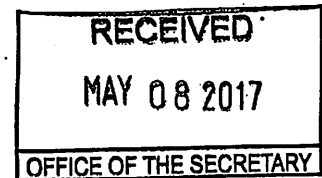


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UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

ADMINISTRATIVE PROCEEDING
File No. 3-16795

In the Matter of
JOSEPH J. FOX,
Respondent.



**Respondent Fox's Motion for Reconsideration of the Commissions March 24, 2017 Opinion
Imposing a Five Year Collateral Bar**

Pursuant to 17 CFR 201.470(a), Respondent Joseph Fox files this Motion for Reconsideration of the Commissions March 24, 2017 Opinion imposing a five year collateral bar. As a *pro se* Respondent, Respondent's Motion is written in the first person.

Introduction

On March 24, 2017, the Commission issued an Opinion that "*held*" that "*it is in the public interest to bar respondent from the securities industry and from participating in the offering of a penny stock, with a right to reapply after five years.*" In the nearly 83 year history of the Securities and Exchange Commission, there has never been a more disproportionate sanction.

Especially, when one considers the following:

- 1) I had a more than 20 year unblemished career¹
- 2) ALJ Elliot declared in his April 25, 2016 Initial Decision, "*There is no evidence that Fox intentionally violated Section 5, and Fox vigorously disputes that he did so.*"²
- 3) On March 16, 2016, ALJ Elliot ruled against a collateral bar of any length, "*The evidence regarding the remaining two public interest factors is much sparser. The Division's argument that Respondent acted at least recklessly is supported only by reference to his previous work experience and the FINRA licenses he has held at various times in his career...I must view these facts in the light most favorable to Respondent, the non-moving party...Having done so, I find the record insufficient to support summary disposition. Many*

¹ See pages 5 and 6 below.

² Page 6. Para 2 of the Initial Decision

people have significant securities industry experience and licenses; this does not mean that they have acted recklessly any time they violate a securities statute or regulation related to their area of practice. More is required to show that Respondent acted with scienter when committing the violations at issue, or that he acted with any particular state of mind at all."

- 4) On March 21, 2016, at the conclusion of a pre-hearing conference, ALJ Elliot stated, "*So I'm going to accept as true what I will call the occupational evidence that Mr. Fox has given me today. And on that understanding, the question then is, do I need any more briefing on that? I think the answer is no. As for scienter, Mr. Fox has convinced me that I've given the Division two bites at the apple, and I think that's enough. I don't really think that I need any more evidence on this. It sounds like Ms. McKinley's characterization of Mr. Fox's investigative testimony, that even if I were to look at the investigator's testimony, it would not be particularly enlightening. So I'm not going to ask for any further briefing, and I don't think there is a need for a hearing at this point. So I will simply decide – I will issue the initial decision based upon the record as it stands.*"³
- 5) While I stand by my prior arguments related to Abraham and Sons Capital not being relevant case law, the fact is that the Abraham and Sons case was related to their violations while acting in a licensed capacity. Whereas any violation of mine was as the CEO of Ditto Holdings, in an **unlicensed** capacity. This fact was never refuted by the Division.
- 6) Due to the 2016 rule changes that increased the maximum offering amount under Rule 504 from \$1 million to \$5 million, none of the acts that are considered violations of the federal securities laws in the March 24, 2017 Opinion, would be a violation today.
- 7) The five-year collateral bar imposed on me, was equal to or greater than many individuals who had committed fraud and actually harmed the integrity of the markets.⁴

³ See March 21, 2016 pre-hearing conference Transcripts, attached hereto as Exhibit 1.

⁴ **Example 1: In the Matter of the Application of THOMAS C. GONNELLA – Opinion of the Commission August 10, 2016 (Admin. Proc. File No. 3-15737) / Violations:** Committed various acts of fraud and caused his firms recordkeeping violations
Sanctions: For fraudulent acts that were clearly intentional and that legitimately harmed the integrity of the markets, Gonnella received a fine of only \$82,500, and the same *five year collateral bar* as I received.

Example 2: In the Matter of the Application ERIC DAVID WANGER For Review of Action Taken by FINRA – Opinion of the Commission September 30, 2016 (Admin. Proc. File No. 3-17226) / Violations: "marking the close," engaging in improper transactions, providing inflated results and failing to comply with Commission filing requirements.
Sanctions: For acts that were clearly intentional and that legitimately harmed the integrity of the markets, Wanger only received a *one year securities industry bar* and a \$75,000 fine.

Example 3: In the Matter of the Application of MITCHELL H. FILLET For Review of Disciplinary Action Taken by FINRA / Violations: Fraud and material misstatements that caused an investor to lose \$150,000.
Sanctions: For acts that were clearly intentional and that legitimately harmed the integrity of the markets, Fillet only received a *twelve month securities industry suspension* and a \$10,000 fine.

- 8) The Opinion acknowledges that Ditto and I had in-house and outside counsel. As a *Pro se* Respondent, I was unaware of any rule that required me to detail what I meant by “advice of counsel.” With this having the potential to being a significant mitigating factor, I would have thought that the Commission would have made an inquiry into the details of my claim of “advice of counsel.”
- 9) The Commission does not refute the inaccuracies in my OIP that I detailed in my previous filings. The only counter is that I agreed that “*the findings of this Order shall be accepted as and deemed true by the hearing officer.*” However, I have provided clear evidence that showed how I was forced to sign an OIP that had errors. My only other choice was to let the Division continue to withhold my Company’s settlement guaranteeing its demise (which its fragility was proven by its collapse soon after the September 2015 settlement), and to litigate my matter in court. I do not believe that any fair minded person could say that I did NOT sign the OIP under duress.
- 10) I have accepted responsibility from the absolute very start. It is well documented that I offered to buy back shares from the two individuals that purchased some of my shares that were non-accredited investors. It is also well documented that the Company and I agreed from the beginning of the investigation, that we would only accept investments from accredited investors (even existing shareholders), until we finished our consolidated audit for Ditto Holdings (which we delivered to shareholders in August 2015). In fact, in lieu of an industry bar, my prior attorney’s had made a good faith effort to negotiate a “conduct-based remedy” where we would only raise capital through the use of a FINRA member investment banker. This was summarily rejected by the Division.
- 11) That contrary to page 3 paragraph 3 of the Opinion, there was an audit on portions of Ditto Holdings financials. As stated in the OIP, Ditto Holdings sole operating subsidiary, Ditto Trade, Inc., was audited annually since 2010.

Factual Error – Assurance to the Law Judge

On page 8, paragraph 2, the Opinion states the following:

“Finally, we are concerned that Fox’s occupation will present opportunities for future violations. Fox contends that he has left the securities industry and that he voluntarily withdrew his securities licenses. But the Division contends, and Fox does not dispute, that after he made the same representation to the law judge, he applied to FINRA for a Financial and Operations Principal (“FINOP”) license. We therefore find no value in Fox’s assurances about leaving the industry. To the contrary, given his recent attempt to obtain a FINOP license and his long career in the industry, we find it probable that he will continue in it unless barred.”

In other words, the Commission believed that I had recently attempted to obtain a FINOP license through FINRA, *AFTER* supposedly making a representation to the Law Judge that I had

no intention of returning to the securities industry.⁵ Thus rendering any assurance made by me to have “*No value.*”

However, this information is factually incorrect. I never applied to FINRA for anything *AFTER* making any representation to the Law Judge. In fact, the last time I applied for anything with FINRA, was in August 2015, which of course, was *PRIOR* to these proceedings.⁶

This fact is confirmed by the Division on page 5, line 1 of the transcripts from the March 21, 2016 pre-hearing conference.⁷ Obviously, the Commission can also confirm this information with FINRA.

It would appear, that this inaccurate information, along with the resulting belief that my assurances have “No value,” had a significant impact on the Commission’s decision to impose a five year collateral bar. To better understand the significance of this error, let’s take a look at what the Law Judges stated in his March 16, 2016 Order. He stated that in regards to the “*likelihood that his occupation will present opportunities for future violations*”, Judge Elliot ruled that “*the present record, viewed in the light most favorable to Respondent.*”

During the pre-hearing conference hearing on March 21, 2016, Judge Elliot did not receive any additional information that would have changed his view on this Steadman factor:

Judge Elliot: “**I’m inclined to accept Mr. Fox’s representations about his plans, the current status of his licenses, the current status of his company, and his asserted lack of interest in participating in the securities industry. So I’m going to take that as true and offer that public interest factors. Is there an objection to that from the Division?**”

Assistant Director Ms. McKinley responded with: “*No, Your Honor.*”

⁵ To be clear, even though I have made assurances that I have no intention to ever participate in the securities industry, I have consistently stated that this does not mean that I can accept, or that I deserve, an industry bar of any length.

⁶ For the record, my first communication with the ALJ of any kind, was December 7, 2015 when I asked for an extension to file my Opposition to the Divisions Motion for Summary Judgement, which was not filed until January 12, 2016.

⁷ See March 21, 2016 pre-hearing conference Transcripts, attached hereto as Exhibit 1.

Judge Elliot concluded: “*So I'm going to accept as true what I will call the occupational evidence that Mr. Fox has given me today. And on that understanding, the question then is, do I need any more briefing on that? I think the answer is no.*”

So, the only facts that changed related to the “*likelihood that [my] occupation will present opportunities for future violations,*” is the Commissions incorrect facts that I had misled the Law Judge.

False Statement – FINRA Bar is an Aggravating Factor

Of all of the factual issues with the Opinion, this is the one that bothers me the most.

On page 9, para. 4, the Opinion makes its most egregious false statement:

“Fox claims that his clean disciplinary history and absence of customer complaints are mitigating. But as noted above, Fox’s disciplinary history is not clean; in 2016, FINRA barred him for failing to respond to a request for information. This is an aggravating factor.”

Let’s get this out of the way first. I was unaware that FINRA had barred me. I first found out about this FINRA bar from the Opinion. I have since contacted FINRA to find out what information request they say I did not respond to. It turns out that I was barred from FINRA for not responding to a request for 3 months of Ditto Trade’s bank statements.⁸ If I had been aware of this request, it would have taken me no more than 2 hours to have complied.

At the time that FINRA made their information request, I had not been licensed with FINRA for 14 months. As it turns out, they had sent their request to an old address that did not forward. I am certainly aware that there is a FINRA rule that requires individuals to provide an updated address, for two years after they are no longer licensed in any capacity. I was under the impression that they had my current address. I was wrong.

So, while no one can argue that FINRA has barred me, it is completely disingenuous to call it an “*aggravating factor*” in this matter.

⁸ See FINRA information request, attached hereto as Exhibit 2.

First, prior to September 2013, when this investigation began due to the false allegations of a former employee⁹, I had a 20 year exemplary record with the SEC, FINRA and state regulators. I had conducted millions of trades for customers all over the world as the CEO of two innovative brokerage firms (one of which I took public), and I had no regulatory issue, no customer issue, no issue whatsoever. In fact, I had a well-documented history of always putting the interest of my shareholders, customers, employees and regulators, ahead of my own.

Second, the Notice of Suspension from FINRA was dated May 18, 2016. What does this mean? It means that there was no reason that the Division should have completely ignored my spotless regulatory history during the two years leading up to, and including, the September 8, 2015 OIP.

It means that there was no reason that the ALJ should have completely ignored my spotless regulatory history leading up to, and including, the April 25, 2016 Initial Decision.

It means that there was no reason that the Commission in their Opinion, should have ever called a FINRA bar created by an administrative slip up, that occurred *AFTER* a spotless 20+ year career and 2 ½ years of dealing with the SEC in this matter, "*an aggravating factor.*"

If there was ever a mitigating factor to be considered, it is this one.

Use of the Word "Willful" in the OIP

The Commission's ability to impose an industry and penny stock bar on me under Section 15(b)(6), relies heavily on whether or not I "*willfully violated*" the federal securities laws. To be more specific, whether or not the OIP stated that I "*willfully violated*" the federal securities laws.

On page 4 para. 1, the Opinion states the following (emphasis added):

⁹ Once again, reference to Paul Simons and his malicious efforts, does not lessen my contrition for any violation of any kind.

“Section 15(b)(6) of the Securities Exchange Act of 1934 authorizes us to impose industry and penny stock bars if we find that (i) Fox willfully violated the federal securities laws; (ii) Fox was associated with a broker or dealer at the time of his misconduct; and (iii) bars are in the public interest. The Order found that Fox willfully violated the federal securities laws and that, at the time of his misconduct, Fox was associated with Ditto Trade—the broker-dealer subsidiary of Ditto Holdings. Thus, we must determine whether bars are in the public interest.”

On page 2, para. 1, the Opinion states the following (emphasis added):

“Joseph J. Fox, the CEO of Ditto Holdings, Inc., consented to a Commission order (the “Order”) finding that he willfully violated Sections 5(a) and (c) of the Securities Act of 1933 by offering and selling Ditto Holdings shares without registering the offers or sales or meeting an exemption from registration.”

On page 3 para. 3, the Opinion states the following (emphasis added):

“The Order concluded that Fox willfully violated Securities Act Sections 5(a) and 5(c).”

Yes, the term “*willfully violated*” was included in the OIP. However, the attached email evidence clearly shows that the term “*willfully violated*” was strenuously objected to by me and my former counsel, and that the Division threatened to both hold off finalizing the Ditto Holdings settlement, as well as to force me into litigation, if I did not accept the terms inclusion.¹⁰

To be clear, similar to the ALJ belief, the Division never once implied that they believed that any violation was done intentionally. So, it was difficult to understand why it was so important that the term be included.

¹⁰ See various emails between the Division and Stuart Cohn (Ditto Holdings’ General Counsel), as well as the Division and my former attorney Mark Stang, attached hereto as Exhibit 3.

However, the Division led me and my counsel to believe that the inclusion of the term “*willfully violated*” didn’t mean that I acted with intent. They stated that it was just a formality, and that the following footnote would always be included any time my OIP was referenced:

“A willful violation of the securities laws means merely “that the person charged with the duty knows what he is doing.” Wonsover v. SEC, 205 F.3d 408, 414 (D.C. Cir. 2000) (quoting Hughes v. SEC, 174 F.2d 969, 977 (D.C. Cir. 1949)). There is no requirement that the actor “also be aware that he is violating one of the Rules or Acts.” Id. (quoting Gearhart & Otis, Inc. v. SEC, 348 F.2d 798, 803 (D.C. Cir. 1965)).”

Obviously, this footnote completely contradicts the actual meaning of the word “*willful*.” So, taking the Division at its word, we agreed to the inclusion of “*willfully violated*” along with its convoluted footnote.

To be clear, neither the Division, the ALJ nor the Commission, ever included the important footnote in any subsequent filings. This allows everyone that reads these filings to believe that I consented to the fact that I actually violated a federal securities law with intent.

More importantly, it gives cover to the ALJ (and ultimately the Commission) to impose a collateral bar against me.

One last point I would like to make on this subject. No one with a straight fact can say that when Congress passed the Securities Exchange Act in 1934, that they believed that the law allowed for someone who did not violate the law deliberately and with intent (Webster’s Dictionary definition of “willful” in 1934), should be sanctioned with an industry and penny stock bar of any length.

