notes.

68. STI's January 2009 PPM provided to investors stated that the offering period would last through February 27, 2009, unless extended by STS without notice to the investor.

69. STI's February 2009 PPM provided to investors stated that the offering period would last through March 31, 2009, unless extended by STS without notice to the investor.

70. STI's September 2009 PPM provided to investors stated that the offering period would last through February 19, 2010, unless extended by STS for an additional 90 days (May 20, 2010) without notice to the investor.

71. STI's November 2009 PPM stated that the offering period would last through June 30, 2011, unless extended by STS for an additional 90 days (September 28, 2011) without notice to the investor.

72. However, some investors received a November 2009 PPM that stated that the offering period would last through December 31, 2010, unless extended by STS for an additional 90 days (March 31, 2011) without notice to the investor.

73. STI's June 2010 PPM Supplement did not amend or extend the offering period provided by the November 2009 PPM. Despite the fact that the offering periods stated in the PPMs were to end no later than September 28, 2011, STI continued to offer and sell STI notes until at least February 2013, raising approximately $14.7 million from the sale of 62 notes after September 28, 2011.

74. STI's January 2009 PPM provided to investors stated that STI would raise $7.5 million through its offering. STI's February 2009 PPM, September 2009 PPM, and November 2009 PPM stated that STI would raise a maximum of $5 million through the offering.

75. The PPMs did not disclose that STI might exceed the stated offering limits, however the amendment did.

76. STI's June 2010 PPM Supplement dated June 30, 2010 also stated that STI would raise a maximum of $5 million through the offering, but stated for the first time that "STI may in its discretion elect to exceed the $5 million limit."

77. STI raised approximately $22.1 million through the offering. By the end of May 2010, STI had already raised over $5 million from the sale of STI notes, exceeding the maximum offering amount stated in the February 2009 PPM, September 2009 PPM, and November 2009 PPM.

78. There were no notes or documentation in investor files that demonstrated that investors were told about or received updated information regarding STI's outstanding debt or that the information contained in the PPMs was stale or out-of-date.

79. STI'S November 2009 PPM provided to investors contained materially misleading information about STI's outstanding notes and indebtedness.

80. In three sections of the November 2009 PPM, STI falsely indicated that it had outstanding note obligations of approximately $1.7 million.

81. As of November 30, 2009, STI owed approximately an additional $2.32 million to investors who purchased STI notes from March 2009 through November 2009.

82. As such, Respondents misrepresented to investors that STI had only $1.7 million in outstanding debt, when it actually had approximately $4 million in outstanding debt.

83. Respondents continued to use the November 2009 PPM through at least February 2013, even though STI raised more capital and increased its outstanding debt by at least $19.8 million from November 30, 2009 through February 2009.

84. STI's June 2010 PPM Supplement contained materially misleading information about STI's outstanding notes and indebtedness.

85. The June 2010 PPM Supplement, dated June 30, 2010, stated that STI had raised $3,445,000 from the sale of STI notes. This statement is inaccurate.

86. By June 30, 2010, STI had raised approximately $5.1 million from the sale of STI notes.

87. The size and dates of the offering of promissory notes are material to an investor's determination of whether to invest. The amount of a firm's outstanding debt directly affects the firm's ability to pay off new debt. By falsely representing to investors that STI had significantly

less debt than what it actually had, Respondents misrepresented to investors that STI was in a better position to repay new debt.

Misleading Statements and Omissions on Interest Rates and Terms of the Notes

88. Respondents made material misrepresentations and omitted material facts in the PPMs and June 2010 PPM Supplement concerning the interest rates and terms of STI notes.

89. The PPMs and June 2010 PPM Supplement stated that the STI notes were being offered at $100,000 per note at an annual interest rate of return of 12.5% simple interest, paid monthly, a maturity date of 36 months from the date of commencement, and that they were convertible into STI common stock at $2.00 per share on the note holder's request.

90. Contrary to statements in the PPMs, STI sold promissory notes to investors that purported to pay annual interest rates of 10% to 24%.

91. Most STI notes required interest to be paid monthly; however, some notes only provided for a final interest payment at the end of the term of the note.

92. Most STI notes sold to investors provided a maturity date of 36 months; however, some notes provided shorter maturity dates.

93. Some STI notes were convertible into STI common stock at less than $2.00 per share and some notes did not provide any conversion option.

94. One note only provided the purchaser with the right to convert the principal to STI common stock at $1.75 per share at maturity and did not pay any interest.

