

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2008011702301**

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

RE: Lampost Capital, L.C., Respondent
Member Firm
CRD No. 43706

Gregg A. Pollack, Respondent
Registered Representative
CRD No. 2653630

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Lampost Capital, L.C. ("Lampost" or "the firm") and Gregg A. Pollack ("Pollack") (collectively, "Respondents") each submit this Letter of Acceptance, Waiver and Consent ("AWC") for the purpose of proposing a settlement of the alleged rule violations described below. This AWC is submitted on the condition that, if accepted, FINRA will not bring any future actions against Respondents alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

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

BACKGROUND

Lampost Capital, L.C. has been a member of FINRA since December 2, 1997. Located in Boca Raton, Florida, Lampost is a general securities firm with four registered persons.

Gregg A. Pollack entered the securities industry in September 1995, and was registered with several member firms prior to joining Lampost in October 2001. Pollack has been registered with Lampost as a General Securities Representative and Equity Trader since October 2001, as a General Securities Principal since

December 2001, as an Investment Banking Representative since April 2010, and as an Operations Professional since December 2011. Pollack currently serves as Lampost's Chief Compliance Officer.

Neither Respondent previously has been the subject of a FINRA disciplinary action.

OVERVIEW

Between June 2006 and December 2007, Lampost, acting through Pollack, failed to implement an adequate anti-money laundering (AML) compliance program, in violation of NASD Rules 3011(a) and 2110. In particular, Lampost and Pollack failed to adequately detect and investigate, and also to file suspicious activity reports, as appropriate, in connection with suspicious trading in two accounts controlled by RW, a convicted felon, and his son, BW. Lampost also failed to ensure that its independent auditor conduct an adequate AML test for the year 2007, in violation of NASD Rules 3011(c) and 2110.

FACTS AND VIOLATIVE CONDUCT

Suspicious Trading in Two Accounts

In February and March 2005, RW opened an account for two entities at Lampost. RW and BW controlled both accounts (the "RW accounts"). LM was an officer and agent of one of the entities at the time the account was established and trading began.¹

Between June 2006 and January 2007, the Customers deposited large blocks of unregistered, thinly-traded penny stocks of seven issuers (collectively, the "seven issuers") into the RW accounts. Typically, the shares were in certificate form, and had been recently acquired through reverse mergers with public shell companies. The Customers controlled or were affiliated with each of the seven issuers.

Soon after the shares of each of the seven issuers were deposited, the Customers liquidated almost all of the shares through sales into the market or transfers to other accounts at Lampost or other broker dealers. Between June 2006 and May 2007, the Customers sold approximately 4.9 million shares of unregistered securities of the seven issuers in approximately 390 transactions. The Customers typically wired the sales proceeds out of the RW accounts soon after the sales.

¹ RW, BW, and LM will be referred to collectively as "the Customers".

Lampost and Pollack Failed to Adequately Implement its AML Compliance Program

NASD Rule 3011 requires members to “develop and implement a written anti-money laundering compliance program reasonably designed to achieve and monitor the member’s compliance with the requirements of the Bank Secrecy Act (31 U.S.C. 5311, *et seq.*), and the implementing regulations promulgated thereunder by the Department of the Treasury.” Rule 3011(a) also requires members to “[e]stablish and implement policies and procedures that can reasonably be expected to detect and cause the reporting of transactions required under 31 U.S.C. 5318(g) and the implementing regulations thereunder.” In Notice to Members 02-47, FINRA reminded members of their obligation to look for red flags and report suspicious activity by filing a Form SAR-SF.

During the relevant period, Lampost’s AML program required Pollack to monitor for potentially suspicious activity and AML “red flags,” investigate potentially suspicious activity, and report suspicious activity by filing a SAR-SF as appropriate. Respondents failed to adequately monitor the activity in the RW accounts. In particular, Lampost’s written AML procedures included a list of “red flags” that are potential indicia of suspicious activity. RW’s accounts and the trading in those accounts raised a number of the red flags identified in the Firm’s procedures, but the Firm through Pollack did not adequately investigate and respond to the red flags.