Conclusion

In filing my Petition for Review of the Initial Decision, I was hopeful that the Commission would consider all of the facts (including ones presented with the Petition) and make a fair and just decision. A decision that the ALJ was correct when, after reviewing all of the facts, he first denied the Divisions Motion for Summary Disposition.

While I know that the level of bias against me will not be magically corrected by this Motion, it is my duty, as someone who has lived his life as a honest and honorable person, to correct the falsehoods in the Opinion.

I have always been honest with my assurances to everyone at the SEC.

I have always accepted responsibility for any and all unintentional violations.

I did not act with any scienter.

I did not “willfully violate” the federal securities laws, as understood by Congress in 1934.

There are several significant mitigating factors that need to finally be considered.

With all that said, according to 17 CFR 201.411(a), *“The Commission may affirm, reverse, modify, set aside or remand for further proceedings, in whole or in part, an initial decision by a hearing officer and may make any findings or conclusions that in its judgment are proper and on the basis of the record.”*

I respectfully request that the Commission revise their March 24, 2017 Opinion to correct the factual errors and misleading statements. I also request that the Commission reverse the findings in the April 25, 2016 Initial Decision in its entirety, and deny any collateral bar of any length. I also request the reversal of FINRA’s bar related to my address deficiency. I further request, that if there is still questions after this Motion for Reconsideration is considered, that I be allowed an in-person hearing, prior to the final ruling on this Motion.

Respectfully submitted,

Dated: April 17, 2017



Joseph J. Fox, Pro se Respondent

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EXHIBIT 1

Page 1

1 UNITED STATES SECURITIES AND EXCHANGE COMMISSION
2
3 In the Matter of:)
4) File No. 3-16795
5 JOSEPH J. FOX)
6
7 ADMINISTRATIVE PROCEEDINGS - PRE-HEARING CONFERENCE
8 PAGES: 1 through 38
9 PLACE: Securities and Exchange Commission
10 175 West Jackson Blvd., Room 900
11 Chicago, Illinois 60604
12 DATE: Monday, March 21, 2016
13
14 The above-entitled matter came on for hearing,
15 pursuant to notice, at 1:00 p.m.
16
17
18 BEFORE (via telephone):
19 CAMERON ELLIOT, ADMINISTRATIVE LAW JUDGE
20
21
22
23
24 Diversified Reporting Services, Inc.
25 (202) 467-9200

Page 2

1 APPEARANCES:
2
3 On behalf of the Securities and Exchange Commission:
4 JEDEDIAH B. FORKNER, Senior Attorney
5 ANNE C. MCKINLEY, Assistant Director
6 JOHN E. BIRKENHEIER, Supervisory Trial Attorney
7 Division of Enforcement
8 Securities and Exchange Commission
9 175 West Jackson Boulevard
10 Suite 900
11 Chicago, Illinois 60604
12
13 On behalf of the Respondent (via telephone):
14 JOSEPH J. FOX, PRO SE
15
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25

Page 3

1 PROCEEDINGS
2 JUDGE ELLIOT: We're here in the matter of
3 Joseph J. Fox, Securities and Exchange Commission
4 Administrative proceeding ruling. I'm sorry,
5 Administrative Proceeding No. 3-16795.
6 My name is Cameron Elliot, Presiding
7 Administrative Law Judge. Can we have appearances
8 from counsel, please?
9 MS. MCKINLEY: On behalf of the Division
10 of Enforcement, you have Anne McKinley, Jed Forkner,
11 and John Birkenheier.
12 MR. FOX: Your Honor, I'm the respondent,
13 Joseph J. Fox, and I'm here pro se.
14 JUDGE ELLIOT: All right, very good.
15 Okay. So I sent out my order in which I described
16 where I think the case stands, and I want to be
17 clear from the beginning that when I said at the end
18 of the order that we may need a hearing in this
19 case, I mean that very, very -- I was very
20 deliberate about that.
21 I was quite serious. We may need a
22 hearing or we may not. It just depends. And the
23 area where I think that I really need some more help
24 is in the two Steadman factors that we discussed in
25 the order, scienter and then essentially Mr. Fox's

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1 professional status, if you will, whether his
2 occupation presents an opportunity for future
3 violations.
4 One of these issues is uniquely in the
5 control of Mr. Fox; that is, by his occupation, and
6 I understand the parties dispute scienter, but all I
7 really have to go on for scienter is simply what's
8 in the OIP, and then -- I guess it was the uploaded
9 e-mails that Mr. Fox sent out after the OIP issued,
10 and that's it.
11 So let me first turn to Ms. McKinley. Is
12 there anything more that you can send me, in the way
13 of transcripts or other documentary evidence, or
14 anything else that might shed some light on Mr.
15 Fox's state of mind?
16 MS. MCKINLEY: Your Honor, we believe we
17 do have testimony transcripts from Mr. Fox's
18 testimony during our investigation that does shed
19 light on that issue. To be frank, it doesn't shed a
20 tremendous amount of light, but it may be helpful
21 for you to see. So we're certainly happy to provide
22 that to you.
23 As far as other documents, there really
24 aren't any other documents that we think would
25 assist you with any finding on scienter. Though,

1 there is another FINRA filing regarding Mr. Fox's
2 licensure from August of 2015, in which he sought to
3 reinstate his licensing. That also may be of help.

4 JUDGE ELLIOT: Okay. Well, I'll get to
5 that in a moment, but why don't we do this, I've
6 still got some time left before I have to issue the
7 initial decision. So I think I can consider yet
8 another round of briefing on this issue. I would
9 like to start with that.

10 If it turns out that I really feel like we
11 have a live animal, I'm at the point now we're
12 probably going to have to ask for an extension of
13 time on the initial decision.

14 MR. FOX: Your Honor, if I may, this is
15 Joe Fox.

16 JUDGE ELLIOT: Yes. Hold on just a
17 second, Mr. Fox. Hold on just a second.

18 MR. FOX: Sorry.

19 JUDGE ELLIOT: As I was saying, I think
20 I'm probably going to have to ask for an extension
21 if we do end up having a live in-person hearing. So
22 I think on the issue of scienter, I'm probably going
23 to ask the parties to send me some more documents,
24 whatever it may be.

25 Now, Mr. Fox, you, of course, will get a

1 chance to submit more evidence, too, but if that
2 doesn't answer your question, or answer the concern
3 you were about to raise, go ahead and tell me what
4 you were about to say.

5 MR. FOX: Your Honor. Okay, well, thank
6 you very much for this opportunity. And, for the
7 record, I asked for a hearing, in-person hearing,
8 with the Division while we were talking about
9 settlement from the get-go.

10 I want to be able to get everything out
11 there in the open. Like, many times I volunteered
12 with the Division through the investigation, I
13 volunteered to meet with them. I volunteered
14 information. I've been 100 percent forthcoming.

15 I asked to have a hearing. They did not
16 want to guarantee a hearing. And I would like to
17 make a statement, if I may, that I think really goes
18 to where we're at in this proceeding, if I may, Your
19 Honor.

20 JUDGE ELLIOT: Go ahead. Yes, go ahead.

21 MR. FOX: Thank you, sir. And obviously
22 I've never done this before, and I've never done pro
23 se or not pro se or with an attorney. Excuse me if
24 I'm a little nervous.

25 On September 8th, an order was finalizing

1 my settlement discussions with the Division of
2 Enforcement. During the settlement discussions, I
3 pushed for bifurcated settlement with non-monetary
4 sanctions to be determined by Your Honor through the
5 ALJ process.

6 I'm happy to accept the monetary sanction
7 of \$35,000. I asked for the bifurcation, and the
8 Division told us in no uncertain terms, they would
9 not process the agreed-upon settlement for the
10 company until I finalized my own settlements.

11 Your Honor, since my company was
12 collapsing under the weight of the former employee,
13 who proved to be a false, malicious [REDACTED],
14 I needed to give my company and shareholders a
15 fighting chance.

16 And almost as importantly, I should not
17 have to accept any industry suspension for the
18 following reasons: A, I've been an extremely
19 conscientious broker or executive, as I've laid out
20 in detail in my court papers.

21 B, I have a well-documented career of
22 always putting my customers and shareholders first.
23 C, it's absolutely non-public assessment to suspend
24 me for any period of time.

25 D, any violations were 100 percent

1 inadvertent and not done so recklessly. And E, most
2 importantly, I do not do anything with scienter.

3 So the proceedings can fully determine if
4 there was a heap of a non-monetary assessment, again
5 with the Court setting a briefings schedule.

6 The Division filed a lengthy motion for
7 summary disposition where they tried to paint me as
8 an unrepentant recidivist and asked for a collateral
9 bar offered by you. I then filed a detailed reply.

10 The Division then filed its reply where
11 they chose to label me falsely as someone who spent
12 the majority of his career in a, quote, a penny
13 stockbroker.

14 Although the motion was fully briefed for
15 ruling, this Court, on January 15, 2016, in its
16 effort to leave no stone unturned, entered a new
17 order inviting the SEC to submit a supplemental
18 briefing addressing solely the alleged scienter, a
19 necessary elements of the Division's own claim
20 against me, an element the Division did not revise,
21 let alone prove in its motion.

22 The Division promptly filed a supplemental
23 brief in support of its motion for summary
24 disposition, which I replied to in detail, as it
25 were, after being fully briefed with the Division's

1 motion for summary disposition and the supplemental
 2 brief in support, and of course my responses.
 3 This Court thoughtfully held that there
 4 was no scienter, and the SEC's motion was denied,
 5 albeit without prejudice. I respectfully ask the
 6 Court to consider entering the final order that
 7 denies the motion with prejudice.

8 The third thing that is on the Division is
 9 to prove scienter. The Court ruled against them.
 10 You made it quite clear that the scienter is a
 11 necessary element, and I quote, you must consider
 12 when determining whether the sanctions sought by the
 13 Division on the public venture, end quote.

14 That is in your January 15 order, and you
 15 cited two case for the same requirements, the Gary
 16 M. Korman case, and the Steadman versus SEC case.

17 Respectfully, I do not believe it's in the
 18 public's best interest to have the matter fully
 19 briefed, and then after accepting and finding that
 20 an element of the claim had not been proven, have
 21 the same claim continue to hearing.

22 I just don't see how this matter can
 23 proceed on these facts, and the failure of the
 24 Division to prove scienter not once but twice, to
 25 allow a third bite at the apple seems unjustified on

1 the factors -- while one factor may weigh in favor
 2 of the respondent, other factors may weigh in favor
 3 of the Division's request for a sanction. So we do
 4 disagree with that characterization and feel that
 5 really another round of briefing may actually get
 6 the information that may assist in making a
 7 determination on this issue.

8 JUDGE ELLIOT: All right.

9 MR. FOX: Your Honor, if I may.

10 JUDGE ELLIOT: Go ahead, Mr. Fox.

11 MR. FOX: Okay, thank you. Your Honor,
 12 you made it clear in your initial findings that
 13 there was not any evidence, or they did not prove
 14 anything. You gave them the opportunity to provide
 15 more, if it was necessary, and they did their reply.

16 They included nothing new, because there
 17 was nothing additional; and now, Your Honor, even
 18 Ms. McKinley stated, except for what they're saying
 19 on August of '15, where I reapplied for the SEC, of
 20 which by the way was only done because we would no
 21 longer have these Series 27 financial operations
 22 principal, and I was dealing with the SEC because no
 23 one else was in the company. We were going out of
 24 business, and the FINRA knew that.

25 So it is a mischaracterization of what was

1 this record.

2 Most importantly, Your Honor, there is
 3 absolutely and unequivocally, as Ms. McKinley just
 4 stated, no official documentation, testimony, or
 5 fact for that matter, that the Division would be
 6 able to provide that would change the fact that
 7 there was never any scienter.

8 If they haven't, Your Honor, which would
 9 be impossible because it doesn't exist, they would
 10 have certainly already made it available to you, to
 11 the Court. I'll end here.

12 I'm praying with the Court to enter a
 13 final order denying the SEC's motion for summary
 14 disposition with prejudice. Thank you, Your Honor.

15 JUDGE ELLIOT: All right, very good.

16 Well, I hear what you're saying, Mr. Fox. Let me
 17 hear if the Division has anything to say in response
 18 to that. Ms. McKinley?

19 MS. MCKINLEY: Your Honor, first of all,
 20 we would respectfully disagree with Mr. Fox's
 21 characterization of the Steadman factors and how
 22 they are waived to determine whether a bar is in the
 23 public interest.

24 It is a true weighing under the case law,
 25 and these aren't elements of a particular claim. So

1 going on, and it never processed through that, nor
 2 did I go through this whole MC200 process. I was
 3 trying to do what was right for the company, which,
 4 Your Honor, I've done for 22 years.

5 And they've never once ever acknowledged
 6 the fact that I have been a conscientious person in
 7 this industry for 20 years, not just as a broker,
 8 but the CEO of brokerage firms that have been
 9 innovative that could have easily had all kinds of
 10 [REDACTED] against them, and I have a spotless
 11 compliance record.

12 I took the company public, Your Honor. I
 13 went through the SEC process. I never had an issue.
 14 I never had concerns, and I never for one second did
 15 anything with intent or scienter. I took
 16 responsibility.

17 Ms. McKinley and Mr. Forkner made it clear
 18 or believe that I did not, even though from day one,
 19 as testimony will show, I did make it clear that I
 20 took responsibility, if I was using the wrong
 21 exemption or the wrong definition within the
 22 exemption 504 and 506.

23 As I showed, Your Honor, there is no
 24 information within the study material or the test
 25 that breaks down the actual disclosure requirement.

Page 13

1 So, Your Honor, clearly there is no additional
2 information of any substance, if at all. You
3 already made it clear, Your Honor, regarding the
4 Steadman case, that scienter is a big factor, and
5 there is no scienter, Your Honor.
6 JUDGE ELLIOT: Okay. Let me move to the
7 second issue, which is the question of Mr. Fox's
8 occupation.
9 The evidence that I've seen so far, and
10 I'm looking at the OIP, which of course I can take
11 generally as true, the submissions by Mr. Fox, which
12 I've looked through carefully, just the recent
13 comment by Ms. McKinley just a few moments ago, Mr.
14 Fox's attempt to get another license in August of
15 last year, I have to say that you take all that
16 together, I find myself, frankly, very confused
17 about what is going on with Mr. Fox and his
18 professional status.
19 So let me just ask you, Mr. Fox, to --
20 MR. FOX: Okay.
21 JUDGE ELLIOT: -- tell me about yourself.
22 How do you make a living right now? What is the
23 status of your company? What is the status of
24 whatever licenses you have now or used to have or
25 trying to get? Just tell me about yourself.