95. Respondents contend that JADE negotiated the rates and terms of each promissory note for STI.

96. The PPMs and June 2010 PPM Supplement did not disclose that some note holders may receive a different interest rate than what was stated in the PPM or June 2010 PPM Supplement.

97. STI had little or no ability to pay these interest rates from operations. Respondents misrepresented to investors that STI had the ability to pay those interest rates and that those funds to support those payments were being generated from STI's business activities and its subsidiaries, STS and BP Trade, and not from the sale of additional notes.

Misleading Statements and Omissions on the Notes' Registration Status

98. Respondents made material misrepresentations and omitted material facts in the PPMs and June 2010 PPM Supplement concerning the registration and exemption from registration status of offering.

99. STI's PPMs stated that the STI notes were being offered under the exemption from registration set forth in § 4(2) and Rule 506 of Regulation D of the Securities Act of 1933.

100. Rule 506 provides a safe harbor for the private offering exemption of Section 4(2) of the Securities Act where the private offering does not involve more than 35 non-accredited investors. Rule 506(b)(2)(ii) requires that when the investor is not an accredited investor, the investor must otherwise be a sophisticated investor, meaning that the investor has such knowledge and experience in financial and business matters that the investor is capable of evaluating the merits and risks of the prospective investment, or the issuer reasonably believes immediately prior to making any sale that such purchaser comes within this description.

101. Accordingly, if there are any sales to unaccredited investors who are not "sophisticated investors," the issuer is not eligible for the safe harbor of Rule 506.

102. The PPMs were accompanied by an Accredited Investor Questionnaire, which asked questions to ascertain whether the purchaser is an accredited investor and sophisticated investor.

103. At least 20 investors out of 68 investors who purchased STI notes did not complete an Accredited Investor Questionnaire.

104. For 19 of these investors, there was no other information showing that the investors were either accredited or sophisticated.

105. For the other investor without an Accredited Investor Questionnaire, the STS brokerage account application, a separate document completed by investors that were also STS brokerage clients, stated that the investor did not have sufficient net worth or annual income to be an accredited investor and that the investor had no investment experience and limited investment knowledge, thus indicating that the investor was not a "sophisticated investor."

106. At least 48 investors completed Accredited Investor Questionnaires, with most stating that they were accredited and sophisticated investors.

107. At least five investors stated on the Accredited Investor Questionnaire that they were not accredited investors, but that they considered themselves to be sophisticated investors.

108. Those five investors, however, provided conflicting information on their STS brokerage account applications, stating that they had little or no investment experience and/or limited investment knowledge, thus indicating that they were not sophisticated investors.

109. Another eight investors indicated on their Accredited Investor Questionnaires that they were accredited and sophisticated investors.

110. Those eight investors, however, provided contradictory information on their STS brokerage account applications, stating that the investors did not have sufficient net worth or

annual income to be accredited investors and that they had limited or no investment experience and knowledge, thus indicating that they were not sophisticated investors.

111. The STS broker-dealer agents who sold the STI notes to investors had access to the STS brokerage account applications.

112. Many of STS brokerage account applications were completed only a few months before the investors purchased STI notes.

113. At least one investor completed the Accredited Investor Questionnaire and the STS Brokerage Account Application on the same day.

114. D.C. Official Code § 31-5604.02 (11A) provides an exemption for the sale of a security by an issuer to an accredited investor.

115. This exemption is not available to STI due to sales to investors that were unaccredited and unsophisticated.

116. The Rule 506 federal exemption that it referred to is also not available when sales are made to non-accredited investors.

117. Additionally, 26 DCMR § B242 requires issuers offering and selling securities in the District using the exemption provided by Rule 506 to submit a notice filing with the Commissioner containing the following information and accompanied by the following documents and fee: (a) Securities and Exchange Commission Form D; (b) Form U-2, consent to service of process, within 15 days of the first sale of a federal covered security in the District; and (c) a filing fee. At no time did STI did submit the required notice filing and fee to the Department.

118. Respondents filed a Form D notice with the Securities and Exchange Commission on June 4, 2009; however, Respondents disclosed on that form that offering was exempted from federal securities laws under Rule 505 of Regulation D.

119. The Form D notice was not filed with the Department, as required pursuant to 26 DCMR §B242.

120. The Examinations Division notified STS that the STI notes were not properly registered or exempt from registration in a letter dated October 9, 2012 and instructed STS and STI to stop offering and selling the STI notes until the registration issues could be resolved. Despite the Examinations Division's instruction, STI continued to offer and sell STI notes and raised approximately $3.8 million from 27 investors from October 14, 2012 to February 15, 2013.

