

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 201504349510/**

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

RE: FOG Equities LLC, Respondent
(CRD No. 157067)

Scott Noel Epstein, Respondent
Registered Representative
(CRD No. 4550908)

David S. Spack, Respondent
Registered Representative
(CRD No. 5788566)

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, FOG Equities LLC ("FOG" or the "Firm"), Scott Noel Epstein ("Epstein"), and David S. Spack ("Spack") (collectively, "Respondents") 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

FOG Equities LLC. FOG has been a FINRA member since June 2013, is headquartered in Chicago, Illinois, and employs seven registered representatives. FOG engages in a general securities business and provides execution services for delivery versus payment ("DVP") accounts.

Scott Noel Epstein. Epstein entered the securities industry in January 2002 when he became associated with a FINRA registered firm. Epstein obtained his Series 7, Series 63, Series 55 and Series 24 licenses in November 2002, December 2006, March 2010, and April 2012, respectively. From November 2002 through October 2012, Epstein was registered as a General Securities

Representative ("GSR") with three FINRA registered firms and was also registered as an Equity Trader Limited Representative ("ET") with one of those firms. From June 2011 through September 2015, Epstein was employed as the Chief Executive Officer, a General Securities Principal ("GSP"), and a GSR with FOG. From December 2014 through September 2015, Epstein also served as FOG's Chief Compliance Officer ("CCO") and Anti-Money Laundering Compliance Officer ("AMLCO"). Since November 2015, Epstein has been associated with a FINRA registered firm as a GSP and GSR.

David S. Spack. Spack entered the securities industry in 2007 and was employed by NASDAQ OMX Group, Inc. Spack obtained Series 63, Series 7, Series 4, Series 55, Series 79, Series 24, Series 87, and Series 27 licenses in January 2007, July 2010, November 2010, April 2011, June 2011, September 2011, November 2011, and February 2014, respectively. From May 2010 through August 2012, Spack was registered as a GSR, GSP, ET, Limited Representative - Investment Banking ("IB"), Registered Options Principal ("OP"), and Research Principal ("RP") with two FINRA registered firms. From September 2012 through December 2014, Spack was employed with FOG as the CCO, AMLCO, GSP, GSR, ET and OS. During this same period, Spack was also associated with three FOG affiliates, including a former FINRA registered firm, a current FINRA registered firm, and a non-FINRA member firm. Since May 2014, Spack has been associated with a FINRA registered firm as a GSP, GSR, IB, and OS.

RELEVANT DISCIPLINARY HISTORY

Respondents have no relevant prior disciplinary history.

OVERVIEW

Between May 2014 and February 2015 (the "relevant period"), FOG, Epstein and Spack failed to establish, implement and maintain an adequate supervisory system and written supervisory procedures for the Firm's low-priced securities business that were reasonably designed to achieve compliance with Section 5 of the Securities Act of 1933 ("Securities Act") and other applicable securities laws and regulations. As a result, FOG, Epstein and Spack violated NASD Rule 3010 (for conduct prior to December 1, 2014), FINRA Rule 3110 (for conduct on and after December 1, 2014) and FINRA Rule 2010.

During the relevant period, FOG, Epstein and Spack also failed to establish, maintain and implement anti-money laundering ("AML") procedures reasonably designed to detect and cause the reporting of suspicious transactions related to low-priced securities transactions. The inadequate AML procedures were not sufficiently tailored to the Firm's business, which included the execution of low-priced securities transactions. FOG also failed to have systems and procedures in place to investigate the identity of the ultimate customers of the Firm's foreign broker-dealer customers who beneficially owned the securities in certain DVP accounts, investigate how those customers' customers acquired low-priced securities, or review or investigate the account activity to determine whether to file a suspicious activity report ("SAR"). As a result of the Firm's inadequate AML systems and procedures during the relevant period, FOG, Epstein and Spack failed to identify, investigate, and/or report, if appropriate, suspicious activity and AML red flags relating to low-priced securities transactions and to one of its foreign

broker-dealer customers. By failing to detect and investigate "red flags" indicative of potentially suspicious account activity respondents violated FINRA Rules 3310(a) and 2010.