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1 MR. FOX: Thank you, Your Honor. Well, as
2 I mentioned, in regards to my license, I withdrew
3 voluntarily in December of 2014. I also made it
4 clear at that time to the SEC that I have no
5 intention of staying in the brokerage business,
6 being in the brokerage business, running a brokerage
7 firm, even though my parent company is an up bearing
8 company at the time, I did own a brokerage firm, but
9 I was not going to be involved in it.
10 I didn't want to be. I actually hired
11 this guy Paul Simon to become CEO of the brokerage
12 firm, but he failed to get licensing. So the only
13 reason I went back in August because I told FINRA,
14 and they need needed me to do it, we ordered a
15 FINOP.
16 We had the money to hire an outside FINOP.
17 The company was on verge of collapsing. Somebody
18 had to be the one to communicate with FINRA, during
19 for focus filing and things of that nature. It was
20 a brutal time.
21 MS. MCKINLEY: Mr. Fox, I'm sorry, the
22 court reporter can't take down what you are saying.
23 JUDGE ELLIOT: Hold on, Mr. Fox.
24 MS. MCKINLEY: I'm so sorry, but the court
25 reporter cannot transcribe. He's moving a little

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1 too quickly, Your Honor. Mr. Fox, could you speak a
2 little more slowly?
3 MR. FOX: Okay. I'm sorry about that. In
4 December of --
5 JUDGE ELLIOT: Hold on a second, Mr. Fox.
6 Hold on a second. Let me turn to the court
7 reporter.
8 Can you read back your transcript, the
9 last part of your transcript that you were able to
10 get down clearly?
11 (The reporter read back the record.)
12 JUDGE ELLIOT: Go ahead, Mr. Fox.
13 MR. FOX: Sorry about that, ma'am. I
14 really apologize. The name is FINRA, F-I-N-R-A, and
15 they regulate the brokerage industry, along with the
16 SEC, of course.
17 So at the time, we were out of money. The
18 company was on the verge of collapse. I was the
19 only person to be able to speak to FINRA, as we were
20 going through this process. It wasn't like I was
21 trying to be a broker or even the CEO. That was not
22 my objection. FINRA absolutely knew that.
23 Unfortunately, because I used the word or
24 allowed the word "willful" to be included in my
25 order, only because, of course, the definition in

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1 the footnote, which isn't consistent with the actual
2 definition of wilful, but I understand that, that it
3 would take a process called MC200 to override that,
4 which I did not go down that path; and openly, I let
5 FINRA know I would be communicating with them as a
6 representative, but not as a licensed individual. So
7 that is that.
8 On December 18th, 2015, we were forced to
9 file a broker-dealer withdrawal, a BDW, with the SEC
10 and FINRA, because we were out of capital. We knew
11 that we were no longer -- we no longer had enough or
12 would no longer have enough proper capital, net
13 capital, to maintain a brokerage firm.
14 So I talked to FINRA. I let them know. I
15 even let the SEC know, and we had to withdraw. Since
16 then, we tried to figure out if the company could
17 survive as a technology company because as Your
18 Honor hopefully as you read, we did build some
19 incredible technology that did receive some
20 significant media attention.
21 I did get some attraction with customers,
22 generating millions of dollars in revenue; but,
23 unfortunately, because of the efforts of other
24 people, as well as the weight of the investigations
25 and so on, that I have to say that was brought on by

1 information by an individual that none of which, as
2 I mentioned in my document, is a part of this
3 process now. It doesn't change the fact we had to
4 deal with that.

5 My entire company has collapsed. We have
6 four or five judgments from vendors against us. We
7 are trying to figure out if we can figure out where
8 to get the money to file a proper bankruptcy for the
9 company. There is no operations. There is no
10 office. There is no phone.

11 We are -- our shareholders, and myself, my
12 family, and my mother, we lost our entire
13 investment. I, Your Honor, I am broke. I have
14 nothing. I've been left with nothing.

15 And I, right now, am living in a house
16 that's owned by my in-laws, thank God. I am living
17 by the grace of my in-laws. I have no job. I can't
18 even apply for unemployment because my last paycheck
19 from the company, even though we were around for
20 these two years, was more than two years ago.

21 So the State of California said, "Sorry,
22 we cannot give you unemployment." So I have to
23 borrow money even to fill my tank, Your Honor. I
24 have been destroyed by this. My company has been
25 destroyed.

1 There was never a scienter. There was
2 never an intent. I've been nothing but
3 conscientious for 20 plus years. I have been
4 labeled falsely on several different fronts. I've
5 taken so much abuse from this whole process. Your
6 Honor has been unbelievably fair in its assessment,
7 and I truly believe that, look, I'm not looking to
8 be in the brokerage business, Your Honor.

9 I will not allow, without a fight, to lose
10 or to be considered someone who should have been
11 barred or banned. And the fact that they were
12 looking for one year, when I asked for the
13 bifurcation, they were looking for one year that I
14 could not accept, and then to go to five years and
15 whatnot, to find various excuses which weren't true
16 to try to be a penny stock guy, even to get that one
17 year.

18 I mean, this has been an unbelievable
19 circumstance, Your Honor. I've done -- look, I take
20 responsibility for what occurred. I had the SEC
21 review my documents, the same documents, and the
22 same exact circumstances in 1999, and nothing told
23 me otherwise that I was working off the wrong
24 exemption.

25 I have always looked out for my

1 shareholders. It's well documented. It's on the
2 SEC's website. I can point to three or four
3 different circumstances, and I've taken as a big
4 fine, which I have not been able to pay. I don't
5 know how I can pay it.

6 The told the SEC from the Division,
7 excuse, from day one that I don't have the money to
8 pay it. I lost everything. The stock that I sold
9 is gone. I put every last dollar to try to keep the
10 company live, and other people get a waiver after
11 they're fined.

12 I asked the Division, "Would you consider
13 that?" They said, "No, we won't." So everyone else
14 gets a waiver -- not everyone, but people do, but
15 not Joe. I don't know why, but not Joe.

16 And so I have taken more for something
17 that was not done with scienter, that was not done
18 advertently, the one that I took responsibility for
19 the, one that I've assured Your Honor and the
20 Division that I would never violate again.

21 To pile on with a summary disposition for
22 a collateral bar is too much, but Your Honor has
23 ruled now twice, and I've been here, Your Honor. I'm
24 not looking to get back into brokerage. I don't
25 know how I'll do past this moment.

1 I don't know. I really do not know. I
2 know I don't have money. I know I have to borrow
3 money for anything that I have for needs. I think
4 I'm negative in my one bank account right now, but I
5 will figure it out. And, thank God, I have family
6 that's helpful. Thank God.

7 Right now I do not know what my plan is,
8 but I can promise you, Your Honor, that it's not
9 going to be in the brokerage business. I've been so
10 abused by a membership organization which, by the
11 way, Your Honor, for 20 plus years I never had one
12 issue, one customer complaint on my FINRA, or on the
13 brokerage side.

14 Not an issue with arbitration, not a
15 customer complaint, not a single issue after
16 millions of trades with customers. I was so
17 conscientious. I gave away so much money back to
18 customers, whenever there was a technical issue, a
19 trade issue. E*TRADE, Ameritrade, nobody does that,
20 but I did that.

21 I stood by my customers. I stood by my
22 shareholders, always. So, Your Honor, I don't know
23 what my future is going to be in terms of what I'm
24 going to do. I don't plan on being in the business.

25 I cannot accept a bar, and if you say to

1 me, "Joe or Mr. Fox, you tell me right now you're
2 not going to be in the business, I won't bar you.
3 We'll call it a day."

4 I'll tell you right now, I'll give you my
5 word. I have no desire, and I have not been in any
6 one of those categories that are included in the
7 collateral bar.

8 JUDGE ELLIOT: Okay.

9 MR. FOX: Thank you, Your Honor.

10 JUDGE ELLIOT: Let me ask a few questions,
11 Mr. Fox. First of all, let me make sure I
12 understand here. The August 2015 application that
13 you made, was that for a FINOP license?

14 MR. FOX: Yes, Your Honor. I have a
15 Series 28.

16 JUDGE ELLIOT: Okay.

17 MR. FOX: Financial operations principal
18 for agency broker.

19 JUDGE ELLIOT: Oh, I'm sorry. Okay. So
20 you got a license then?

21 MR. FOX: I've had the license. I got a
22 27, the bigger one, back in 1995. I took on the
23 28th in, I think it was, January of 2010, when we
24 decided to get back into brokerage, after an online
25 real estate firm that I tried to take public as

1 sold or promoted or offered a penny stock.
2 So I've never been in any of those, and I
3 have no intention, Your Honor, of doing any of those
4 ever.

5 JUDGE ELLIOT: Well, okay. What was the
6 share -- what was the typical share price for -- I'm
7 sorry, I can't remember if it was Ditto Trade or
8 Ditto Holdings. You sold one of those stocks. What
9 was the typical share price?

10 MR. FOX: You're talking about the recent
11 company, or the company we took public, Webb Street
12 Brokerage Firm?

13 JUDGE ELLIOT: Not Webb Street. The one
14 that's in the OIP. I'm sorry, I forget which one it
15 is. I think it is Ditto Trade, which one -- the one
16 where you sold the stock of that company within the
17 last six years or so.

18 MR. FOX: Yes, Your Honor. That is Ditto
19 Holdings. Ditto Holdings was a Delaware corporation
20 that wholly owned Ditto Trading, Inc., an Illinois
21 corporation, and was a -- was a member of FINRA, a
22 broker-dealer. That was the parent.

23 JUDGE ELLIOT: Okay. What was -- did it
24 ever trade at below \$5 a trade?

25 MR. FOX: Your Honor, it was never public.

1 well, and it's on the SEC website. And then so I
2 have the 7, the 24, the 63 and the 28.

3 JUDGE ELLIOT: Okay.

4 MR. FOX: I'm sorry.

5 JUDGE ELLIOT: Those are current right
6 now?

7 MR. FOX: No, they're not, Your Honor. I
8 do not have any active licenses whatsoever.

9 JUDGE ELLIOT: Oh, I see. Okay.

10 MR. FOX: I have not since December of
11 2014.

12 JUDGE ELLIOT: All right. So I know
13 there's a difference, at least based on reading the
14 OIP, and all the evidence the parties have
15 submitted, there's a difference between Ditto
16 Holdings and Ditto Trade. You're saying that both of
17 those companies are now out of business?

18 MR. FOX: Yes, Your Honor.

19 JUDGE ELLIOT: Okay. And have you ever
20 worked in the industries, other than the brokerage
21 industry?

22 MR. FOX: None of the industries that are
23 included in the collateral bar, not the municipal
24 bonds business, not the credit rating business, not
25 the investment advisory business, nor have I ever

1 It was only a private company.

2 JUDGE ELLIOT: Okay.

3 MR. FOX: And, Your Honor --

4 JUDGE ELLIOT: I confess, I'm now
5 completely mystified. Let me turn to the Division.

6 Can you shed some light on this? Is it
7 your position that Ditto Holdings was a penny stock?

8 MS. McKINLEY: Your Honor, it is. While
9 Ditto Holdings was not publicly trading during the
10 time, it was offering its shares under Reg D, in a
11 Series 506 offering, as well as some other offerings
12 of Mr. Fox's own personal shares of Ditto Holdings,
13 and all of the shares were sold at prices under \$5.

14 The range I think was from about 50 cents
15 to about a dollar-and-a-half.

16 JUDGE ELLIOT: Okay. All right. Well,
17 thank you, Mr. Fox. Anything else you want to add?

18 MR. FOX: Yes, if I may. You know, I
19 think you're as surprised as I was, Your Honor. Not
20 to put words in your mouth, but I'm just blown away
21 by saying that I was a penny stock guy. I was in
22 the penny stock world my whole career, trying to
23 stop me from being in the penny stock business,
24 which was only a label that would hurt me because
25 I've never been in the penny stock busy. I don't

1 ever plan to be.
2 I purposely did not even allow many penny
3 stocks to be quoted or purchased on our website as
4 the story in Barron's Magazine showed, and so we're
5 a private company.

6 There is one line of a reference to a
7 penny stock, and sometimes listed on the SEC website
8 that I was able to find, one line. It said a penny
9 stock is sometimes a private company, but the
10 reality is this is not a penny stock. It was a
11 private company.

12 I sold some of my founder shares under
13 advice of counsel, under what's known as I believe
14 401-and-a-half, and the only mistake that was made
15 there, Your Honor, is that my attorney
16 unfortunately -- my in-house attorney provided me
17 with the documentation. It did not have a section
18 for being a credit investor.

19 And I believe the people that bought,
20 because some of them were disingenuous, they already
21 showed they were accredited. I believe they were
22 accredited. I'm sorry that that was missing. I
23 should have known that, but my attorney needs to put
24 that in there.

25 I stool took responsibility for that, Your

1 Honor. I offered to pay back the two people for 42
2 or \$47,000. I offered these individuals. They
3 said, "No, it was not going to be part of the
4 settlement." I was willing to repurchase when I had
5 the money, and that was not part of it.

6 I took responsibility, but I was never a
7 penny stock. My stock was not sold as a penny
8 stock. It was a private company. Nobody, nobody
9 considers us, a private company like ours, to be a
10 penny stock. Your Honor --

11 JUDGE ELLIOT: Okay. Let me ask one more
12 question. Suppose that someone were to offer you
13 employment as an investment advisor, okay, I mean
14 not individually, but you would be associated with a
15 registered investment advisor, is that the kind of
16 employment that you would be willing to take?

17 MR. FOX: Absolutely not, Your Honor. I've
18 never acted as an investment advisor. I don't have
19 the proper licensing to be an investment advisor.

20 I have no plan, nor will I ever, refile
21 anything with FINRA ever, because they also put us
22 through a two-year process just to walk away when it
23 was all done and say, "We'll just defer to the SEC."
24 Even after, even after a global disposition, all of
25 a sudden, "Okay, there obviously is no real need for

1 this investigation."

2 I mean, we were coming -- people were
3 coming at as from all sides. I have no desire to be
4 in an industry that has no respect for somebody who
5 has been so conscientious, and nobody can say
6 otherwise of how I treated my firm, my customers, my
7 shareholders and my employees.

8 So, Your Honor, I have no desire, nor will
9 I be, an investment advisor. I'm going to work for
10 an investment advisory firm. I'm not going to work
11 for a municipal bonds company, a credit rating
12 company, and absolutely not a penny stock company,
13 but that does not mean that I can accept a
14 documented suspension for something I don't deserve,
15 Your Honor.

16 JUDGE ELLIOT: All right. Thank you, Mr.
17 Fox. Ms. McKinley, do you have anything to say
18 about what Mr. Fox has just explained?

19 MS. MCKINLEY: Yes, Your Honor. I guess
20 the one point that we would like to bring to your
21 attention is that Mr. Fox has raised funds and owned
22 four companies over the last approximately 20 years
23 those four companies, two of them have been broker
24 dealers, and directly connected to the brokerage
25 business.

1 JUDGE ELLIOT: Okay.

2 MR. FOX: Excuse me, if I may, Your Honor.

3 JUDGE ELLIOT: Hold on, Mr. Fox. Hold on.
4 Hold on, Mr. Fox. Let me ask a few more things of
5 Ms. McKinley.

6 So as I understand, I don't mean to put
7 words into Mr. Fox's mouth, but my understanding
8 based on what he just explained is he doesn't know
9 what he's going to do in the future, but he doesn't
10 wish to work in the securities industry anymore.

11 Do you dispute that, Ms. McKinley?

12 MS. MCKINLEY: This is, frankly, the first
13 time we've heard in detail what his future plans
14 are. We have no way or reason to dispute that.

15 JUDGE ELLIOT: Okay.

16 MS. MCKINLEY: But I will say, Your Honor,
17 that in December of 2014, Mr. Fox told us at that
18 time, through his attorney, that he never had any
19 intention of being licensed again, that he had
20 withdrawn all of his licenses and wasn't going to do
21 anything with respect to the securities industry
22 again.