Misleading Statements to Induce Investors to Extend or Convert Notes

121. Respondents induced investors to extend or roll over existing STI notes into new notes with later maturity dates or to convert their principal obligations into STI common stock, and in some instances failed to provide significant information.

122. STI notes that were sold in 2009 began to approach their maturity dates in 2012.

123. Ahmed knew that STI did not have the funds to pay back the principal on mature notes or to cover monthly interest payments.

124. From October 2012 through at least February 2013, Ahmed and the STS agents located at the JADE office solicited note holders to roll over or extend the terms of their STI notes, typically at higher interest rates, convert principal into STI common stock, or both.

125. Ahmed offered some note holders higher interest rates as a means to induce the note holders to agree to short term extensions of their original notes, typically by two to three months.

126. Ahmed was responsible for negotiating the rates of returns on the STI notes and extensions.

127. JADE also contacted note holders who had notes coming due in 2013 to discuss possible extension of the notes.

128. Due to STI's financial condition, STI did not have the ability to pay the notes' principal or the higher interest rates at the time that these note holders were contacted to extend or roll over the notes.

129. Ahmed did not disclose this fact to STI note holders.

130. Ahmed discussed with some note holders that he intended to publicly list STI stock on European and/or Canadian exchanges.

131. Ahmed stated that STI could be publicly listed by June 2013. Ahmed told note holders that STI was valued at $48-50 million and that STI was projected to list on a European exchange at approximately €4 to €5 per share, or approximately $6.40 per share.

132. Ahmed communicated this information to STS agents at the JADE office. Ahmed offered note holders to convert their principal to STI common stock at $1.25 to $2.50 per share.

133. Better conversion rates were offered to note holders with larger investments as a means to induce those note holders to convert their principal to common stock. JADE discussed with note holders the value of their investment and that by converting their principal to STI common stock they would be able to obtain liquidity and an exit strategy when STI became publicly listed.

134. Ahmed also told note holders that by converting their principal to STI common stock, they would be able to participate on the upside as STI grew.

135. In conjunction with the discussion of opportunity for the listing of STI common stock, Ahmed also discussed with some note holders a business opportunity for STI to purchase an Australian online broker for approximately $15 million.

136. Ahmed told note holders that the purchase of the Australian online broker would increase STI's company value, which could then increase the value of STI's common stock when it got listed on the European or Canadian exchange in order to create a liquidity event.

137. Ahmed also told note holders that STI was seeking a $6 million line of credit from an Australian bank and potentially raising the additional $9 million from secondary sources such as other banks, private equity funds, or investment banks.

138. Ahmed estimated that the acquisition could be completed by the end of April 2013. By March 2013, the $6 million line of credit was not yet open and STS had not secured the additional financing needed to purchase the Australian online broker.

139. Ahmed discussed with at least five investors that STI was unable to pay the principal on their upcoming maturing notes and sought to have those investors extend their notes and/or convert their principal. Ahmed did not disclose to at least two of those investors, Investor F and Investor G, STI's poor financial condition and its inability to repay principal or make future interest payments without raising new capital. STS agents at the JADE office also had discussions about extending or converting STI notes with additional note holders whose notes were set to mature in 2013.

140. Additionally, STI's general ledger states that on December 31, 2012, some or all of the principal investors' notes was converted into STI common stock.

Unsuitable Sales of STI Notes to STS Customers

141. STS, through JADE, made unsuitable recommendations to STS clients to purchase STI notes based on the brokerage clients' stated investment objectives, lack of investment experience, and risk tolerance.

142. 26 DCMR § 119.2(bb) and FINRA Rule 2111(a) require that when recommending a transaction to a client, broker-dealers and their agents must have reasonable grounds to believe that such transaction is suitable for the customer based on the customer's investment profile, including the customer's age, other investments, financial situation and needs, tax status, investment objectives, investment experience, investment time horizon, liquidity needs, risk tolerance, and any other information the customer may disclose to the member or associated person in connection with such recommendation.

143. At least 44 note holders maintained brokerage accounts with STS and completed brokerage account applications to open their accounts at STS.

144. The brokerage account application asks for information about the client's age, marital status, employment, annual income, net worth, liquid net worth, tax bracket, primary source of income, investment objectives, investment experience, risk exposure, investment knowledge, and time horizon.

145. This information is used to create a customer's investment profile and is designed to form the basis of STS's suitability analysis for each recommended transaction.