During the relevant period, FOG, Epstein and Spack also failed to establish and implement a system reasonably designed to achieve compliance with the Bank Secrecy Act and 31 C.F.R. 1010.610. For example, FOG, Epstein and Spack failed to establish and implement a due diligence program for Foreign Financial Institutions ("FFIs") that would identify and detect unusual activity. Respondents also failed to conduct sufficient due diligence for at least two FFI accounts and periodic activity reviews for FFI accounts to determine whether the activity was consistent with the information provided by the account holders at the accounts' inception. Accordingly, Respondents violated FINRA Rules 3310(b) and 2010.

FACTS AND VIOLATIVE CONDUCT

1. FOG's Low-Priced Securities Trading Business

FOG provides execution services primarily for U.S.-based broker-dealers and institutions. In May 2014, FOG, with the approval of Epstein and Spack, expanded its business to include the execution of low-priced securities or penny stock transactions. FOG conducted this business until Epstein decided to exit from it ten months later in February 2015. FOG's low-priced securities business was largely conducted for two foreign broker-dealer customers in DVP accounts. In May 2014, FOG started trading large volumes of various low-priced securities for one of its foreign broker-dealer customers. During the relevant period, FOG executed more than 640 penny stock transactions, nearly all of which were for the two foreign broker-dealer customers. The vast majority of these transactions were large liquidations of penny stock shares. In total, between May 2014 and February 2015, FOG participated in the sale of more than 40 million shares of low-priced securities, which generated sale proceeds of more than \$24 million and commissions in excess of \$260,000.

2. Respondents Failed to Establish, Implement and Maintain an Adequate Supervisory System and Written Supervisory Procedures for Penny Stock Transactions

FINRA Rule 3110(a) (and its predecessor, NASD Rule 3010(a)) requires that firms "establish and maintain a system to supervise activities of each associated person that is reasonably designed to achieve compliance with applicable securities laws and regulations, and with applicable FINRA rules." FINRA Rule 3110(b) (and its predecessor, NASD Rule 3010(b)) requires that firms "establish, maintain, and enforce written procedures to supervise the types of business in which it engages and the activities of its associated persons that are reasonably designed to achieve compliance with applicable securities laws and regulations, and with applicable FINRA rules."

Until Spack's resignation in December 2014, Epstein and Spack shared supervisory responsibilities at FOG. Epstein, as the firm's designated principal, was responsible for the daily supervision of the Firm and ensuring proper policies and procedures were in place while Spack was responsible for maintaining the Firm's procedures. Epstein assumed these responsibilities when Spack resigned from the Firm.

a. Respondents Failed to Establish, Implement and Maintain an Adequate Supervisory System and Written Supervisory Procedures for Compliance with Section 5

Section 5 of the Securities Act prohibits the offer or sale of any security unless there is a registration statement in effect as to that security or there is an exemption available for that securities transaction. By engaging in conduct that contravenes Section 5 of the Securities Act, a registered or associated person or FINRA member violates FINRA Rule 2010. FINRA Regulatory Notice 09-05 reiterated members' obligations as they relate to unregistered security distributions under Section 5. The Notice states that "All firms must have procedures reasonably designed to avoid becoming participants in the potential unregistered distribution of securities," and "firms may not rely solely on others, such as clearing firms, transfer agents, or issuers' counsel, to fulfill these obligations."

Respondents failed to establish, implement, and maintain a supervisory system and written supervisory procedures that were reasonably designed to achieve compliance with Section 5. In May 2014, Respondents decided to expand FOG's business to include the execution of low-priced securities transactions. From that point until February 2015, the Firm participated in the sale of more than 40 million shares of low-priced securities that generated proceeds in excess of \$24 million. Despite this business, the Firm had no procedures relating to Section 5 compliance or requiring any due diligence to ensure shares of penny stock were freely tradable. The Firm's procedures, as a result, were not adequately designed for assessing whether securities were registered or appropriately exempt from registration and preventing the sale of unregistered securities that were not exempt from registration.