23 But then in August of 2015, this
24 application for the FINOP was filed, and we were not
25 notified of that fact at the time. So I guess we

1 have some skepticism as to Mr. Fox's assurances.
 2 JUDGE ELLIOT: All right.
 3 MR. FOX: Your Honor.
 4 JUDGE ELLIOT: Mr. Fox, go ahead.
 5 MR. FOX: Yes. Your Honor, that's a total
 6 mischaracterization of the facts. First of all, in
 7 December of 2014, Your Honor, I made it clear
 8 through my attorney that as part of a settlement, as
 9 part of the settlement to put this to bed, I will
 10 assure them that I will not be a part of the
 11 brokerage business.

12 That was a part of the settlement
 13 conversation. They refused to accept that, which
 14 would have been wonderful if they did because we
 15 would have had a bigger head start to clean this all
 16 up and get the company moving again, but they
 17 didn't. That was part of the settlement. That's
 18 one.

19 Two, they did know right away because the
 20 SEC is instantly notified of any communication on
 21 the FINRA -- sorry, Form U4. They know exactly what
 22 is what, and they've been tracking everything I've
 23 done for several years now. So to say they didn't
 24 know is an absolute falsehood.

25 And three, Your Honor, to say -- first of

1 the fact that I did that, and was successful for my
 2 shareholders and not for myself, and the fact that I
 3 dealt with this one, has nothing to do with what I'm
 4 going to do next.

5 I have been, unfortunately, Your Honor,
 6 not to sound dramatic here, but I have been
 7 tormented and destroyed by this entire process
 8 brought upon by somebody who is malicious,
 9 vindictive.

10 I don't want to get into that. It's
 11 already on the record, but, Your Honor, I have --
 12 the details, I don't know what they said. I never
 13 told them what my plans were going forward.

14 Your Honor, they never asked me, and
 15 certainly not as of late did they ever say, "Mr. Fox
 16 what are your plans, or what are you going to do
 17 once this business has imploded?"

18 And I would have said the same thing that
 19 I told you, "I don't really know." If I had to
 20 venture a guess, I probably said, "I'm going to
 21 start to look into real estate, into getting into
 22 real estate." My in-laws own some properties.

23 Maybe I could help manage some of those
 24 properties. That's probably the direction that this
 25 will take. I do not know. I've been devastated,

1 all, they never asked me, they never asked when they
 2 said that we didn't tell them -- I'm sorry, Your
 3 Honor, I need to twist a little bit here.

4 They say, Your Honor, I started four
 5 different companies. It's actually, Your Honor,
 6 three companies, two broker-dealers, two parent
 7 companies with broker-dealer, and then one online
 8 real estate company. The first one I took public.

9 I built a self-clearing firm. It was
 10 worth half a million dollars. Shareholders made a
 11 fortune. We, unfortunately, got stuck with the
 12 bubble bursting. We went public in November of '99.
 13 The bubble burst in March. Our lock didn't expire
 14 until June of 2000. So all shareholders took 18,
 15 \$19 from a dollar investment.

16 Our stock was never over
 17 three-and-three-quarters after the lockup, and we
 18 sold for under \$2, and we took E*TRADE stock. The
 19 E*TRADE stock, the whole deal was \$45,000,000. Their
 20 stock diminished before we were able to sell it
 21 because of 9-11. And then E*TRADE generated
 22 \$350,000,000 in appreciation when they announced it.

23 So everyone got a better deal, our
 24 shareholders, E*TRADE who bought us, and then we
 25 did, which is why we needed to raise more money; but

1 Your Honor. I've been under the doctor, you know,
 2 to try to, you know, whatever make me -- I don't
 3 want anyone to feel sympathetic, because I know that
 4 is not the process here, but I've been under
 5 psychiatric care, therapy, since this all happened
 6 because of what has gone on and how malicious this
 7 process as has been.

8 You know, and that's why when Your Honor
 9 ruled, the way you ruled, it was such a breath of
 10 fresh air, the honesty and the forthrightness. I
 11 think we really definitely need to put this to bed,
 12 once and for all, Your Honor.

13 JUDGE ELLIOT: Okay. All right. Here is
 14 what I'm going to do -- well, I'll give the Division
 15 one more chance. Let me tell you what I'm inclined
 16 to do.

17 I'm inclined to accept Mr. Fox's
 18 representations about his plans, the current status
 19 of his licenses, the current status of his company,
 20 and his asserted lack of interest in participating
 21 in the securities industry. So I'm going to take
 22 that as true and offer that public interest factors.

23 Is there an objection to that from the
 24 Division?

25 MS. MCKINLEY: No, Your Honor. Although,

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1 I would like to just make sure the record is clear,
2 we respectfully disagree with the characterization
3 Mr. Fox had of settlement discussions. We
4 actually have a letter from Mr. Fox's attorney that
5 we would be happy to share with you describing not
6 in any terms of settlement, but Mr. Fox's withdrawal
7 of his licenses in December of 2014, and his
8 intention not to be involved in the brokerage
9 industry again.

10 JUDGE ELLIOT: All right. I understand.
11 MR. FOX: Your Honor.
12 JUDGE ELLIOT: Hold on. Hold on, Mr. Fox.
13 MR. FOX: I'm sorry.
14 JUDGE ELLIOT: Hold on, Mr. Fox. I don't
15 need to hear anymore about that. The point here is
16 that I don't really think there's much of a dispute
17 between the parties on this.

18 As of December 2014, the way I understand
19 it anyway, the parties are in agreement that, in
20 fact, that's what Mr. Fox told the SEC, and then it
21 turned out he felt the need to apply for a FINOP
22 license in August of 2015.

23 Mr. Fox, do you agree with that?
24 MR. FOX: Yes, I do, Your Honor.
25 JUDGE ELLIOT: Okay. So I think that's

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1 not really disputed between the parties. Okay.
2 Anything else, Ms. McKinley?
3 MS. MCKINLEY: No, Your Honor, not on that
4 point. Thank you.
5 JUDGE ELLIOT: So I'm going to accept as
6 true what I will call the occupational evidence that
7 Mr. Fox has given me today. And on that
8 understanding, the question then is, do I need
9 anymore briefing on that? I think the answer is no.

10 As for scienter, Mr. Fox has convinced me
11 that I've given the Division two bites at the apple,
12 and I think that's enough. I don't really think
13 that I need anymore evidence on this.

14 It sounds like Ms. McKinley's
15 characterization of Mr. Fox's investigative
16 testimony, that even if I were to look at the
17 investigator's testimony, it would not be
18 particularly enlightening.

19 So I'm not going to ask for any further
20 briefing, and I don't think there is a need for a
21 hearing at this point. So I will simply decide -- I
22 will issue the initial decision based upon the
23 record as it stands.

24 But just so the Division is on notice
25 about this, I'm not sure what I'm going to determine

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1 in the initial decision yet about Mr. Fox's state of
2 mind. I may find that he acted with scienter. I
3 may not.

4 I understand he disputes it, but I may
5 find that there is sufficient information, if
6 there's sufficient evidence in the record to
7 conclude that he did, or I may find that he did not
8 act in scienter. I don't know yet. I have to look
9 at it again and think about it some more.

10 And, of course, if I determine that he
11 acted with scienter, that will factor into whatever
12 the sanction is, if any. And similarly, if I
13 determine that he did not act with scienter, that
14 will affect my determination of what sanctions will
15 be imposed, if any.

16 So I don't think I need anything more at
17 this point, and we don't need a hearing. So --

18 MR. FOX: Your Honor, may I ask when you
19 expect to give your final ruling?
20 JUDGE ELLIOT: You know, I don't know. I
21 will get it out by the deadline, and off the top of
22 my head, I don't recall when the deadline is, but it
23 will definitely be out before then.

24 MR. FOX: Thank you, Your Honor.
25 JUDGE ELLIOT: Mr. Fox, anything else you

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1 want to say, any questions you have?
2 MR. FOX: No, Your Honor, I just really
3 appreciate the Court's consideration.
4 JUDGE ELLIOT: All right. Ms. McKinley,
5 anything else you want to add?
6 MS. MCKINLEY: Nothing else from the
7 Division. Thank you, Your Honor.
8 JUDGE ELLIOT: All right. So thank you
9 very much. I think this has actually been very
10 helpful to me having this discussion, and this
11 matter is adjourned.

12 MR. FOX: Thank you, Your Honor.
13 MS. MCKINLEY: Thank you.
14 (Whereupon, at 1:40 p.m., the pre-hearing
15 conference was concluded.)
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1 PROOFREADER'S CERTIFICATE

2

3 In the Matter of: JOSEPH J. FOX

4 ADMINISTRATIVE PROCEEDINGS - PRE-HEARING CONFERENCE

5 File Number: 3-16795

6 Date: Monday, March 21, 2016

7 Location: Chicago, Illinois 60604

8

9 This is to certify that I, Donna S. Raya,

10 (the undersigned), do hereby swear and affirm that

11 the attached proceedings before the U.S. Securities

12 and Exchange Commission were held according to the

13 record and that this is the original, complete, true

14 and accurate transcript that has been compared to

15 the reporting or recording accomplished at the

16 hearing.

17

18 _____

19 (Proofreader's Name) (Date)

20

21

22

23

24

25

EXHIBIT 2



Financial Industry Regulatory Authority

Richard A. March
Senior Regional Counsel
Financial Industry Regulatory Authority
Department of Enforcement
55 W. Monroe St. Ste. 2700
Chicago, IL 60603
t 312.899.4351 | f 312.899.4600
Richard.March@finra.org

May 18, 2016

VIA CERTIFIED 9414 7266 9904 2023 7316 90
VIA CERTIFIED 9414 7266 9904 2023 7316 83
VIA CERTIFIED 9414 7266 9904 2023 7317 06
VIA CERTIFIED 9414 7266 9904 2023 7317 13
AND FIRST CLASS MAIL

Yosef Y. Fox

Chicago, IL

Yosef Y. Fox

Chicago, IL

. Apt.

Yosef Y. Fox

Los Angeles, CA

Yosef Y. Fox

Los Angeles, CA

Re: **Notice of Suspension (FINRA Rule 9552)**
Yosef Y. Fox, CRD #2386001
Matter No. 20160485272

Dear Mr. Fox:

Notice of Suspension

PLEASE TAKE NOTICE that on June 13, 2016 (the "Suspension Date"), pursuant to FINRA Rule 9552, you will be suspended from associating with any FINRA member in any capacity because you failed to provide information to FINRA, which had been requested from you in accordance with and pursuant to FINRA Rule 8210. Specifically, you failed to respond to requests for information and testimony sent to you on March 25, April 1, April 25 and May 4, 2016. Copies of the subject request letters are attached.

If you take corrective action by complying with the requests before the Suspension Date, the suspension will not take effect. Nonetheless, you may still

be subject to a disciplinary action for your failure to respond timely to a request for information under FINRA Rule 8210.

Request for Hearing

Under FINRA Rule 9552(e), you may request a hearing in response to this Notice. Any hearing request must be in writing, state with specificity any and all defenses to the suspension and be filed with the Office of Hearing Officers. Any request for a hearing shall be made before the Suspension Date. A timely request for a hearing will stay the effective date of any suspension and FINRA Rule 9559 will govern the hearing. Your hearing request should be directed to:

FINRA Office of Hearing Officers
1735 K Street, NW, 2nd Floor
Washington, DC 20006
OHOCASEFILINGS@FINRA.ORG

Pursuant to FINRA Rules 8310(a) and 9559(n), a Hearing Officer or, if applicable, a Hearing Panel, may approve, modify or withdraw any and all sanctions or limitations imposed by this Notice and may impose any other fitting sanction.

Request for Termination of the Suspension

Under FINRA Rule 9552(f), if you are suspended, you may file a written Request for Termination of the Suspension on the ground of full compliance with this Notice. Such request must be filed with:

J. Bradley Bennett, Executive Vice President, Enforcement
c/o David Camuzo, Director
FINRA
Brookfield Place, 200 Liberty Street
New York, NY 10281

Default

If you fail to request termination of the suspension within three (3) months of the date of this Notice of Suspension, you will automatically be barred on August 22, 2016 from associating with any FINRA member in any capacity. See FINRA Rule 9552(h).

If you have any questions, please contact me at (312) 899-4351 or David Camuzo at (646) 315-7317.

Yosef Y. Fox
May 18, 2016
Page 3

Very truly yours,

A handwritten signature in black ink, appearing to read 'RAM', written over the printed name of Richard A. March.

Richard A. March
Senior Regional Counsel

Attachments

cc: Ed Wegener, FINRA, Regional Director, District 8
Jasmine Shergill, Senior Attorney
Peter Johnson, Enforcement



Financial Industry Regulatory Authority

May 4, 2016

Sent via First Class Mail and Certified Mail (9414 7266 9904 2053 0539 15)

Mr. Yosef Y. Fox

██████████, Apt. ██████████
Chicago, IL ██████████

Re: Ditto Trade, Inc. (CRD #151915)
FINRA Exam No. 20160485272

Dear Mr. Fox:

On March 25, 2016, and April 1, 2016 you were sent the enclosed letters to you pursuant to FINRA Rule 8210, requesting documents and information from you concerning the above-referenced matter. Your responses were due by April 1, 2016 and April 8, 2016. To date, we have not received the requested information nor have you requested or received an extension of time to respond. As a result of your failure to respond, you are in violation of FINRA Rule 8210.

This third request is also made pursuant to FINRA Rule 8210. If you fail to deliver the requested information to me by **May 11, 2016**, you may be subject to the institution of an expedited or formal disciplinary proceeding leading to sanctions, including a bar from the securities industry.

This inquiry should not be construed as an indication that FINRA or its staff has determined that any violations of federal securities laws or FINRA, NASD, NYSE, or MSRB rules have occurred. Please call me at (312) 899-4386 if you have any questions.

Sincerely,


Taylor Etzell
Associate Examiner

Lh/Etzell/20160485272



THIRD REQUEST

April 25, 2016

Sent via First Class Mail and Certified Mail (9414 7266 9904 2053 0526 80)

Yosef Y. Fox

██████████ Apt. ██████████
Chicago, IL ██████████

Re: Ditto Trade, Inc. (CRD #151915)
FINRA Exam No. 20160485272

Dear Mr. Fox:

On March 25, 2016, and April 1, 2016 I sent the enclosed letters to you pursuant to FINRA Rule 8210, requesting documents and information from you concerning the above-referenced matter. Your responses were due by April 1, 2016 and April 8, 2016. To date, I have not received the requested information nor have you requested or received an extension of time to respond. As a result of your failure to respond, you are in violation of FINRA Rule 8210.

This third request is also made pursuant to FINRA Rule 8210. If you fail to deliver the requested information to me by **May 2, 2016**, you may be subject to the institution of an expedited or formal disciplinary proceeding leading to sanctions, including a bar from the securities industry.

This inquiry should not be construed as an indication that FINRA or its staff has determined that any violations of federal securities laws or FINRA, NASD, NYSE, or MSRB rules have occurred. Please call me at (312) 899-4687 if you have any questions.