146. Separately, the Accredited Investor Questionnaire is designed to determine if an investor meets the criteria to be an accredited investor as defined by Rule 501(a) of Regulation D

and to establish that the investor is eligible to receive an offer as such from the issuer of a private offering.

147. The Accredited Investor Questionnaire asks the investor to respond to certain questions that establish investor's sophistication, ability to understand the risks of the offering and to absorb the loss, if any, that may be sustained if the investment is unprofitable, including questions to regarding liquidity, investment experience, and investment strategy. Most of STS's clients who invested in STI notes indicated on the Accredited Investor Questionnaire that they were aware that the investments were long term, low-liquidity investments and that the investments were consistent with their overall strategy.

148. At least 41 purchasers of STI's promissory notes from STS agents indicated on their STS brokerage applications that they had no or limited investment experience, low to moderate risk tolerance, and/or no or limited investment knowledge.

149. These investors also indicated an investment objective of current income or growth and current income.

150. These investors indicated on their Accredited Investor Questionnaires, however, that they were sophisticated investors and that the STI notes were consistent with their overall strategy.

151. Client files did not contain any explanation or notations indicating that STS had considered the conflicting account information or documented that STI notes were suitable for these clients in these transactions.

152. The sales of the STI notes by STS to these clients were unsuitable based on their investment objectives, lack of investment experience, and low risk tolerance as stated in their account opening information.

STS Supervision

153. STS failed to enforce its written supervisory procedures relating to the recommendation and sale of STI notes.

154. STS's broker-dealer agents at the JADE branch office were subject to STS's supervision in their recommendations to and transactions with STS clients.

155. 26 DCMR § B199.2(bb) and NASD Rule 3010(b)(1) requires STS to establish, maintain, and enforce written procedures to supervise its business and to supervise the activities of its registered representatives, registered principals, and other associated persons that are reasonably designed to achieve compliance with applicable securities laws and regulations and with applicable NASD/FINRA rules.

156. STS created policies and procedures regarding the suitability of recommendations of private placements to its brokerage clients, which required STS, prior to the recommending a transaction to a customer, to have reasonable grounds for the recommendation based on the information disclosed by the customer that the recommendation is suitable for the customer.

157. STS also created policies and procedures requiring the Chief Compliance Officer to review any and all subscription documents received from prospective investors to determine whether such subscribers meet the requirements of the offering with respect to suitability and "accredited investor" status.

158. STS made at least 41 recommendations to clients to purchase STI notes where information contained on the client's STS brokerage application indicated that the recommendation was unsuitable based on the brokerage clients' investment experience, risk tolerance, investment knowledge, and investment objectives.

159. STS did not obtain sufficient information from at least one client that would form the basis of a suitability determination. STS made at least 17 recommendations to purchase STI notes where information contained on the client's STS brokerage application and/or Accredited Investor Questionnaire indicated that the client lack accredited investor status.

160. STS client files did not contain any explanation or notations resolving or updating the conflicting suitability or accredited investor information or documenting that STI notes were suitable for the client under the circumstances for those transaction.

161. Ahmed represented to FINRA during on-the-record testimony that he was frequently unaware of or unable to determine whether the STS agents at the JADE office engaged in discussions with STI note holders or potential investors and what information those agents had provided to STI note holders or potential investors when recommending the purchase of STI notes or discussing rolling over or converting STI notes.

162. Ahmed represented to FINRA during on-the-record testimony that he reviewed a few STI note holder subscription agreements, accredited investor questionnaires, and STS brokerage account agreements to assess the investor's suitability and accredited investor status.

163. Ahmed otherwise relied on STS agents at the JADE office to conduct suitability analysis and determine whether the note holder was an accredited and sophisticated investor.

164. There was no documentation that Ahmed, the Chief Compliance Officer, or any other person at STS otherwise supervised the sales activities of STS agents at the JADE office when they recommended the purchase, extension, or conversion of STI notes.

165. STS did not enforce its written supervisory procedures regarding the suitability of recommendations of private placements.

166. STS created insufficient policies and procedures requiring the Chief Compliance Officer to conduct a due diligence investigation of the issuer and securities to be offered in a private placement when STS recommends a private offering.

167. The procedures stated only that such due diligence "may" include, in part, insuring the offering is properly registered in all relevant jurisdictions.

168. STS did not have any written policies or procedures to address conflicts of interests that arise when the issuer of the private placement is affiliated with broker-dealer.