Additionally, Respondents failed to conduct any due diligence prior to the sale of penny stock shares for purposes of compliance with Section 5 and therefore made no determination that the penny stocks traded for its customers were registered and free from restriction. Consequently, Respondents failed to determine: (a) the identity of the customers holding the penny stock share certificates; (b) when or how the customers received the share certificates; (c) whether the customers were control persons of the issuers; and (d) what percentage of the outstanding shares of the underlying companies were owned by the customers. As a result, the penny stock liquidations facilitated by FOG occurred without any review for compliance with Section 5.

Instead of independently assessing the tradability of the penny stock shares, Respondents relied on assertions from FOG's broker-dealer customers or other interested parties that the securities were freely tradable. Respondents did not take appropriate steps to verify these assertions. Likewise, Respondents improperly relied on FOG's broker-dealer customers to perform all due diligence with respect to the beneficial owner of the penny stock shares.

b. Respondents Otherwise Failed to Establish, Implement and Maintain an Adequate Supervisory System and Written Supervisory Procedures

Although FOG began trading penny stocks in May 2014, Respondents did not establish or implement any policies and procedures addressing penny stock transactions until the end of

October 2014. Consequently, for the first six months, FOG failed to adequately supervise penny stock transactions and conduct due diligence into the issuers of the low-priced securities. During this period of time, the Firm was the subject of multiple FINRA inquiries. From May 16 through September 9, 2014, FINRA's Office of Fraud Detection and Market Intelligence conducted a review of eight penny stocks where the Firm liquidated more than 13 million shares that generated proceeds in excess of \$3.3 million in the account of a foreign broker-dealer customer. The trading occurred at or around a time of irregular or suspicious activity. Additionally, on October 22, 2014, FOG's clearing firm contacted the Firm expressing concern based on potential AML red flags identified in the same foreign broker-dealer's account relating to low-priced securities transactions.

At the end of October 2014, and in response to these industry inquiries, the Firm implemented a low-priced securities trading policy designed by Spack and approved by Epstein. This policy generally permitted the trading of penny stocks, with the prior written approval of the trade supervisor (*i.e.*, Epstein) for companies satisfying certain criteria. The policy required FOG employees to provide information about the company to the trade supervisor through the use of a Penny Stock Trading Pre-Clearance Request Form ("Penny Stock Form"). If the company satisfied the Firm's criteria, then Epstein, as the trade supervisor, could sign the Penny Stock Form authorizing the trade and no action or review was required by the compliance department (*i.e.*, the firm's CCO). If the company did not meet the criteria, the stock of the company could nevertheless be traded if the compliance department granted an exemption to the Firm's policy. To request an exemption, FOG's policy required the employee to complete and sign the Penny Stock Form, which was then provided to the supervisor for review and approval, and then to email the Penny Stock Form to the compliance department for review and approval. The Firm's policy did not describe how the compliance department should evidence its review and approval of an exemption request.

The Firm's new policy and procedures were inadequate and often deviated from without sufficient explanation. For proposed transactions involving companies not meeting the Firm's criteria, Respondents did not adequately document the review of the proposed transaction by the compliance department, the compliance department's approval of an exemption from the Firm's policy, or the basis for such approval. Specifically:

- For the period during which Spack was the firm's CCO, the Firm could not evidence that Epstein, as the employee requesting the exemption, actually sent the Penny Stock Form to Spack as required by firm policy.
- From the end of October until Spack gave notice in November 2014 of his intention to leave the Firm, Epstein did not provide Spack with the Penny Stock Form as required by Firm policy for approximately twenty percent of the transactions requiring Spack's approval but instead orally provided the information about the transactions to Spack.
- The Firm could not produce evidence documenting Spack's approval and rationale for granting an exemption from the Firm's penny stock policy.