Sincerely,

Dave Buchholz
Principal Examiner

ls/scolal/milla/db/20160485272third.doc

cc: Via First Class and Certified Mail (9414 7266 9904 2053 0526 73)

Yosef Y. Fox
██████████
Chicago, IL ██████████

Via First Class and Certified Mail (9414 7266 9904 2053 0526 66)

Yosef Y. Fox
██████████
Los Angeles, CA ██████████



Financial Industry Regulatory Authority

Sent Via Certified (9414 7266 9904 2053 0537 93) and First Class Mail

March 25, 2016

Yosef Y. Fox
2185 Groveland Dr.
Los Angeles, CA 90046

Re: Ditto Trade, Inc. (CRD #151915)
FINRA Exam No. 20160485272

Dear Mr. Fox:

You recently advised the Staff that you would be unable to comply with the attached 8210 requests because the building management at 155 North Wacker in Chicago had placed a padlock on the door of your former office where the books and records of Ditto Trade Inc. are located. Assuming such is the case, in connection with the above referenced examination, and pursuant to FINRA Rule 8210, please provide the following documents and information no later than **April 1, 2016**:

1. Provide a list of all financial institutions where bank accounts were held in the name of, or for the benefit of, Ditto Trade between August 1, 2015 and January 31, 2016. Such accounts shall include, but not be limited to, savings, checking, and escrow. The list should include the following information:
 - name and address of the financial institution;
 - the account number; and
 - the general purpose of the account.
2. For the period August 1, 2015 to January 31, 2016, provide copies of bank statements and reconciliations from financial institutions for all of the bank accounts held in the name of, or for the benefit of, Ditto Trade. If the statements are not available, please request the statements from the relevant financial institutions in writing and provide copies of those requests in your response.

Please find the attached addendum which addresses the information requested in this letter. This inquiry should not be construed as an indication that FINRA or its staff has determined that any violations of federal securities laws or FINRA,

Yosef Y. Fox
Page Two

NASD, NYSE, or MSRB rules have occurred. Please call me at (312) 899-4687 if you have any questions.

Sincerely,

Dave Buchholz J. 17.

Dave Buchholz
Principal Examiner

Enclosure

cc: Yosef Y. Fox

Chicago, IL

Via Certified (9414 7266 9904 2053 0537 86) and First Class Mail

ADDENDUM A - REQUEST FOR INFORMATION

Electronic communications must be produced in their entirety in their native, electronic format including attachments, Internet headers, and/or other metadata, on CD-ROM, DVD, or other electronic storage media. Facsimile reproductions such as TIFF, JPG, or other image files, PDF files, or productions that require proprietary software or viewers, including Concordance or Summation, are not acceptable. Please provide a separate file or series of files for each individual (custodian) and/or system produced and include an index clearly indicating the custodian, all e-mail accounts or aliases used or potentially used by the custodian, and the system and/or application from which the electronic communications are being produced. Do not produce paper copies unless there is no electronic source for the electronic communications. Retain all backups or archives of electronic communications for the Relevant Period, even after all responsive electronic communications have been produced.

In responding to this request please note the following:

- Under FINRA Rule 8210, the firm is obligated to respond to this request fully, promptly, and without qualification. The firm is also obligated to supplement or correct any response that it later learns to have been incomplete or inaccurate. If the firm withholds any responsive document or information, it must specifically identify what it is withholding and state the basis for doing so. Any failure on the firm's part to satisfy these obligations could expose it to sanctions, including expulsion of the firm.
- As used in this request, the term "document" means writings, drawings, graphs, charts, spreadsheets, photographs, microfilm, microfiche and any other data compilation or communication from which information can be obtained. "Document" specifically includes, without limitation, communications memorialized or stored in any storage medium, including mechanical or electronic form such as e-mail and voicemail messages. "Document" also includes drafts and any non-identical copies. If any document responsive to this request consists of electronic data, please produce it on CD-ROM, DVD, or other electronic storage media in the native, electronic format as created and stored in the ordinary course of business. Facsimile reproductions such as TIFF, JPG, or other image files, PDF files, or productions that require proprietary software or viewers, including Concordance or Summation, are not acceptable unless that is how the records are kept in the ordinary course of business. See below for information concerning encryption. If it is not feasible for the firm to do so, please call me to discuss alternative arrangements.
- If the firm is providing the information in response to this request electronically on a portable media device (PMD), including but not limited to, hard drives, CD-ROMs, DVDs or other discs/diskettes, the firm should

encrypt the PMD (or the files stored on the PMD). The access password must be provided in a separate communication to me.

- If the document production contains Bank Secrecy Act materials, please provide those materials in a separate production and under a separate cover letter indicating that the production includes confidential BSA information. All portable media devices *should be encrypted* and labeled "Confidential BSA Material."
- As a matter of policy, FINRA conducts its investigations on a non-public basis. Nonetheless FINRA may sometimes provide access to its investigative files to other regulatory and law enforcement authorities, and, if subpoenaed, to litigants in civil actions. In addition, pursuant to FINRA's Code of Procedure, FINRA is required to produce documents and transcripts to respondents during discovery. We will not (1) entertain requests for confidential treatment of any information or documents the firm provides in response to this request; (2) give the firm notice of any subpoena or access request we receive that encompasses any such information or documents; or (3) undertake to return documents when this investigation is completed.



March 2, 2016

Via First Class & Certified Mail (9414 7266 9904 2053 0525 81)

Yitzhak A. Fox
6011 Shadow Lane, Apt #3
Citrus Heights, CA 95621

Re: Ditto Trade, Inc. (CRD #151915)
FINRA Exam No. 20160485272

Dear Mr. Fox:

In connection with the above referenced examination, and pursuant to FINRA Rule 8210, you are requested to provide the following documents and information no later than **March 9, 2016**:

1. All bank statements and reconciliations for Ditto Trade, Inc. for the time period of August 1, 2015 through January 31, 2016.
2. Third-party wire transmittal log for Ditto Trade, Inc. for the time period of June 9, 2015 through January 31, 2016.
3. P&S Blotter for Ditto Trade, Inc. for the time period of August 1, 2015 through January 31, 2016.

This request represents a second request for this information. On February 4, 2016, the information requested above was submitted to you via Request Manager with a due date of February 11, 2016. To date, you have not responded to that request for information.

In responding to this request please note the following:

- Under FINRA Rule 8210, you are obligated to respond to this request fully, promptly, and without qualification. You are also obligated to supplement or correct any response that you later learn to have been incomplete or inaccurate. If you withhold any responsive document or information, you must specifically identify what you are withholding and state the basis for your doing so. Any failure on your part to satisfy these obligations could expose you to sanctions, including a permanent bar from the securities industry.
- As used in this request, the term "document" means writings, drawings, graphs, charts, spreadsheets, photographs, microfilm, microfiche and any other data compilation or communication from which information can be obtained. "Document" specifically includes, without limitation, communications memorialized or stored in any storage medium, including mechanical or electronic form such as email and voicemail messages. "Document" also includes drafts and any non-identical copies. If any document responsive to this request consists of electronic data, please produce it on CD-ROM, DVD, or other

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Chicago District Office t 312 899 4400
55 West Monroe Street, Suite 2700 f 312 606 0742
Chicago, IL 60603-5052 www.finra.org

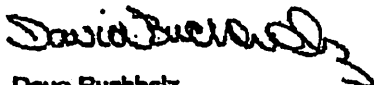
electronic storage media in the native, electronic format as created and stored in the ordinary course of business. Facsimile reproductions such as TIFF, JPG, or other image files, PDF files, or productions that require proprietary software or viewers, including Concordance or Summation, are not acceptable unless that is how the records are kept in the ordinary course of business. See below for information concerning encryption requirements. If it is not feasible for you to do so, please call me to discuss alternative arrangements.

- If the person associated with a member firm is providing the information in response to this request electronically on a portable media device (PMD), including but not limited to, hard drives, CD-ROMs, DVDs or other discs/diskettes, the PMD (or the files stored on the PMD) *must be encrypted* as required by Rule 8210(g) (see, Regulatory Notice 10-59). The access password must be provided in a separate communication to Dave Buchholz.
- As a matter of policy, FINRA conducts its investigations on a non-public basis. Nonetheless FINRA may sometimes provide access to its investigative files to other regulatory and law enforcement authorities, and, if subpoenaed, to litigants in civil actions. In addition, pursuant to FINRA's Code of Procedure, FINRA is required to produce documents and transcripts to respondents during discovery. We will not (1) entertain requests for confidential treatment of any information or documents you provide in response to this request; (2) give you notice of any subpoena or access request we receive that encompasses any such information or documents; or (3) undertake to return documents when this investigation is completed.

Since this is a preliminary inquiry, it does not require reporting under Form U4, Question 14G, regarding notice of investigations.

This inquiry should not be construed as an indication that FINRA or its staff has determined that any violations of federal securities laws or FINRA, NASD, NYSE, or MSRB rules have occurred. Please call me at 312-899-4687 if you have any questions.

Sincerely,



Dave Buchholz
Principal Examiner

cc: Via First Class & Certified Mail (414 7266 9904 2053 0525 98)
Yitzhok A. Fox
[REDACTED]
Belvidere, IL [REDACTED]



Financial Industry Regulatory Authority

Sent Via Certified (9414 7266 9904 2023 7322 08) and First Class Mail

March 16, 2016

Mr. Yitzhok A. Fox
[Redacted], Floor [Redacted]
Buffalo Grove, IL [Redacted]

Re: Ditto Trade, Inc. (CRD #151915)
FINRA Exam No. 20160485272

Dear Mr. Fox:

On March 2, 2016, I sent the enclosed letter to you pursuant to FINRA Rule 8210, requesting documents and information from you concerning the above-referenced matter. Your response was due by March 9, 2016. To date, I have not received the requested information nor have you requested or received an extension of time to respond. As a result of your failure to respond, you are in violation of FINRA Rule 8210.

This second request is also made pursuant to FINRA Rule 8210. If you fail to deliver the requested information to me by **March 23, 2016**, you may be subject to the institution of an expedited or formal disciplinary proceeding leading to sanctions, including a bar from the securities industry.

This inquiry should not be construed as an indication that FINRA or its staff has determined that any violations of federal securities laws or FINRA, NASD, NYSE, or MSRB rules have occurred. Please call me at (312) 899-4687 if you have any questions.

Sincerely,

Dave Buchholz
Principal Examiner

Enclosure

cc: Yitzhok A. Fox

[Redacted]
Belvidere, IL [Redacted]

Via Certified (9414 7266 9904 2013 3847 45) and First Class Mail

Yitzhok A. Fox
[Redacted], Apt. [Redacted]
Citrus Heights, CA [Redacted]

Via Certified (9414 7266 9904 2023 7322 15) and First Class Mail

Certified Article Number

9414 7266 9904 2023 7322 08

Certified Article Number

9414 7266 9904 2013 3847 45

SENDERS RECORD

Certified Article Number

9414 7266 9904 2023 7322 15

SENDERS RECORD



Financial Industry Regulatory Authority

April 1, 2016

Sent Via First Class Mail and Certified Mail (9414 7266 9904 2053 0543 94)

Mr. Yosef Y. Fox

Los Angeles, CA

Re: Ditto Trade, Inc. (CRD #151915)
FINRA Exam No. 20160485272

Dear Mr. Fox:

On March 25, 2016, I sent the enclosed letter to you pursuant to FINRA Rule 8210, requesting documents and information from you concerning the above-referenced matter. Your response was due by April 1, 2016. To date, I have not received the requested information nor have you requested or received an extension of time to respond. As a result of your failure to respond, you are in violation of FINRA Rule 8210.

This second request is also made pursuant to FINRA Rule 8210. If you fail to deliver the requested information to me by **April 8, 2016**, you may be subject to the institution of an expedited or formal disciplinary proceeding leading to sanctions, including a bar from the securities industry.

This inquiry should not be construed as an indication that FINRA or its staff has determined that any violations of federal securities laws or FINRA, NASD, NYSE, or MSRB rules have occurred. Please call me at (312) 899-4687 if you have any questions.

Sincerely,

A handwritten signature in cursive script that reads "Dave Buchholz" followed by the initials "D.M." in a larger, bolder script.

Dave Buchholz
Principal Examiner

cc: Via First Class and Certified Mail (9414 7266 9904 2053 0544 00)

Mr. Yosef Y. Fox

Chicago, IL

Lh/Milla/Buchholz/20160485272

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Chicago District Office
55 West Monroe Street, Suite 2700
Chicago, IL 60603-5052

t 312 899 4400
f 312 606 0742
www.finra.org



Financial Industry Regulatory Authority

Sent Via Certified (9414 7266 9904 2053 0537 93) and First Class Mail

March 25, 2016

Yosef Y. Fox

Los Angeles, CA

Re: Ditto Trade, Inc. (CRD #151915)
FINRA Exam No. 20160485272

Dear Mr. Fox:

You recently advised the Staff that you would be unable to comply with the attached 8210 requests because the building management at 155 North Wacker in Chicago had placed a padlock on the door of your former office where the books and records of Ditto Trade Inc. are located. Assuming such is the case, in connection with the above referenced examination, and pursuant to FINRA Rule 8210, please provide the following documents and information no later than April 1, 2016:

1. Provide a list of all financial institutions where bank accounts were held in the name of, or for the benefit of, Ditto Trade between August 1, 2015 and January 31, 2016. Such accounts shall include, but not be limited to, savings, checking, and escrow. The list should include the following information:
 - name and address of the financial institution;
 - the account number; and
 - the general purpose of the account.
2. For the period August 1, 2015 to January 31, 2016, provide copies of bank statements and reconciliations from financial institutions for all of the bank accounts held in the name of, or for the benefit of, Ditto Trade. If the statements are not available, please request the statements from the relevant financial institutions in writing and provide copies of those requests in your response.

Please find the attached addendum which addresses the information requested in this letter. This inquiry should not be construed as an indication that FINRA or its staff has determined that any violations of federal securities laws or FINRA,

Yosef Y. Fox
Page Two

NASD, NYSE, or MSRB rules have occurred. Please call me at (312) 899-4687 if you have any questions.

Sincerely,

Dave Buchholz J.M.
Dave Buchholz
Principal Examiner

Enclosure

cc: Yosef Y. Fox

Chicago, IL

Via Certified (9414 7266 9904 2053 0537 86) and First Class Mail

ADDENDUM A - REQUEST FOR INFORMATION

Electronic communications must be produced in their entirety in their native, electronic format including attachments, Internet headers, and/or other metadata, on CD-ROM, DVD, or other electronic storage media. Facsimile reproductions such as TIFF, JPG, or other image files, PDF files, or productions that require proprietary software or viewers, including Concordance or Summation, are not acceptable. Please provide a separate file or series of files for each individual (custodian) and/or system produced and include an index clearly indicating the custodian, all e-mail accounts or aliases used or potentially used by the custodian, and the system and/or application from which the electronic communications are being produced. Do not produce paper copies unless there is no electronic source for the electronic communications. Retain all backups or archives of electronic communications for the Relevant Period, even after all responsive electronic communications have been produced.