169. A broker-dealer that is affiliated with the issuer of a private placement must take steps to ensure that its affiliation does not compromise an independent due diligence investigation of the offering and that the broker-dealer resolve conflicts of interest that could impair the ability to conduct an independent investigation.

Lack of Due Diligence

170. STS failed to conduct reasonable due diligence on the offer and sale of STI notes.

171. Broker-dealers are obligated to conduct a reasonable investigation of the issuer and private securities offerings in order to comply with applicable anti-fraud provisions and FINRA Rules 2010 and 2020 regarding standards of commercial honor and principles of trade and the use of manipulative, deceptive or other fraudulent devices.

172. STI notes were offered and sold without registration or pursuant to an exemption. STI did not take any actions to register the offering in the District or take appropriate steps to ensure that the offering was exempt from registration in the District and make the required filings with the District.

173. There is no indication that STS's Chief Compliance Officer reviewed the offering of STI notes to determine whether it was properly registered or exempt from registration in all jurisdictions where it was offered.

174. The Department notified STS that the STI notes were not properly registered or exempt from registration in a letter dated October 9, 2012 and instructed STS and STI to stop offering and selling the STI notes until the registration issues could be resolved.

175. Despite the Department's instruction, STS agents continued to offer and sell STI notes, raising approximately $3.8 million from 27 investors from October 14, 2012 to February 15, 2013.

176. At least seven of those investors had completed STS brokerage applications indicating that they were not accredited investors.

177. STI, the issuer of the STI notes and sole owner of STI, is affiliated with STS. Additionally, Ahmed was STS's Chief Compliance Officer when STS first began recommending STI notes to STS clients and is also STI's President, Chief Executive Officer, sole board member, and majority shareholder.

178. STS did not attempt to conduct an independent due diligence of the offering of STI notes or otherwise address the conflicts of interest raised by STS's affiliation with STI.

179. D.C. Official Code § 31-5603.01, makes it unlawful for a person to offer or sell a security in the District of Columbia unless that security is registered under D.C. Official Code § 31-5603.01, the security or transaction is exempt under D.C. Official Code § 31-5604.01, or the security is federally covered under D.C. Official Code § 31-5604.02.

180. D.C. Official Code § 31-5605.01(1), makes it unlawful for a person to offer or sell a security except in accordance with the Act.

181. D.C. Official Code § 31-5605.02(a)(1)(A), makes it unlawful, in connection with the offer, sale, or purchase of an investment or security, including a security exempt under § 31-5604.01 or sold in a transaction exempt under § 31-5604.02, directly or indirectly, to employ any device, scheme or artifice to defraud.

182. D.C. Official Code § 31-5605.02(a)(1)(B), makes it unlawful, in connection with the offer, sale, or purchase of an investment or security, including a security exempt under § 31-5604.01 sold in a transaction exempt under § 31-5604.02, directly or indirectly, to obtain money or property by means of an untrue statement of a material fact or an omission to state a material fact in order to make the statements made, in the light of the circumstances under which they are made, not misleading.

183. D.C. Official Code § 31-5602.06(a), allows the Commissioner, in a manner reasonable under the circumstances, to examine, audit, or inspect the books and records, within or without the District, of a licensed broker-dealer, agent, investment adviser, or investment adviser representative as the Commissioner considers necessary or appropriate in the public interest or for the protection of investors or to determine compliance with the Act. All licensed broker-dealers, agents, and investment advisers shall make their books and records available to the Commissioner in legible form.

184. D.C. Official Code § 31-5602.07(a)(9), allows the Commissioner, by order, to deny, suspend, or revoke a license if the Commissioner finds that the order is in the public interest and the applicant or licensed person or, in the case of a broker-dealer or investment adviser, a partner, officer, or director, or a person occupying a similar status or performing similar functions, or a person directly or indirectly controlling the broker-dealer or investment

adviser has engaged in an unethical or dishonest practice in the securities business as the Commissioner may, by rule, define.

185. 26 DCMR § B119.2(bb), for the purposes of D.C. Official Code § 31-5602.07(a)(9), deems that it is an unlawful, unethical, or dishonest conduct or practice by a broker-dealer to violate any standard in the conduct rules promulgated by FINRA.

186. FINRA Rule 2111(a) requires each FINRA member or associate person to have a reasonable basis to believe that a recommended transaction or investment strategy involving a security or securities is suitable for the customer, based on the information obtained through the reasonable diligence of the member or associated person to ascertain the customer's investment profile. A customer's investment profile includes, but is not limited to, the customer's age, other investments, financial situation and needs, tax status, investment objectives, investment experience, investment time horizon, liquidity needs, risk tolerance, and any other information the customer may disclose to the member or associated person in connection with such recommendation.