- When Epstein learned in November 2014 that Spack intended to leave FOG, Epstein decided on his own to take over responsibility for reviewing and approving penny stock transactions, including those for which he requested an exemption to the Firm's policy. For those transactions, the Firm failed to conduct review and approval by an independent principal.
- Respondents could not adequately evidence or explain why exemptions to the Firm's penny stock policy were made for 13 penny stocks that did not meet the Firm's criteria.

As a result, the Firm, as well as Epstein and Spack in their respective capacities, failed to design and implement an adequate supervisory system in violation of NASD Rule 3010 and FINRA Rules 3110 and 2010.

3. FOG's AML Program Was Not Reasonably Designed to Monitor for, Detect, and Cause the Reporting of Suspicious Activities

FINRA Rule 3310 requires that FINRA members develop and implement a written AML program reasonably designed to achieve and monitor compliance with the requirements of the Bank Secrecy Act, 31 U.S.C. §5311, et seq., and the regulations promulgated thereunder. FINRA Rule 3310(a) requires a member firm to establish and implement policies and procedures reasonably expected to detect and cause the reporting of suspicious transactions. Implementing regulations under the Bank Secrecy Act, 31 C.F.R. 1023.320, specifically require a broker-dealer to report certain transactions.

In July 2007, the NASD issued guidance to the securities industry regarding broker-dealer monitoring and reporting requirements. In Notice to Members ("NTM") 02-21, NASD emphasized that each broker-dealer has a duty to detect red flags that may indicate money laundering or other violative activity and, when it detects red flags, "to perform additional due diligence before proceeding with the transaction." NTM 02-21 contains a non-exhaustive list of 25 AML "red flags." In NTM 02-47 and subsequent guidance, NASD further advised broker-dealers of their duty to file a SAR for certain suspicious transactions.

The Firm's WSPs, effective June 2013 and updated November 2014, include AML policies and procedures approved by Epstein. These procedures designated the AMLCO as responsible for the Firm's AML program, which includes monitoring the Firm's compliance with AML obligations, overseeing communication with and training for employees about AML issues, ensuring the maintenance of proper AML records, and ensuring the filing of SARs. During the relevant period, Spack, until December 18, 2014, and Epstein thereafter served as the Firm's AMLCO.

During the relevant period, Respondents failed to establish and implement an AML program reasonably designed to achieve compliance with the Bank Secrecy Act and its implementing regulations to detect and cause the reporting of suspicious activity. Specifically, although FOG expanded its business to include the execution of penny stock transactions in May 2014, Respondents did not implement any written procedures or policies addressing this business or the associated regulatory risks. The Firm's written AML procedures also failed to provide meaningful guidance for monitoring for, detecting, and investigating potentially suspicious

activity associated with the liquidation of low-priced securities and to include any procedures for identifying the beneficial owners of the securities traded through DVP accounts and for assessing the relationship between the account's beneficial owner and the stock's issuer. Consequently, the AML procedures were not tailored to the Firm's business.

Because Respondents failed to establish and implement an adequate AML compliance program, Respondents failed to identify, investigate, and/or report, if appropriate, the following suspicious activity and AML red flags:

- The frequent and large liquidations of more than 40 million shares of low-priced securities that generated sale proceeds of more than \$24 million, which drew the attention of FINRA and FOG's clearing firm.
- Spack specifically noted a large number of penny stock transactions occurring in a foreign broker-dealer customer account but neither he nor the other Respondents took any action as a result of these transactions.
- While Respondents noted securities being traded in the account of one foreign broker-dealer customer as potentially being involved in a manipulation where the price may have been artificially inflated, Respondents did not take any steps to determine whether the Firm's customer was involved in the possible manipulation and continued to service the account and liquidate other securities in the account.
- On October 23, 2014, Spack rejected Epstein's request to trade shares of a particular company, saying "Does not look good to me. They have one officer, who serves as CEO, President, CFO, and Principal Accountant, who was formerly president of a company involved in penny stock fraud." A month later, on November 25, Epstein rejected a trader's request to sell shares of the same company. Two weeks later, on December 4, Epstein completed a Penny Stock Form seeking approval to trade the company and then, on his own, approved the transaction as an exception to the Firm's policy. Epstein could not explain why he approved the transaction, would not have approved the transaction in hindsight, and recognized that he should have investigated whether the same individual involved in the penny stock fraud remained the company's president.
- For a three-day period, FOG entered buy orders for a foreign broker-dealer in shares of a particular company. During that period, the price of the company rapidly appreciated from \$0.206 to \$2.10 and went higher in later days. The Firm identified this as a red flag and stopped accepting orders in the company. However, this trading activity did not raise any red flags concerning the foreign broker-dealer customer and Respondents made no investigation into this matter.

Despite the size and frequency of the penny stock liquidations and the potential fraudulent activity in certain low-priced stocks, Respondents took inadequate steps to review and monitor the Firm's customers' accounts for any red flags indicative of potential suspicious activity, and failed to investigate the trading to assess whether a SAR should be filed.

Respondents also failed to identify, investigate, and report, if appropriate, several AML red flags associated with one of its foreign broker-dealer customers. These red flags included the following: (a) the customer, at account opening, was a new company just entering the penny stock liquidation business; (b) Epstein perceived that the customer did not understand the regulations for this business; (c) the customer had very few funds under management; (d) the customer was formed in the Bahamas, a high-risk jurisdiction; (e) the customer used a P.O. Box to identify its principal place of business; (f) none of the traders assigned to the customer's account were from the Bahamas but instead were from the United Kingdom, Canada and the Cayman Islands; (g) two other broker-dealers, based on certain of these red flags, would not approve the opening of accounts for the customer for sales of penny stock shares; and (h) once the customer's account was opened, Respondents rejected as many or more orders than they accepted. Another red flag concerned a possible relationship between the customer and a U.S.-based broker-dealer with a nearly identical name. Both companies, at the time the customer opened the account with FOG, were run by the same individual and an individual registered through an association with the U.S.-based broker-dealer assisted the customer with its startup and entry into the penny stock liquidation business. Despite the apparent relationship between the two entities, Respondents did not investigate whether such a relationship existed and the nature of the apparent relationship.

Based on the foregoing, the Firm, as well as Epstein and Spack in their respective capacities, failed to develop and implement a written AML program reasonably designed to achieve and monitor compliance with the requirements of the Bank Secrecy Act. As a result, Respondents violated FINRA Rules 3310(a) and 2010.

4. Respondents Failed to Implement a Due Diligence Program for Correspondent Accounts of Foreign Financial Institutions

FINRA Rule 3310(b) requires firms to establish and implement an adequate supervisory system and written supervisory procedures reasonably designed to ensure compliance with the Bank Secrecy Act.

Section 312 of the Patriot Act, which amended the Bank Secrecy Act, requires that all financial institutions conduct due diligence on correspondent accounts for FFI's. The due diligence must include "appropriate, specific, risk-based, and, where necessary, enhanced policies, procedures, and controls that are reasonably designed to enable the covered financial institution to detect and report, on an ongoing basis, any known or suspected money laundering activity conducted through or involving any correspondent account..." The financial institution must determine whether any such correspondent account is for a FFI subject to paragraph 31 C.F.R. 1010.610(b) and assess the money laundering risk presented by each such correspondent account, based on a consideration of all relevant factors. The risk-based procedures for monitoring the correspondent account must include "periodic review of the correspondent account activity sufficient to determine consistency with information obtained about the type, purpose, and anticipated activity of the account."