In responding to this request please note the following:

- Under FINRA Rule 8210, the firm is obligated to respond to this request fully, promptly, and without qualification. The firm is also obligated to supplement or correct any response that it later learns to have been incomplete or inaccurate. If the firm withholds any responsive document or information, it must specifically identify what it is withholding and state the basis for doing so. Any failure on the firm's part to satisfy these obligations could expose it to sanctions, including expulsion of the firm.
- As used in this request, the term "document" means writings, drawings, graphs, charts, spreadsheets, photographs, microfilm, microfiche and any other data compilation or communication from which information can be obtained. "Document" specifically includes, without limitation, communications memorialized or stored in any storage medium, including mechanical or electronic form such as e-mail and voicemail messages. "Document" also includes drafts and any non-identical copies. If any document responsive to this request consists of electronic data, please produce it on CD-ROM, DVD, or other electronic storage media in the native, electronic format as created and stored in the ordinary course of business. Facsimile reproductions such as TIFF, JPG, or other image files, PDF files, or productions that require proprietary software or viewers, including Concordance or Summation, are not acceptable unless that is how the records are kept in the ordinary course of business. See below for information concerning encryption. If it is not feasible for the firm to do so, please call me to discuss alternative arrangements.
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encrypt the PMD (or the files stored on the PMD). The access password must be provided in a separate communication to me.

- If the document production contains Bank Secrecy Act materials, please provide those materials in a separate production and under a separate cover letter indicating that the production includes confidential BSA information. All portable media devices *should be encrypted* and labeled "Confidential BSA Material."
- As a matter of policy, FINRA conducts its investigations on a non-public basis. Nonetheless FINRA may sometimes provide access to its investigative files to other regulatory and law enforcement authorities, and, if subpoenaed, to litigants in civil actions. In addition, pursuant to FINRA's Code of Procedure, FINRA is required to produce documents and transcripts to respondents during discovery. We will not (1) entertain requests for confidential treatment of any information or documents the firm provides in response to this request; (2) give the firm notice of any subpoena or access request we receive that encompasses any such information or documents; or (3) undertake to return documents when this investigation is completed.



March 2, 2016

Via First Class & Certified Mail (9414 7266 9904 2053 0525 81)

Yitzhak A. Fox

██████████ Apt ██████████
Citrus Heights, CA ██████████

Re: Ditto Trade, Inc. (CRD #151915)
FINRA Exam No. 20160485272.

Dear Mr. Fox:

In connection with the above referenced examination, and pursuant to FINRA Rule 8210, you are requested to provide the following documents and information no later than March 9, 2016:

1. All bank statements and reconciliations for Ditto Trade, Inc. for the time period of August 1, 2015 through January 31, 2016.
2. Third-party wire transmittal log for Ditto Trade, Inc. for the time period of June 9, 2015 through January 31, 2016.
3. P&S Blotter for Ditto Trade, Inc. for the time period of August 1, 2015 through January 31, 2016.

This request represents a second request for this information. On February 4, 2016, the information requested above was submitted to you via Request Manager with a due date of February 11, 2016. To date, you have not responded to that request for information.

In responding to this request please note the following:

- Under FINRA Rule 8210, you are obligated to respond to this request fully, promptly, and without qualification. You are also obligated to supplement or correct any response that you later learn to have been incomplete or inaccurate. If you withhold any responsive document or information, you must specifically identify what you are withholding and state the basis for your doing so. Any failure on your part to satisfy these obligations could expose you to sanctions, including a permanent bar from the securities industry.
- As used in this request, the term "document" means writings, drawings, graphs, charts, spreadsheets, photographs, microfilm, microfiche and any other data compilation or communication from which information can be obtained. "Document" specifically includes, without limitation, communications memorialized or stored in any storage medium, including mechanical or electronic form such as email and voicemail messages. "Document" also includes drafts and any non-identical copies. If any document responsive to this request consists of electronic data, please produce it on CD-ROM, DVD, or other

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Chicago District Office
55 West Monroe Street, Suite 2700
Chicago, IL 60603-5052

t 312 899 4400
f 312 605 0742
www.finra.org

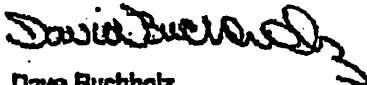
electronic storage media in the native, electronic format as created and stored in the ordinary course of business. Facsimile reproductions such as TIFF, JPG, or other image files, PDF files, or productions that require proprietary software or viewers, including Concordance or Summation, are not acceptable unless that is how the records are kept in the ordinary course of business. See below for information concerning encryption requirements. If it is not feasible for you to do so, please call me to discuss alternative arrangements.

- If the person associated with a member firm is providing the information in response to this request electronically on a portable media device (PMD), including but not limited to, hard drives, CD-ROMs, DVDs or other discs/diskettes, the PMD (or the files stored on the PMD) *must be encrypted* as required by Rule 8210(g) (see, Regulatory Notice 10-59). The access password must be provided in a separate communication to Dave Buchholz.
- As a matter of policy, FINRA conducts its investigations on a non-public basis. Nonetheless FINRA may sometimes provide access to its investigative files to other regulatory and law enforcement authorities, and, if subpoenaed, to litigants in civil actions. In addition, pursuant to FINRA's Code of Procedure, FINRA is required to produce documents and transcripts to respondents during discovery. We will not (1) entertain requests for confidential treatment of any information or documents you provide in response to this request; (2) give you notice of any subpoena or access request we receive that encompasses any such information or documents; or (3) undertake to return documents when this investigation is completed.

Since this is a preliminary inquiry, it does not require reporting under Form U4, Question 14G, regarding notice of investigations.

This inquiry should not be construed as an indication that FINRA or its staff has determined that any violations of federal securities laws or FINRA, NASD, NYSE, or MSRB rules have occurred. Please call me at 312-899-4687 if you have any questions.

Sincerely,



Dave Buchholz
Principal Examiner

cc: Via First Class & Certified Mail (414 7266 9904 2053 0525 98)
Yitzhak A. Fox
[REDACTED]
Balders, IL [REDACTED]



Financial Industry Regulatory Authority

Sent Via Certified (9414 7266 9904 2023 7322 08) and First Class Mail

March 16, 2016

Mr. Yitzhok A. Fox

[Redacted], Floor [Redacted]
Buffalo Grove, IL [Redacted]

Re: Ditto Trade, Inc. (CRD #151915)
FINRA Exam No. 20160485272

Dear Mr. Fox:

On March 2, 2016, I sent the enclosed letter to you pursuant to FINRA Rule 8210, requesting documents and information from you concerning the above-referenced matter. Your response was due by March 9, 2016. To date, I have not received the requested information nor have you requested or received an extension of time to respond. As a result of your failure to respond, you are in violation of FINRA Rule 8210.

This second request is also made pursuant to FINRA Rule 8210. If you fail to deliver the requested information to me by March 23, 2016, you may be subject to the institution of an expedited or formal disciplinary proceeding leading to sanctions, including a bar from the securities industry.

This inquiry should not be construed as an indication that FINRA or its staff has determined that any violations of federal securities laws or FINRA, NASD, NYSE, or MSRB rules have occurred. Please call me at (312) 899-4687 if you have any questions.

Sincerely,

Dave Buchholz
Principal Examiner

Enclosure

cc: Yitzhok A. Fox

[Redacted]
Belvidere, IL [Redacted]

Via Certified (9414 7266 9904 2013 3847 45) and First Class Mail

Yitzhok A. Fox

[Redacted], Apt. [Redacted]
Citrus Heights, CA [Redacted]

Via Certified (9414 7266 9904 2023 7322 15) and First Class Mail

Certified Article Number

9414 7266 9904 2023 7322 08

Certified Article Number

9414 7266 9904 2023 3847 45

SENDERS RECORD

Certified Article Number

9414 7266 9904 2023 7322 15

SENDERS RECORD



Financial Industry Regulatory Authority

April 1, 2016

Sent Via First Class Mail and Certified Mail (9414 7266 9904 2053 0543 94)

Mr. Yosef Y. Fox

Los Angeles, CA

Re: Ditto Trade, Inc. (CRD #151915)
FINRA Exam No. 20160485272

Dear Mr. Fox:

On March 25, 2016, I sent the enclosed letter to you pursuant to FINRA Rule 8210, requesting documents and information from you concerning the above-referenced matter. Your response was due by April 1, 2016. To date, I have not received the requested information nor have you requested or received an extension of time to respond. As a result of your failure to respond, you are in violation of FINRA Rule 8210.

This second request is also made pursuant to FINRA Rule 8210. If you fail to deliver the requested information to me by April 8, 2016, you may be subject to the institution of an expedited or formal disciplinary proceeding leading to sanctions, including a bar from the securities industry.

This inquiry should not be construed as an indication that FINRA or its staff has determined that any violations of federal securities laws or FINRA, NASD, NYSE, or MSRB rules have occurred. Please call me at (312) 899-4687 if you have any questions.

Sincerely,

A handwritten signature in cursive script that reads "Dave Buchholz" followed by the initials "D.M." in a larger, bolder script.

Dave Buchholz
Principal Examiner

cc: Via First Class and Certified Mail (9414 7266 9904 2053 0544 00)

Mr. Yosef Y. Fox

Chicago, IL

Lh/Milla/Buchholz/20160485272



Financial Industry Regulatory Authority

Sent Via Certified (9414 7266 9904 2053 0537 93) and First Class Mail

March 25, 2016

Yosef Y. Fox

Los Angeles, CA

Re: Ditto Trade, Inc. (CRD #151915)
FINRA Exam No. 20160485272

Dear Mr. Fox:

You recently advised the Staff that you would be unable to comply with the attached 8210 requests because the building management at 155 North Wacker in Chicago had placed a padlock on the door of your former office where the books and records of Ditto Trade Inc. are located. Assuming such is the case, in connection with the above referenced examination, and pursuant to FINRA Rule 8210, please provide the following documents and information no later than April 1, 2016:

1. Provide a list of all financial institutions where bank accounts were held in the name of, or for the benefit of, Ditto Trade between August 1, 2015 and January 31, 2016. Such accounts shall include, but not be limited to, savings, checking, and escrow. The list should include the following information:
 - name and address of the financial institution;
 - the account number; and
 - the general purpose of the account.
2. For the period August 1, 2015 to January 31, 2016, provide copies of bank statements and reconciliations from financial institutions for all of the bank accounts held in the name of, or for the benefit of, Ditto Trade. If the statements are not available, please request the statements from the relevant financial institutions in writing and provide copies of those requests in your response.

Please find the attached addendum which addresses the information requested in this letter. This inquiry should not be construed as an indication that FINRA or its staff has determined that any violations of federal securities laws or FINRA,

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t 312 899 4400
f 312 606 0742
www.finra.org

Yosef Y. Fox
Page Two

NASD, NYSE, or MSRB rules have occurred. Please call me at (312) 899-4687 if you have any questions.

Sincerely,

Dave Buchholz S.M.

Dave Buchholz
Principal Examiner

Enclosure

cc: Yosef Y. Fox

Chicago, IL

Via Certified (9414 7266 9904 2053 0537 86) and First Class Mail

ADDENDUM A - REQUEST FOR INFORMATION

Electronic communications must be produced in their entirety in their native, electronic format including attachments, Internet headers, and/or other metadata; on CD-ROM, DVD, or other electronic storage media. Facsimile reproductions such as TIFF, JPG, or other image files, PDF files, or productions that require proprietary software or viewers, including Concordance or Summation, are not acceptable. Please provide a separate file or series of files for each individual (custodian) and/or system produced and include an index clearly indicating the custodian, all e-mail accounts or aliases used or potentially used by the custodian, and the system and/or application from which the electronic communications are being produced. Do not produce paper copies unless there is no electronic source for the electronic communications. Retain all backups or archives of electronic communications for the Relevant Period, even after all responsive electronic communications have been produced.

In responding to this request please note the following:

- Under FINRA Rule 8210, the firm is obligated to respond to this request fully, promptly, and without qualification. The firm is also obligated to supplement or correct any response that it later learns to have been incomplete or inaccurate. If the firm withholds any responsive document or information, it must specifically identify what it is withholding and state the basis for doing so. Any failure on the firm's part to satisfy these obligations could expose it to sanctions, including expulsion of the firm.**
- As used in this request, the term "document" means writings, drawings, graphs, charts, spreadsheets, photographs, microfilm, microfiche and any other data compilation or communication from which information can be obtained. "Document" specifically includes, without limitation, communications memorialized or stored in any storage medium, including mechanical or electronic form such as e-mail and voicemail messages. "Document" also includes drafts and any non-identical copies. If any document responsive to this request consists of electronic data, please produce it on CD-ROM, DVD, or other electronic storage media in the native, electronic format as created and stored in the ordinary course of business. Facsimile reproductions such as TIFF, JPG, or other image files, PDF files, or productions that require proprietary software or viewers, including Concordance or Summation, are not acceptable unless that is how the records are kept in the ordinary course of business. See below for information concerning encryption. If it is not feasible for the firm to do so, please call me to discuss alternative arrangements.**
- If the firm is providing the information in response to this request electronically on a portable media device (PMD), including but not limited to, hard drives, CD-ROMs, DVDs or other discs/diskettes, the firm should**

encrypt the PMD (or the files stored on the PMD). The access password must be provided in a separate communication to me.

- If the document production contains Bank Secrecy Act materials, please provide those materials in a separate production and under a separate cover letter indicating that the production includes confidential BSA information. All portable media devices *should be encrypted* and labeled "Confidential BSA Material."
- As a matter of policy, FINRA conducts its investigations on a non-public basis. Nonetheless FINRA may sometimes provide access to its investigative files to other regulatory and law enforcement authorities, and, if subpoenaed, to litigants in civil actions. In addition, pursuant to FINRA's Code of Procedure, FINRA is required to produce documents and transcripts to respondents during discovery. We will not (1) entertain requests for confidential treatment of any information or documents the firm provides in response to this request; (2) give the firm notice of any subpoena or access request we receive that encompasses any such information or documents; or (3) undertake to return documents when this investigation is completed.



March 2, 2016

Via First Class & Certified Mail (9414 7266 9904 2053 0525 81)

Yitzhok A. Fox

[REDACTED], Apt [REDACTED]
Citrus Heights, CA [REDACTED]

Re: Ditto Trade, Inc. (CRD #151915)
FINRA Exam No. 20160485272.

Dear Mr. Fox:

In connection with the above referenced examination, and pursuant to FINRA Rule 8210, you are requested to provide the following documents and information no later than **March 9, 2016**:

1. All bank statements and reconciliations for Ditto Trade, Inc. for the time period of August 1, 2015 through January 31, 2016.
2. Third-party wire transmittal log for Ditto Trade, Inc. for the time period of June 9, 2015 through January 31, 2016.
3. P&S Blotter for Ditto Trade, Inc. for the time period of August 1, 2015 through January 31, 2016.

This request represents a second request for this information. On February 4, 2016, the information requested above was submitted to you via Request Manager with a due date of February 11, 2016. To date, you have not responded to that request for information.

In responding to this request please note the following:

- Under FINRA Rule 8210, you are obligated to respond to this request fully, promptly, and without qualification. You are also obligated to supplement or correct any response that you later learn to have been incomplete or inaccurate. If you withhold any responsive document or information, you must specifically identify what you are withholding and state the basis for your doing so. Any failure on your part to satisfy these obligations could expose you to sanctions, including a permanent bar from the securities industry.
- As used in this request, the term "document" means writings, drawings, graphs, charts, spreadsheets, photographs, microfilm, microfiche and any other data compilation or communication from which information can be obtained. "Document" specifically includes, without limitation, communications memorialized or stored in any storage medium, including mechanical or electronic form such as email and voicemail messages. "Document" also includes drafts and any non-identical copies. If any document responsive to this request consists of electronic data, please produce it on CD-ROM, DVD, or other

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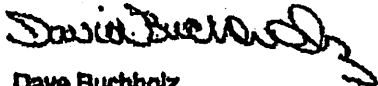
electronic storage media in the native, electronic format as created and stored in the ordinary course of business. Facsimile reproductions such as TIFF, JPG, or other image files, PDF files, or productions that require proprietary software or viewers, including Concordance or Summation, are not acceptable unless that is how the records are kept in the ordinary course of business. See below for information concerning encryption requirements. If it is not feasible for you to do so, please call me to discuss alternative arrangements.