187. NASD Rule 3010(b)(1) requires each FINRA member to establish, maintain, and enforce written procedures to supervise the types of business in which it engages and to supervise the activities of registered representatives, registered principals, and other associated persons that are reasonably designed to achieve compliance with applicable securities laws and regulations, and with the applicable Rules of NASD.

188. FINRA Rule 2010 requires each FINRA member, in the conduct of its business, to observe high standards of commercial honor and just and equitable principles of trade.

189. FINRA Rule 2020 prohibits each FINRA member from effecting any transaction in, or inducing the purchase or sale of, any security by means of any manipulative, deceptive or other fraudulent device or contrivance.

II.
CONCLUSIONS OF LAW

1. The Department has jurisdiction over this matter pursuant to D.C. Official Code § 31-5606.01(a)(1).

2. Respondents sold STI Notes to purchasers that were unaccredited and unsophisticated. Respondents' belief that purchasers of STI Notes were accredited and/or sophisticated was unreasonable in light of the information available to the Respondents at the time sale. Respondents did not meet the requirements to exempt the offering of STI Notes from registration pursuant to Rule 506 of the Securities Act. Respondents did not meet the requirements to exempt the offering of pursuant to Rule 505 of the Securities Act. Respondents offered and sold securities in the District of Columbia in violation of the registration requirements of D.C. Official Code §§ 31-5603.01 and 31-5605.01(1).

3. Respondents made misleading statements and omitted to state material facts in order to make the statements made, in the light of the circumstances under which they were made, not misleading to investors in STI notes concerning the issuer's financial condition, the use of proceeds from the sale of STI notes, the size and scope of the offering, interest rates and note terms offered, and the exemption of the offering from the District and federal registration in violation D.C. Official Code § 31-5605.02(a)(1)(B).

4. Respondents made misleading statements and omitted to state material facts in order to make the statements made, in the light of the circumstances under which they were

made, not misleading, to investors regarding the offeror's business opportunities to purchase another broker and publicly list the company on a European or Canadian exchange and were used to induce investors to purchase STI notes, extend or roll over those investments, and convert principal payments into common stock and operated as a device, scheme, or artifice to defraud in violation of D.C. Official Code § 31-5605.02(a)(1)(A).

5. During the course of the Department's examination of STS's brokerage activities for compliance with the Act, Respondent STS failed to produce accurate investor lists and copies of all available brokerage account applications, PPMs, Subscription Agreements, Accredited Investor Questionnaires, promissory notes, and other related documentation associated with the offer and sale of STI notes upon the Department's request, all in violation of D.C. Official Code § 31-5602.06(a).

6. Respondent STS and its agents made unsuitable recommendations to its brokerage clients to purchase STI notes in violation of D.C. Official Code § 31-5602.07(a)(9) and in violation of 26 DCMR § B119.2 (bb) and FINRA Rule 2111(a).

7. Respondent STS failed to establish and enforce reasonable written supervisory procedures relating to making suitable recommendations of sales of private offerings and conducting appropriate due diligence of sales private offerings in violation of D.C. Official Code § 31-5602.07(a)(9) and 26 DCMR § B119.2(bb) and NASD Rule 3010(b)(1).

8. Respondent STS failed to conduct a reasonable due diligence of STI and the STI Note offering in violation of D.C. Official Code §§ 31-5605.02(a) and 31-5602.07(a)(9) and 26 DCMR § B119.2(bb) and FINRA Rules 2010 and 2020.

9. The Department finds the following relief appropriate and in the public interest.

III.

ORDER

On the basis of the Statement of Facts, Conclusions of Law, and Respondents consent to the entry of this Order,

IT IS HEREBY ORDERED that:

1. This Order concludes the investigation by the Department and any other action that the Department could commence under the Act on behalf of the Department as it relates to activities outlined in the Agreement.

2. Pursuant to § 31-5606.02 (b) (1), Respondents, together with their employees, agents, affiliates, assignees, successors, and associated entities, shall CEASE AND DESIST from offering or selling unregistered and non-exempt securities in or from the District of Columbia, and from directly or indirectly aiding or assisting other individuals or entities from offering or selling unregistered and non-exempt securities from the District of Columbia.