Respondents failed to implement a supervisory system reasonably designed to achieve compliance with the requirements of the Bank Secrecy Act and 31 C.F.R. 1010.610. The AML program focused on detecting and terminating foreign correspondent accounts maintained for unregulated foreign shell banks but did not include any policies or procedures relating to other FFI's, including foreign broker-dealers. The Firm did not have, for example, any policies or procedures

establishing a due diligence program for FFIs as required by 31 C.F.R. 1010.610 that would identify and detect unusual activity conducted by FFIs. In addition, the Firm did not have any policies or procedures (a) addressing the money laundering risks presented by foreign correspondent accounts and FFIs, particularly those located in higher-risk jurisdictions, (b) for applying risk-based procedures and controls to each correspondent account reasonably designed to detect and report known or suspected money laundering, or (c) for conducting ongoing review of activity in foreign institution accounts. As a result, Respondents failed to conduct sufficient due diligence for at least two FFI accounts and periodic activity reviews for these accounts to determine whether the activity was consistent with the information provided by the FFIs at the accounts' inception.

Based on the foregoing, the Firm, as well as Epstein and Spack in their respective capacities, failed to establish and implement, as part of FOG's AML program, policies and procedures reasonably designed to achieve compliance with the Bank Secrecy Act. As a result, Respondents violated FINRA Rules 3310(b) and 2010.

B. Respondents also consent to the imposition of the following sanctions:

1. FOG is (a) censured and (b) fined \$60,000.
2. Epstein is (a) suspended for 30 calendar days from acting in all principal capacities with any FINRA registered firm and (b) fined \$5,000.
3. Spack is (a) suspended for 15 calendar days from acting in all principal capacities with any FINRA registered firm and (b) fined \$5,000.

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

Respondents agree to pay the monetary sanctions upon notice that this AWC has been accepted and that such payments are due and payable. Respondents have submitted respective Election of Payment forms showing the method by which they each propose 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.

Epstein and Spack each understands that if he is barred or suspended from associating with any FINRA member in all principal capacities, 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, Epstein and Spack may not be associated with any FINRA member in all principal capacities during the period of the bar or suspension (see FINRA Rules 8310 and 8311). Furthermore, because Epstein and Spack are subject to a statutory disqualification during the suspension, if either remains

associated with a member firm in a non-suspended capacity, an application to continue that association may be required.

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 them;
- 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 Chief Legal Officer, 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 each Respondent's 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 accordance with FINRA Rule 8313;
 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 our: (i) testimonial obligations; or (ii) 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.

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Respondents and the undersigned on behalf of FOG, who certifies that he is a person duly authorized to act on the Firm's behalf, have each read and understand all of the provisions of this AWC and have 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 Respondents to submit it.

Date:

May 12, 2016

Respondent
FOG Equities LLC
(CRD No. 157067)

By:

[Signature]
Name: GEORGE J. GASPARINI

Title: OWNER/MANAGING MEMBER

Reviewed by:

Gregory R. Rich, Esq.
Counsel for FOG Equities LLC
141 West Jackson
Board of Trade Building, Suite 2285
Chicago, Illinois 60604

Date: _____

Respondent Scott Noel Epstein
(CRD No. 4550908)

Date: _____

Respondent David S. Spack
(CRD No. 5788566)

Accepted by FINRA:

5/24/16
Date

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

[Signature]
Douglas M. Ramsey
Senior Regional Counsel
FINRA Department of Enforcement
55 West Monroe Street, Ste. 2700
Chicago, IL 60603

Respondents and the undersigned on behalf of FOG, who certifies that he is a person duly authorized to act on the Firm's behalf, have each read and understand all of the provisions of this AWC and have 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 Respondents to submit it.