For example, the Firm’s procedures noted the following as red flags:

- “The customer (or a person publicly associated with the customer) has a questionable background or is the subject of news reports indicating possible criminal, civil, or regulatory violations.”
 - RW and LM each had a criminal and/or regulatory history. RW had been convicted of multiple felonies, including securities fraud, organized communications fraud, and grand theft, and was imprisoned between 1998 and 2002. In July 2000, LM settled with the Federal Trade Commission regarding allegations that he made false promotional claims in connection with a group of online pharmacies. In May 2007, Lampost learned of RW’s disciplinary history, yet failed to promptly close the two RW accounts.
- “The customer maintains multiple accounts, or maintains accounts in the names of family members or corporate entities, for no apparent business purpose.”
 - The Customers maintained two corporate accounts at Lampost, but the firm did not promptly investigate whether there was any business purpose for having two separate accounts.
- “The customer, for no apparent reason or in conjunction with other ‘red flags’, engages in transactions involving certain types of securities, such as penny stocks,...which although legitimate, have been used in connection

with fraudulent schemes and money laundering activity. (Such transactions may warrant further due diligence to ensure the legitimacy of the customer's activity.)"

- The Customers repeatedly deposited shares of unregistered penny stocks in certificate form in the RW accounts and liquidated some or all of the shares shortly thereafter.
- "The customer engages in excessive journal entries between unrelated accounts without any apparent business purpose."
 - The two RW accounts often transferred shares of penny stocks to unrelated accounts. The Customers described each transfer as a "private transaction" without further explanation.

There were other red flags relating to the two accounts. For example, in connection with depositing stock of the seven issuers, in complying with Lampost's request, RW or BW provided Respondents with a non-affiliate/non-control letter in which each one misrepresented that he was not an affiliate or control person of the issuer. Respondents should have known that such statements were false. For example, in documents provided to Respondents by the Customers and public information, LM and/or BW were listed, at various times, as an Officer and/or Director of most of the seven issuers. The two entities RW used to open Lampost accounts had the same address as some of the seven issuers. And the Customers wired the proceeds out of the RW accounts soon after liquidating the unregistered penny stocks of the seven issuers.

Furthermore, the Customers provided Respondents with documents containing information that conflicted with public information – including SEC filings – relating to who acted as officers for some of the seven issuers.

In failing to adequately implement the firm's AML program, Lampost and Pollack did not identify the suspicious trading that occurred in the two accounts opened by RW. Accordingly, Lampost and Pollack violated NASD Rules 3011(a) and 2110.

The Firm Failed to Ensure that its Independent Auditor Conducted an Adequate AML Test

NASD Rule 3011 requires firms to "develop and implement a written anti-money laundering program reasonably designed to achieve and monitor...compliance with the requirements of the Bank Secrecy Act." Among other things, the AML program must "provide for annual (on a calendar-year basis) independent testing for compliance to be conducted by member personnel or by a qualified outside party..."²

² NASD Rule 3011(c). In Notice to Members 02-21, FINRA stated that the test must review and assess the adequacy of and level of compliance with the firm's AML program.

Lampost failed to ensure that an adequate independent AML test was conducted for 2007 because the test failed to adequately assess the firm's compliance with its AML procedures. The tester reviewed Lampost's securities received and delivered blotter, which revealed that shares of penny stocks were repeatedly deposited into the RW accounts. The tester also reviewed Lampost's wire order log, which displayed a pattern of proceeds being wired from both accounts soon after the sale of penny stocks.

Despite the fact that numerous AML red flags associated with both accounts were apparent on the received and delivered blotter and wire order log, the tester did not note the red flags or explore whether the firm detected the red flags or conducted adequate due diligence in response to such activity, both of which were required by the firm's procedures. By failing to ensure that its independent auditor conduct an adequate AML test in 2007, Lampost violated NASD Rules 3011(c) and 2110.

B. Lampost consents to the imposition of the following sanctions:

- Censure; and
- A fine of \$50,000.

C. Pollack consents to the imposition of the following sanctions:

- A fine of \$5,000; and
- A two-month suspension from association with any member of FINRA in any principal capacity.