3. Pursuant to D.C. Official Code § 31-5606.02 (b)(3), Success Trade Securities will, upon execution of the Order, be prohibited from engaging in securities business in the District of Columbia.

   a. Respondents shall be permitted to sell Success Trade Securities, and effectuate the transfer of its accounts.

   b. Success Trade Securities must notify its clients of the sale of the business, and provide them with information related to the purchaser of their brokerage accounts.

   c. Success Trade Securities shall withdraw its application for a new broker-dealer license in the District; and shall not re-apply for a broker-dealer license.

d. The terms of Section III (3) shall not be interpreted to impede the sale of Success Trade Securities.

4. Pursuant to D.C. Official Code § 31-5606.02 (b)(3), Fuad Ahmed will, upon execution of the Order, be prohibited from engaging in securities business in the District of Columbia and shall withdraw his application for a broker-dealer agent license in the District, except to the extent necessary to effectuate Section III(3) above; and shall not reapply for a broker-dealer agent license.

5. Pursuant to D.C. Official Code § 31-5606.02 (b)(3), Success Trade Inc. shall be prohibited from engaging in securities business in the District of Columbia, except to the extent necessary to effectuate the sale of Success Trade Securities and the transfer of brokerage accounts pursuant to Section III (3) above.

6. Pursuant to D.C. Official Code § 31-5606.02(b)(4), Success Trade Inc. and Fuad Ahmed are ordered to pay a CIVIL PENALTY in the amount of SIX HUNDRED AND FIFTY THOUSAND DOLLARS ($650,000.00) to the Department, made payable to the D.C. Treasurer, pursuant to D.C. Official Code § 1-204.50, and in accordance with D.C. Official Code § 31-5606.02(b)(4), for the violations outlined in Section II above. Such payment shall be made within sixty (60) days from the date this Order is signed by the Department.

7. Pursuant to D.C. Official Code § 31-5606.02 (b)(5), Respondents are ordered to pay RESTITUTION in the amount of TWELVE MILLION FIVE HUNDRED TWENTY NINE THOUSAND EIGHT HUNDRED AND FOUR DOLLARS AND THIRTY FOUR CENTS ($12,529,804.34) for violations specified in Section II above, and shall pay each investor the full amount as enumerated in Attachment A. Such payment shall be made within sixty (60) days from the date this Order is signed by the Department.

8. This Order shall be binding upon Respondents and its successors and assigns as well as to successors and assigns of relevant affiliates with respect to the conduct subject to the provisions above and all future obligations, responsibilities, undertakings, commitments, limitations, restrictions, events, and conditions.

9. Except as set forth above, the Department agrees to take no action adverse to Respondents based solely on the same conduct addressed in this Order. However, nothing in this Order shall preclude the Department from: (a) taking adverse action based on other conduct not referenced in this Order; (b) taking adverse action on behalf of additional victims not specified in Attachment A; (c) taking this Order and the conduct described above into account in determining the proper resolution of action based on other conduct; (d) taking any and all available steps to enforce this Order; (e) taking action against the Respondents if any portion of this Order is violated; or (f) taking any action against other entities or individuals, regardless of any affiliation or relationship between Respondents and the entities or individuals.

10. Respondents shall be jointly and severally liable for all fees imposed under this Order.

11. This Order constitutes the entire agreement between the Department and the Respondents, and supersedes all prior understandings, if any, whether oral or written, relating to the subject matter herein.

12. This Order cannot be modified except in writing, signed by the Respondents and a representative of the Department.

13. In the event an ambiguity or a question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the parties hereto.

In consideration and acceptance of the foregoing terms:

DEPARTMENT OF INSURANCE,
SECURITIES AND BANKING

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the official seal of this Department in the District of Columbia, this 19th day of February, 2015.

Chester A. McPherson,
Acting Commissioner

IV.
CONSENT TO ENTRY OF ADMINISTRATIVE ORDER BY SUCCESS TRADE INC., SUCCESS TRADE SECURITIES AND FUAD AHMED

1. Respondents hereby acknowledge that they have been served with a copy of this Administrative Order ("Order"), have read the entire Order, are aware of their right to a hearing and appeal in this matter, and have waived the same.

2. Respondents admit to the jurisdiction of the Department of Insurance, Securities and Banking ("Department").

3. Respondents consent to the entry of this Order by the Department as settlement of the issues contained in this Order, and waive all rights to contest any enforcement action for violation of this Order.

4. Respondents agree that it shall not claim, assert, or apply for a tax deduction or tax credit with regard to any state, federal, or local tax for administrative monetary penalty that Respondents pay pursuant to this Order.