- If the person associated with a member firm is providing the information in response to this request electronically on a portable media device (PMD), including but not limited to, hard drives, CD-ROMs, DVDs or other discs/diskettes, the PMD (or the files stored on the PMD) *must be encrypted* as required by Rule 8210(g) (see, Regulatory Notice 10-59). The access password must be provided in a separate communication to Dave Buchholz.
- As a matter of policy, FINRA conducts its investigations on a non-public basis. Nonetheless FINRA may sometimes provide access to its investigative files to other regulatory and law enforcement authorities, and, if subpoenaed, to litigants in civil actions. In addition, pursuant to FINRA's Code of Procedure, FINRA is required to produce documents and transcripts to respondents during discovery. We will not (1) entertain requests for confidential treatment of any information or documents you provide in response to this request; (2) give you notice of any subpoena or access request we receive that encompasses any such information or documents; or (3) undertake to return documents when this investigation is completed.

Since this is a preliminary inquiry, it does not require reporting under Form U4, Question 14G, regarding notice of investigations.

This inquiry should not be construed as an indication that FINRA or its staff has determined that any violations of federal securities laws or FINRA, NASD, NYSE, or MSRB rules have occurred. Please call me at 312-899-4687 if you have any questions.

Sincerely,



Dave Buchholz
Principal Examiner

cc: Via First Class & Certified Mail (414 7266 9904 2053 0525 98)
Yitzhak A. Fox
[REDACTED]
Belvidere, IL [REDACTED]



Financial Industry Regulatory Authority

Sent Via Certified (9414 7266 9904 2023 7322 08) and First Class Mail

March 16, 2016

Mr. Yitzhok A. Fox
[Redacted], Floor [Redacted]
Buffalo Grove, IL [Redacted]

Re: Ditto Trade, Inc. (CRD #151915)
FINRA Exam No. 20160485272

Dear Mr. Fox:

On March 2, 2016, I sent the enclosed letter to you pursuant to FINRA Rule 8210, requesting documents and information from you concerning the above-referenced matter. Your response was due by March 9, 2016. To date, I have not received the requested information nor have you requested or received an extension of time to respond. As a result of your failure to respond, you are in violation of FINRA Rule 8210.

This second request is also made pursuant to FINRA Rule 8210. If you fail to deliver the requested information to me by **March 23, 2016**, you may be subject to the institution of an expedited or formal disciplinary proceeding leading to sanctions, including a bar from the securities industry.

This inquiry should not be construed as an indication that FINRA or its staff has determined that any violations of federal securities laws or FINRA, NASD, NYSE, or MSRB rules have occurred. Please call me at (312) 899-4687 if you have any questions.

Sincerely,

Dave Buchholz
Principal Examiner

Enclosure

cc: Yitzhok A. Fox

[Redacted]
Belvidere, IL [Redacted]

Via Certified (9414 7266 9904 2013 3847 45) and First Class Mail

Yitzhok A. Fox
[Redacted], Apt. [Redacted]

Citrus Heights, CA [Redacted]

Via Certified (9414 7266 9904 2023 7322 15) and First Class Mail

Certified Article Number

9414 7266 9904 2023 7322 08

Certified Article Number

9414 7266 9904 2013 3847 45

SENDERS RECORD

Certified Article Number

9414 7266 9904 2023 7322 15

SENDERS RECORD



Financial Industry Regulatory Authority

Sent Via Certified (9414 7266 9904 2053 0537 93) and First Class Mail

March 25, 2016

Yosef Y. Fox

Los Angeles, CA

Re: Ditto Trade, Inc. (CRD #151915)
FINRA Exam No. 20160485272

Dear Mr. Fox:

You recently advised the Staff that you would be unable to comply with the attached 8210 requests because the building management at 155 North Wacker in Chicago had placed a padlock on the door of your former office where the books and records of Ditto Trade Inc. are located. Assuming such is the case, in connection with the above referenced examination, and pursuant to FINRA Rule 8210, please provide the following documents and information no later than **April 1, 2016**:

1. Provide a list of all financial institutions where bank accounts were held in the name of, or for the benefit of, Ditto Trade between August 1, 2015 and January 31, 2016. Such accounts shall include, but not be limited to, savings, checking, and escrow. The list should include the following information:
 - name and address of the financial institution;
 - the account number; and
 - the general purpose of the account.
2. For the period August 1, 2015 to January 31, 2016, provide copies of bank statements and reconciliations from financial institutions for all of the bank accounts held in the name of, or for the benefit of, Ditto Trade. If the statements are not available, please request the statements from the relevant financial institutions in writing and provide copies of those requests in your response.

Please find the attached addendum which addresses the information requested in this letter. This inquiry should not be construed as an indication that FINRA or its staff has determined that any violations of federal securities laws or FINRA,

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Yosef Y. Fox
Page Two

NASD, NYSE, or MSRB rules have occurred. Please call me at (312) 899-4687 if you have any questions.

Sincerely,

Dave Buchholz
Dave Buchholz
Principal Examiner

Enclosure

cc: Yosef Y. Fox

Chicago, IL

Via Certified (9414 7266 9904 2053 0537 86) and First Class Mail

ADDENDUM A - REQUEST FOR INFORMATION

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In responding to this request please note the following:

- Under FINRA Rule 8210, the firm is obligated to respond to this request fully, promptly, and without qualification. The firm is also obligated to supplement or correct any response that it later learns to have been incomplete or inaccurate. If the firm withholds any responsive document or information, it must specifically identify what it is withholding and state the basis for doing so. Any failure on the firm's part to satisfy these obligations could expose it to sanctions, including expulsion of the firm.
- As used in this request, the term "document" means writings, drawings, graphs, charts, spreadsheets, photographs, microfilm, microfiche and any other data compilation or communication from which information can be obtained. "Document" specifically includes, without limitation, communications memorialized or stored in any storage medium, including mechanical or electronic form such as e-mail and voicemail messages. "Document" also includes drafts and any non-identical copies. If any document responsive to this request consists of electronic data, please produce it on CD-ROM, DVD, or other electronic storage media in the native, electronic format as created and stored in the ordinary course of business. Facsimile reproductions such as TIFF, JPG, or other image files, PDF files, or productions that require proprietary software or viewers, including Concordance or Summation, are not acceptable unless that is how the records are kept in the ordinary course of business. See below for information concerning encryption. If it is not feasible for the firm to do so, please call me to discuss alternative arrangements.
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March 2, 2016

Via First Class & Certified Mail (9414 7266 9904 2053 0525 81)

Yitzhok A. Fox

[Redacted] Api [Redacted]
Citrus Heights, CA [Redacted]

Re: Ditto Trade, Inc. (CRD #151915)
FINRA Exam No. 20160485272.

Dear Mr. Fox:

In connection with the above referenced examination, and pursuant to FINRA Rule 8210, you are requested to provide the following documents and information no later than **March 9, 2016**:

1. All bank statements and reconciliations for Ditto Trade, Inc. for the time period of August 1, 2015 through January 31, 2016.
2. Third-party wire transmittal log for Ditto Trade, Inc. for the time period of June 9, 2015 through January 31, 2016.
3. P&S Blotter for Ditto Trade, Inc. for the time period of August 1, 2015 through January 31, 2016.

This request represents a second request for this information. On February 4, 2016, the information requested above was submitted to you via Request Manager with a due date of February 11, 2016. To date, you have not responded to that request for information.

In responding to this request please note the following:

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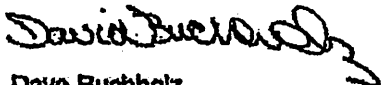
electronic storage media in the native, electronic format as created and stored in the ordinary course of business. Facsimile reproductions such as TIFF, JPG, or other image files, PDF files, or productions that require proprietary software or viewers, including Concordance or Summation, are not acceptable unless that is how the records are kept in the ordinary course of business. See below for information concerning encryption requirements. If it is not feasible for you to do so, please call me to discuss alternative arrangements.

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Since this is a preliminary inquiry, it does not require reporting under Form U4, Question 14G, regarding notice of investigations.

This inquiry should not be construed as an indication that FINRA or its staff has determined that any violations of federal securities laws or FINRA, NASD, NYSE, or MSRB rules have occurred. Please call me at 312-899-4687 if you have any questions.

Sincerely,



Dave Buchholz
Principal Examiner

cc: Via First Class & Certified Mail (414 7266 9904 2053 0525 98)
Yitzhak A. Fox
[REDACTED]
Belvidera, IL [REDACTED]



Financial Industry Regulatory Authority

Certified Article Number

9414 7266 9904 2023 7322 08

Certified Article Number

9414 7266 9904 2013 3847 45

SENDERS RECORD

Sent Via Certified (9414 7266 9904 2023 7322 08) and First Class Mail

March 16, 2016

Certified Article Number

9414 7266 9904 2023 7322 15

SENDERS RECORD

Mr. Yitzhok A. Fox
[Redacted], Floor [Redacted]
Buffalo Grove, IL [Redacted]

Re: Ditto Trade, Inc. (CRD #151915)
FINRA Exam No. 20160485272

Dear Mr. Fox:

On March 2, 2016, I sent the enclosed letter to you pursuant to FINRA Rule 8210, requesting documents and information from you concerning the above-referenced matter. Your response was due by March 9, 2016. To date, I have not received the requested information nor have you requested or received an extension of time to respond. As a result of your failure to respond, you are in violation of FINRA Rule 8210.

This second request is also made pursuant to FINRA Rule 8210. If you fail to deliver the requested information to me by March 23, 2016, you may be subject to the institution of an expedited or formal disciplinary proceeding leading to sanctions, including a bar from the securities industry.

This inquiry should not be construed as an indication that FINRA or its staff has determined that any violations of federal securities laws or FINRA, NASD, NYSE, or MSRB rules have occurred. Please call me at (312) 899-4687 if you have any questions.

Sincerely,

Dave Buchholz
Principal Examiner

Enclosure

cc: Yitzhok A. Fox

[Redacted]

Belvidere, IL [Redacted]

Via Certified (9414 7266 9904 2013 3847 45) and First Class Mail

Yitzhok A. Fox

[Redacted] e, Apt. [Redacted]

Citrus Heights, CA [Redacted]

Via Certified (9414 7266 9904 2023 7322 15) and First Class Mail

June 13, 2016

Via Certified (No. 9314869904300023988860)(9314869904300023988945)(9314869904300023989034)
(9314869904300023989133)(9314869904300023989423) and First Class Mail

Yosef Yehuda Fox
[REDACTED]
Chicago, IL [REDACTED]

Yosef Yehuda Fox
[REDACTED]
Los Angeles, CA [REDACTED]

Yosef Yehuda Fox
[REDACTED]
Los Angeles, CA [REDACTED]

Yosef Yehuda Fox
[REDACTED]
Northbrook, IL [REDACTED]

Yosef Yehuda Fox
[REDACTED] . Apt. [REDACTED]
Chicago, IL [REDACTED]

Re: Suspension from Association with any FINRA Member (FINRA Rule 9552)
Yosef Yehuda Fox, CRD No. 2386001
Matter No. 20160485272-01

Dear Mr. Fox:

Please be advised that, pursuant to FINRA Rule 9552 and in accordance with FINRA's Notice of Suspension letter dated May 18, 2016 ("Notice of Suspension"), you were suspended on June 13, 2016, from associating with any FINRA member in any capacity.

Under FINRA Rule 9552(f), you may file a written Request for Termination of the Suspension on the grounds of full compliance with the Notice of Suspension. Such request must be filed with:

J. Bradley Bennett, Executive Vice President, Enforcement
c/o David Camuzo, Director
FINRA
Brookfield Place, 200 Liberty Street
New York, NY 10281

If you fail to request termination of the suspension within three (3) months of the date of the original Notice of Suspension, you will automatically be barred on **August 22, 2016** from associating with any FINRA member in any capacity. See FINRA Rule 9552(h).

Mr. Yosef Yehuda Fox
June 13, 2016
Page 2

If you have any questions, or if you would like another copy of the Notice of Suspension, please contact me at (646) 315-7317.

Very truly yours,

David Camuzo /js

David Camuzo
Director

cc: Richard A. March, Senior Regional Counsel
Yvette Panetta, District Director (District 7 – Boca Raton)



Financial Industry Regulatory Authority

August 22, 2016

Via Certified (Nos. 9314869904300025871900, 9314869904300025872112,
931486990430002587228, 9314869904300025872358, 9314869904300025872433)
and First Class Mail

Yosef Y. Fox

██████████
Chicago, IL ██████████

Yosef Y. Fox

8033 W. Sunset Blvd.
Los Angeles, CA 90046

Yosef Y. Fox

██████████ . Apt. ██████████
Chicago, IL ██████████

Yosef Y. Fox

██████████
Northbrook, IL ██████████

Yosef Y. Fox

2765 N. Scottsdale Rd. Suite 104
Scottsdale, AZ 85257

Re: Bar from Association with any FINRA member (FINRA Rule 9552)
Yosef Yehuda Fox, CRD No. 2386001
Matter No. 2016048527201

Dear Mr. Fox:

Please be advised that, pursuant to FINRA Rule 9552(h) and, in accordance with FINRA's Notice of Suspension letter dated May 18, 2016 and the Suspension from Association letter dated June 13, 2016, you were barred from associating with any FINRA member in any capacity on August 22, 2016.

If you seek to appeal this regulatory action to the U.S. Securities and Exchange Commission (SEC), you must file an application with the SEC at the address listed below. To comply with the SEC's rule regarding timeliness, you must file the application for review within thirty days of your receipt of this letter. Also, a copy of the application, as well as copies of all documents you file with the SEC in connection with this matter, must be sent to FINRA. The SEC and FINRA addresses are as follows:

Office of the Secretary
U.S. Securities and Exchange Commission
100 F Street, NE
Mail Stop 1090
Washington, DC 20549

Alan Lawhead, Esq.
Office of General Counsel
FINRA
1735 K Street, NW
Washington, DC 20006

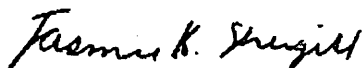
Any documents provided to the SEC via facsimile or overnight mail should also be provided to FINRA by similar means.

Yosef Yehuda Fox
August 22, 2016
Page 2

If you file an application for review with the SEC, the application must identify the FINRA case number and set forth in summary form a brief statement of alleged errors in the determination and the supporting reasons. You must also include an address where you may be served and phone number where you may be reached during business hours. If your address or phone number changes, you must advise the SEC and FINRA. Attorneys must file a notice of appearance.

Questions regarding the appeal process may be directed to the Office of the Secretary at the SEC. The phone number of that office is (202) 551-5400.