Pollack understands that if he is barred or suspended from associating with any FINRA member in any principal capacity, he becomes subject to a statutory disqualification as that term is defined in Article III, Section 4 of FINRA's By-Laws, incorporating Section 3(a)(39) of the Securities Exchange Act of 1934. Accordingly, Pollack may not be associated with any FINRA member in any principal capacity during the period of the bar or suspension (see FINRA Rules 8310 and 8311). Furthermore, because Pollack is subject to a statutory disqualification during the suspension, if Pollack remains associated with a member firm in a non-suspended capacity, an application to continue that association may be required.

Respondents agree to pay the monetary sanctions upon notice that this AWC has been accepted and that such payments are due and payable. Each Respondent has submitted an Election of Payment form showing the method by which each Respondent proposes to pay the fine imposed. Respondents specifically and voluntarily waive any right to claim that they are unable to pay, now or at any time hereafter, the monetary sanctions imposed in this matter.

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

II.

WAIVER OF PROCEDURAL RIGHTS

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

- A. To have a Complaint issued specifying the allegations against Respondents;
- B. To be notified of the 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 National Adjudicatory Council ("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 prejudgment of the General Counsel, the NAC, or any member of the NAC, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including acceptance or rejection of this AWC.

Respondents further specifically and voluntarily waive any right to claim that a person violated the ex parte prohibitions of FINRA Rule 9143 or the separation of functions prohibitions of FINRA Rule 9144, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including its acceptance or rejection.

III.

OTHER MATTERS

Respondents understand that:

- A. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by the NAC, a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs ("ODA"), pursuant to FINRA Rule 9216;

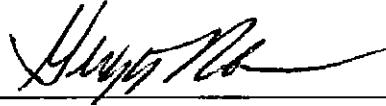
- B. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against Respondents; and
- C. If accepted:
1. this AWC will become part of Respondents' permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against Respondents;
 2. this AWC will be made available through FINRA's public disclosure program in response to public inquiries about Respondents' disciplinary record;
 3. FINRA may make a public announcement concerning this agreement and the subject matter thereof in accordance with FINRA Rule 8313; and
 4. 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 finding in this AWC or create the impression that the AWC is without factual basis. Respondents may not take any position in any proceeding brought by or on behalf of FINRA, or to which FINRA is a party, that is inconsistent with any part of this AWC. Nothing in this provision affects Respondents' right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party.
- D. Respondents 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 FINRA, nor does it reflect the views of FINRA or its staff.

Pollack certifies that, and the undersigned, on behalf of the firm, certifies that a person duly authorized to act on its behalf, each has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it; that each Respondent has agreed to its provisions voluntarily; and that no offer, threat, inducement, or promise of any kind, other than the terms set forth herein and the prospect of avoiding the issuance of a Complaint, has been made to induce each Respondent to submit it.

12/28/12
Date (mm/dd/yyyy)

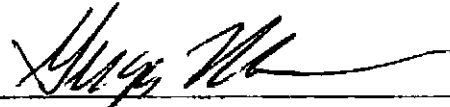
Lampost Capital, L.C.
Respondent

By:



Gregg A. Pollack, Vice President
Lampost Capital, L.C.

12/28/12
Date (mm/dd/yyyy)



Gregg A. Pollack
Respondent

Reviewed by:

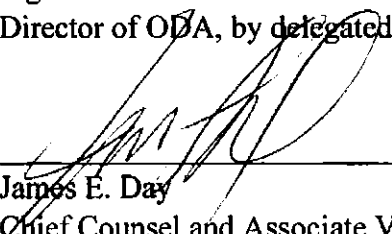


Neil S. Baritz, Esq.
Counsel for Respondents
Baritz & Colman LLP
1075 Broken Sound Parkway, NW
Suite 102
Boca Raton, FL. 33487
Telephone: 561-864-5101

Accepted by FINRA:

1/16/13
Date

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



James E. Day
Chief Counsel and Associate V.P.
FINRA Department of Enforcement
15200 Omega Drive, 3rd Floor
Rockville, MD 20850
Telephone: 301-258-8520
Facsimile: 202-721-8303