Respondent
FOG Equities LLC
(CRD No. 157067)

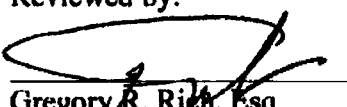
Date: _____

By: _____

Name: _____

Title: _____

Reviewed by:


Gregory R. Rich, Esq.
Counsel for FOG Equities LLC
141 West Jackson
Board of Trade Building, Suite 2285
Chicago, Illinois 60604

Date: 5-23-16

Respondent Scott Noel Epstein
(CRD No. 4550908)

Date: _____

Respondent David S. Spack
(CRD No. 5788566)

Accepted by FINRA:

Date

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

Douglas M. Ramsey
Senior Regional Counsel
FINRA Department of Enforcement
55 West Monroe Street, Ste. 2700
Chicago, IL 60603

Respondents and the undersigned on behalf of FOG, who certifies that he is a person duly authorized to act on the Firm's behalf, have each read and understand all of the provisions of this AWC and have 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 Respondents to submit it.

Respondent
FOG Equities LLC
(CRD No. 157067)

Date: _____

By: _____

Name: _____

Title: _____

Reviewed by:

Gregory R. Rich, Esq.
Counsel for FOG Equities LLC
141 West Jackson
Board of Trade Building, Suite 2285
Chicago, Illinois 60604

Date: 5/13/16



Respondent Scott Noel Epstein
(CRD No. 4550908)

Date: _____

Respondent David S. Spack
(CRD No. 5788566)

Accepted by FINRA:

Date

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

Douglas M. Ramsey
Senior Regional Counsel
FINRA Department of Enforcement
55 West Monroe Street, Ste. 2700
Chicago, IL 60603

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Respondent
FOG Equities LLC
(CRD No. 157067)

Date: _____

By: _____

Name: _____

Title: _____

Reviewed by:

Gregory R. Rich, Esq.
Counsel for FOG Equities LLC
141 West Jackson
Board of Trade Building, Suite 2285
Chicago, Illinois 60604

Date: _____

Respondent Scott Noel Epstein
(CRD No. 4550908)

Date: May 14, 2016


Respondent David S. Spack
(CRD No. 5788566)

Accepted by FINRA:

Date

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

Douglas M. Ramsey
Senior Regional Counsel
FINRA Department of Enforcement
55 West Monroe Street, Ste. 2700
Chicago, IL 60603

This Corrective Action Statement is submitted by the Respondent. It does not constitute factual or legal findings by FINRA, nor does it reflect the views of FINRA or its staff.

Corrective Action Statement of FOG Equities LLC - FINRA Matter No.20150434951

FOG Equities LLC ("FOG" or the "Firm") is an agency broker-dealer transacting a DVP business. The Firm continues its limited business model as an "execution only" broker-dealer. FOG currently has only 5 registered persons; 7 during the period of the FINRA's findings in the Letter of Acceptance, Waiver and Consent for FINRA Matter No. 20150434951 (the "AWC"). The Firm continues its limited business model as an "execution only" broker-dealer.

As a small broker-dealer and during the period May 2014 through February 2015 (the "Findings Period"), FOG Equities relied on its then two sole principals, the General Securities Principal and the Chief Compliance Officer to provide and implement adequate procedures concerning all compliance related matters including those associated with new customer accounts and AML issues.

FOG has take the following corrective actions that should safeguard against any future conduct such as that described in the AWC.

1. The former CCO and President, associated with the Firm during the Findings Period, are no longer employed with the firm. As a result, the management of FOG has undergone a positive transformation that will preclude trading activity such as that described in the AWC.
2. The Firm ceased conducting the low priced securities activity noted in the AWC in early 2015, long before receiving the AWC.
3. New management has implemented an enhanced AML program including adding training regarding anti-money laundering requirements related to the Firm's current business and enhanced review of foreign accounts.
4. Senior Management of the Firm contracted with compliance consultants who have assisted with implementing with the enhanced AML program, new customer onboarding requirements and improved communication between supervisors and senior management regarding FOG's business and compliance program. The consultants were instrumental in determining to no longer conduct the business discussed in the AWC.