Very truly yours,



Jasmine K. Shergill
Senior Attorney

cc: Richard A. March, Senior Regional Counsel
Edward Wegener, Regional Director (District 8 – Chicago)

EXHIBIT 3



Joe Fox <jfox@sovestech.com>

RE: SEC Conference Call

1 message

Mark A. Stang <mstang@chuhak.com>

To: Joe Fox <jfox@sovestech.com>

Cc: "Joe Fox (jfox@dittoholdings.com)" <jfox@dittoholdings.com>, "Stuart Cohn (scohn@dittoholdings.com)" <scohn@dittoholdings.com>

Wed, Mar 18, 2015 at 11:42 AM

Joe:

Stu and I are standing by for your call.

BTW, Anne apologized, using that word.

Mark

From: Joe Fox [mailto:jfox@sovestech.com]

Sent: Wednesday, March 18, 2015 1:34 PM

To: Mark A. Stang

Cc: Joe Fox (jfox@dittoholdings.com); Stuart Cohn (scohn@dittoholdings.com)

Subject: Re: SEC Conference Call

Why did they mislead us on timing???

Joseph J. Fox

Chief Executive Officer

10250 Constellation Blvd.

23rd Floor

Los Angeles, CA 90067

(213) 489-1601

On Wed, Mar 18, 2015 at 11:31 AM, Mark A. Stang <mstang@chuhak.com> wrote:

Joe:

Still on the call with Anne and Jed. [REDACTED]

They will not send any offer from Mandel, Ditto, and Fox to DC until they are all in one package. Will send it without your offer only if you take the position you are going to litigate with the Commission. She says they do it this way to cut down on the # of questions from the Commission.

Still on the call, will call you as soon as done.

Mark



Joe Fox <jfox@sovestech.com>

Ditto Holdings, Inc. Offer

1 message

Stu Cohn <scohn@sovestech.com>
To: Joe Fox <jfox@dittoholdings.com>, "Mark A. Stang" <mstang@chuhak.com>

Tue, Feb 10, 2015 at 2:18 PM

Fyi.

From: Stu Cohn [mailto:scohn@sovestech.com]
Sent: Tuesday, February 10, 2015 3:02 PM
To: 'Forkner, Jedediah B.'
Cc: 'McKinley, Anne C.'
Subject: Ditto Holdings, Inc. Offer

Mr. Forkner-- Attached is the signed and notarized Offer of Ditto Holdings, Inc.

Sincerely,

Stu Cohn

Stuart A. Cohn
EVP/General Counsel
SoVesTech, Inc.
200 W. Monroe St.
Suite 1430
Chicago, IL 60606
(312) 263-8119 phone
(312) 263-8333 fax
scohn@sovestech.com

From: Forkner, Jedediah B. [mailto:ForknerJ@SEC.GOV]
Sent: Tuesday, February 10, 2015 8:37 AM
To: Stu Cohn
Cc: McKinley, Anne C.
Subject: RE: Ditto Holdings, Inc.

Thank you.

Jedediah B. Forkner
Senior Attorney
Division of Enforcement
U.S. Securities and Exchange Commission
175 West Jackson Boulevard, Suite 900
Chicago, IL 60604-2615
Ph: (312) 886-0883
Fax: (312) 353-7398

From: Stu Cohn [mailto:scohn@sovestech.com]
Sent: Monday, February 09, 2015 10:13 PM
To: Forkner, Jedediah B.
Cc: McKinley, Anne C.
Subject: Ditto Holdings, Inc.

Mr. Forkner-- As indicated, at my request, by Mr. Stang, the company is prepared to submit the signed Offer. Because the Offer requires notarization, I will take care of that and send you the signed, notarized Offer Tuesday.

We appreciate the SEC's concluding a company settlement independent of Mr. Fox's matter, and, also of importance to the company, your facilitating a global settlement of the outstanding matters affecting both Mr. Fox and the company.

Sincerely,

Stu Cohn

Stuart A. Cohn

EVP/General Counsel

SoVesTech, Inc.

200 W. Monroe St.

Suite 1430

Chicago, IL 60606

(312) 263-8119 phone

(312) 263-8333 fax

scohn@sovestech.com

From: Forkner, Jedediah B. [mailto:ForknerJ@SEC.GOV]

Sent: Tuesday, February 03, 2015 3:23 PM

To: Stu Cohn

Cc: McKinley, Anne C.

Subject: RE: Ditto Holdings, Inc.

Mr. Cohn:

We received your latest suggested edits and have made changes to the attached drafts of the Offer and Order. We trust that with these edits we now have reached an agreement that Ditto is willing to sign so that we can submit it to the Commission for approval.

We will send you a draft of any release before it is made public, but no release will be drafted unless and until a signed agreement is approved by the Commission. The release would be based on the facts recited in the Order. If you would like to review sample releases, you can find them on our public website (sec.gov).

Thanks,

Jed

Jedediah B. Forkner

Senior Attorney

Division of Enforcement

U.S. Securities and Exchange Commission

175 West Jackson Boulevard, Suite 900

Chicago, IL 60604-2615

Ph: (312) 886-0883

Fax: (312) 353-7398

From: Stu Cohn [mailto:scohn@sovestech.com]

Sent: Monday, February 02, 2015 4:42 PM

To: Forkner, Jedediah B.

Cc: McKinley, Anne C.

Subject: Ditto Holdings, Inc.

Mr. Forkner-- Please see the attached.

Thank you.

Stu Cohn

Stuart A. Cohn

EVP/General Counsel

SoVesTech, Inc.

200 W. Monroe St.

Suite 1430

Chicago, IL 60606

(312) 263-8119 phone

(312) 263-8333 fax

scohn@sovestech.com

From: Forkner, Jedediah B. [mailto:ForknerJ@SEC.GOV]
Sent: Thursday, January 29, 2015 1:54 PM
To: Stu Cohn
Cc: McKinley, Anne C.
Subject: RE: Ditto Holdings, Inc.

Mr. Cohn:

Attached are revised drafts of the Order and Offer for your review. We considered each of your suggested changes and made those changes that we felt were both appropriate and likely to be acceptable to the Commission. We discussed the reasons for which we are not making some of the changes during our call last week, and I have addressed several additional points below.

- As requested, we reached out to our Chief Counsel's Office in Washington to ask whether we could make the Violation recital explicitly subject to Section VI of the Order. We were told that we could not make that change. However, we don't view that change as being necessary to alleviate your concerns about the recitals being relied upon in other forums. In addition to the language in Section VI, Section III.B makes it clear that Ditto has consented to the Order "without admitting or denying the findings contained in the Order" and that the recitals are "solely for the purposes of these proceedings and any other proceedings brought by or on behalf of the Commission or in which the Commission is a party."
- We are not willing to add the suggested language regarding Jeremy Mann. For starters, it is Commission policy not to name individuals in an Order who are not being sued by the Commission. In addition, it appears that the suggested changes seek to place the blame for Ditto's violation directly on Mr. Mann's shoulders, which we believe to be both factually and legally unsupported.
- We did not change the language of the paragraph regarding the webinars and in-person meetings. We have evidence showing that Mr. Fox participated in at least three webinars and a handful of in-person meetings with Mr. Mandel.
- We attempted to reach a compromise on the language regarding the financial information provided by Ditto and the language regarding Mr. Mandel's role.

We now have gone through a series of edits at your request, and we consider the attached versions of the Offer and Order to be in final form. Please let us know whether the documents are acceptable to Ditto no later than next Wednesday, February 4, 2015. If we do not hear from you by then or if the documents are not deemed acceptable, then we will proceed towards initiating a litigated action.

Thanks,

Jed

Jedediah B. Forkner
Senior Attorney
Division of Enforcement
U.S. Securities and Exchange Commission

175 West Jackson Boulevard, Suite 900

Chicago, IL 60604-2615

Ph: (312) 886-0883

Fax: (312) 353-7398

From: Stu Cohn [mailto:scohn@sovestech.com]

Sent: Wednesday, January 28, 2015 9:24 PM

To: Forkner, Jedediah B.

Cc: McKinley, Anne C.

Subject: Ditto Holdings, Inc.

Dear Mr. Forkner-- Attached is a further revised Offer for Ditto Holdings. Because we are editing our own revised document, and we have already discussed additional revisions but an interim draft has not been circulated (at our request), I thought it best to use highlighting to set out this round of changes. As discussed, the premise of these edits is that if a story must be told, as a "speaking order", then it should be complete and accurate – which includes avoiding omissions which could potentially cause the recitals to give a mistaken impression.

Our changes are highlighted in yellow, and those places where you indicated that you would modify the prior language, and offered to furnish revisions, are highlighted in green.

Sincerely,

Stu Cohn

Stuart A. Cohn

EVP/General Counsel

SoVesTech, Inc.

200 W. Monroe St.

Suite 1430

Chicago, IL 60606

(312) 263-8119 phone

(312) 263-8333 fax

sohn@sovestech.com

 Ditto Holdings Offer of Settlement.pdf
769K

From: McKinley, Anne C. [mailto:McKinleyA@SEC.GOV]
Sent: Wednesday, February 25, 2015 4:32 PM
To: Mark A. Stang; Forkner, Jedediah B.
Subject: RE: SEC v. Joe Fox, Settlement Points

Hi Mark:

It may be difficult for either Jed or I to get on a call tonight. Could we talk tomorrow? The bottom line is that we aren't able to meet Mr. Fox's demands and need to move forward with a Wells notice (essentially an official notification that we are planning to recommend charges against him). The Wells notice doesn't mean that we are unwilling to reach a settlement agreement, but does set a clock ticking on filing a case and gives your client the opportunity to make a statement to the Commission on why an action may not be warranted.

Thanks,

Anne

Anne C. McKinley
Assistant Director, Division of Enforcement
U.S. Securities and Exchange Commission
Chicago Regional Office
175 West Jackson Boulevard, Suite 900
Chicago, IL 60604

From: Forkner, Jedediah B. [mailto:ForknerJ@SEC.GOV]
Sent: Monday, February 09, 2015 1:11 PM
To: Mark A. Stang; McKinley, Anne C.
Subject: RE: SEC v. Ditto and Fox -- Settlement (CONFIDENTIAL)

Mark:

We are available for a call at 3:30 this afternoon. Please let us know what number we should call.

Will the proposal include time out of the industry (and a "willful" violation) for Mr. Fox and disgorgement and penalty amounts along the lines of those we discussed late last year? If not, please let us know why you think it would be fruitful to continue discussing remedies.

Thanks,

Jed

Jedediah B. Forkner

Senior Attorney

Division of Enforcement

U.S. Securities and Exchange Commission

175 West Jackson Boulevard, Suite 900

Chicago, IL 60604-2615

Ph: (312) 886-0883

Fax: (312) 353-7398

From: Mark A. Stang [mailto:mstang@chuhak.com]

Sent: Monday, February 09, 2015 12:51 PM

To: Forkner, Jedediah B.; McKinley, Anne C.

Subject: SEC v. Ditto and Fox -- Settlement (CONFIDENTIAL)

Anne and Jed:

Would you be available at or after 2 p.m. for a t/c regarding a new global (not bifurcated) settlement proposal of all matters?

Please let me know.

Mark

Mark A. Stang

Chuhak & Tecson, P.C.

30 S. Wacker Drive

Suite 2600

Chicago, Illinois 60606-7413

(312) 855-5445

(312) 368-3877 (Fax)

mstang@chuhak.com



Joe Fox <jfox@sovestech.com>

FW: Ditto Holdings (C-08037) -- Joe Fox Offer and Order

1 message

Mark A. Stang <mstang@chuhak.com>

Fri, Feb 6, 2015 at 9:07 AM

To: "Joe Fox (jfox@dittoholdings.com)" <jfox@dittoholdings.com>, "Stuart Cohn (scohn@dittoholdings.com)" <scohn@dittoholdings.com>

From: Mark A. Stang

Sent: Friday, February 06, 2015 11:06 AM

To: 'Forkner, Jedediah B.'

Cc: McKinley, Anne C.

Subject: RE: Ditto Holdings (C-08037) -- Joe Fox Offer and Order

Jed:

I have reviewed the "Offer" you sent yesterday. (I have not reviewed the Order, but assume that it conforms to the "Offer.")

It would be an understatement to say that I am shocked and appalled by what you have sent me, especially with Ditto Holdings on the verge of entering into a stipulated Order (which requires Mr. Fox's approval) with the SEC and the context of our past dealings.

Rather than summarily terminate our discussions at this threshold, I am willing to have a conference call with both of you this afternoon, at a time of your choosing between 2 p.m. and 4 p.m., to explore whether this "Offer" was drafted in an attempt to destroy Mr. Fox's reputation "willfully," as clearly appears to be the case, or with some other less malignant motive.

Cordially,

Mark

Mark A. Stang

Chuhak & Tecson, P.C.

30 S. Wacker Drive

Suite 2600

Chicago, Illinois 60606-7413

(312) 855-5445

(312) 368-3877 (Fax)

mstang@chuhak.com

From: Forkner, Jedediah B. [mailto:ForknerJ@SEC.GOV]

Sent: Thursday, February 05, 2015 3:05 PM

To: Mark A. Stang

Cc: McKinley, Anne C.

Subject: RE: Ditto Holdings (C-08037) -- Joe Fox Offer and Order

Mark:

The draft Offer and Order for Mr. Fox are attached. Please review and let us know your comments.

Thanks,

Jed

Jedediah B. Forkner

Senior Attorney

Division of Enforcement

U.S. Securities and Exchange Commission

175 West Jackson Boulevard, Suite 900

Chicago, IL 60604-2615

Ph: (312) 886-0883

Fax: (312) 353-7398

From: Mark A. Stang [mailto:mstang@chuhak.com]
Sent: Thursday, February 05, 2015 2:26 PM
To: Forkner, Jedediah B.
Cc: McKinley, Anne C.
Subject: RE: Ditto Holdings (C-08037) -- Joe Fox Offer and Order

Jed,

I understand that the Ditto Holdings' Offer and Order are in final form, and will be executed after resolving certain questions about the SEC press release that will issue in connection with the Order.. Because the Ditto documents have been finalized, I request that you send me, per your email below, drafts of an Offer of Settlement and Order for Mr. Fox's consideration and review at your earliest possible convenience.

Thank you,

Mark

Mark A. Stang
Chuhak & Tecson, P.C.
30 S. Wacker Drive
Suite 2600
Chicago, Illinois 60606-7413
(312) 855-5445
(312) 368-3877 (Fax)
mstang@chuhak.com

From: Forkner, Jedediah B. [mailto:ForknerJ@SEC.GOV]
Sent: Wednesday, January 07, 2015 9:52 AM
To: Mark A. Stang
Cc: McKinley, Anne C.
Subject: Ditto Holdings (C-08037)

Mark:

I hope you enjoyed the holidays. I wanted to give you a quick update on the draft settlement documents for Joe Fox. As you know, we are working on finalizing the documents for Ditto Holdings. Since we would like the two orders to be consistent, we are planning to wait until the Ditto documents are completed before sending you a draft for Mr. Fox. We hope that we will be able to send you the drafts by next week.

Thanks,

Jed

Jedediah B. Forkner

Senior Attorney

Division of Enforcement

U.S. Securities and Exchange Commission

175 West Jackson Boulevard, Suite 900

Chicago, IL 60604-2615

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