5. Respondents state that no promise of any kind or nature was made to induce them to enter into this Order and that they have entered into this Order voluntarily.

6. Fuad Ahmed certifies that he is the President and CEO of Success Trade Securities and Success Trade Inc. and is authorized to enter into this Order for and on behalf of Respondents.

Dated this 19 day of Feb, 2015.

RESPONDENTS

SUCCESS TRADE SECURITIES, INC.
SUCCESS TRADE INC.
FUAD AHMED

Fuad Ahmed on behalf of Respondents

ATTACHMENT A

	Last Name	First Name	Restitution Amount
1	[redacted]	[redacted]	$ 50,000.00
2	[redacted]	[redacted]	$ 148,177.46
3	[redacted]		$ 558,012.50
4	[redacted]	[redacted]	$ 18,417.20
5	[redacted]	[redacted]	$ 103,553.98
6	[redacted]	[redacted]	$ 457,491.70
7	[redacted]	[redacted]	$ 91,093.75
8	[redacted]	[redacted]	$ 280,277.72
9	[redacted]	[redacted]	$ -
10	[redacted]	[redacted]	$ 97,500.00
11	[redacted]	[redacted]	$ 247,395.84
12	[redacted]	[redacted]	$ 305,729.11
13	[redacted]	[redacted]	$ 28,593.75
14	[redacted]	[redacted]	$ 461,545.19
15	[redacted]	[redacted]	$ 82,291.66
16	[redacted]	[redacted]	$ 131,926.35
17	[redacted]	[redacted]	$ -
18	[redacted]	[redacted]	$ 87,460.00
19	[redacted]	[redacted]	$ 48,437.51
20	[redacted]	[redacted]	$ 184,999.97
21	[redacted]	[redacted]	$ 364,236.13
22	[redacted]	[redacted]	$ 759,789.96
23	[redacted]	[redacted]	$ 227,083.29
24	[redacted]	[redacted]	$ 142,708.42
25	[redacted]	[redacted]	$ 167,326.33

ATTACHMENT A

	Last Name	First Name	Restitution Amount
26	[redacted]	[redacted]	$ 255,937.50
27	[redacted]	[redacted]	$ 4,033.09
28	[redacted]	[redacted]	$ 181,354.16
29	[redacted]	[redacted]	$ -
30	[redacted]	[redacted]	$ 500,833.32
31	[redacted]	[redacted]	$ -
32	[redacted]	[redacted]	$ 514,731.98
33	[redacted]	[redacted]	$ 49,479.17
34	J[redacted]	[redacted]	$ 295,651.16
35	[redacted]	[redacted]	$ -
36	[redacted]	[redacted]	$ 22,031.26
37	[redacted]	[redacted]	$ 189,322.86
38	[redacted]	[redacted]	$ -
39	[redacted]	[redacted]	$ 93,749.98
40	[redacted]	[redacted]	$ 96,875.00
41	[redacted]	[redacted]	$ 73,958.33
42	[redacted]	[redacted]	$ 15,588.71
43	[redacted]	[redacted]	$ 147,135.43
44	[redacted]	[redacted]	$ 61,458.28
45	[redacted]	[redacted]	$ 379,156.26
46	[redacted]	[redacted]	$ 128,819.94
47	[redacted]	[redacted]	$ 218,923.57
48	[redacted]	[redacted]	$ 510,758.98
49	[redacted]	[redacted]	$ 292,320.82

ATTACHMENT A

	Last Name	First Name	Restitution Amount	
50	[redacted]	[redacted]	$	268,229.18
51	[redacted]	[redacted]	$	79,652.72
52	[redacted]	[redacted]	$	48,437.51
53	[redacted]	[redacted]	$	30,000.00
54	[redacted]	[redacted]	$	60,416.54
55	[redacted]	[redacted]	$	48,437.51
56	[redacted]	[redacted]	$	48,958.34
57	[redacted]	[redacted]	$	11,947.86
58	[redacted]	[redacted]	$	63,348.84
59	[redacted]	[redacted]	$	133,756.90
60	[redacted]	[redacted]	$	87,916.66
61	[redacted]		$	1,884,999.95
62	[redacted]	[redacted]	$	-
63	[redacted]	[redacted]	$	180,763.88
64	[redacted]	[redacted]	$	225,000.00
65	[redacted]	[redacted]	$	281,770.83
	TOTAL:		**$**	**12,529,804.34**