DEEP ATS, LLC

3225 Smoky Ridge, Austin TX 78730

Phone: 512 585 4589 **Email: deepliquidity@gmail.com**

Vanessa A. Countryman
Securities and Exchange Commission
100 F St., NE Room 10915
Washington, DC 20549-1090

November 29, 2021

RE: Application of Deep ATS LLC for Review of Action taken by FINRA;
File No. 3 – 20362
New Material Development on Review

Dear Ms. Countryman,

Deep ATS, LLC (Deep) is seeking the BD license from FINRA to establish and operate an Alternative Trading System (ATS). Please add this letter and the attached to the file along with its attachments and consider its contents in rendering a decision on the dispute between FINRA and our company.

1. We oppose FINRA's request to remove anything from the record particularly the Congressional Letter. This letter gives color to Mr. Balabon as a good citizen.

2. Please add attached this letter to the record, it is material to the case because it demonstrates what measures FINRA will undergo to commit crimes against Mr. Balabon. All alleged illegal activity of FINRA occurred this year.

Respectfully Submitted

Deep ATS, LLC

November 29, 2021

Sam Balabon
3225 Smoky Ridge Road
Austin, TX 78730
deepliquidity@gmail.com
512-585-4589

TO: Mr. Gary Gensler - Chairman
Miss Hester M. Peirce - Commissioner
Mr. Elad L. Roisman - Commissioner
Miss Allison Herren Lee - Commissioner
Miss Caroline A. Crenshaw - Commissioner

Dear SEC Commission,

I want to report a felony committed by FINRA this year. I petition the Commission to take action against FINRA for this illegal activity. I also request the BD application for license (in dispute with FINRA) to be granted and the security licenses once held by Mr. Balabon and Mr. Puranik to be restored for another two years.

The following is a criminal act committed by FINRA against me (Mr. Balabon):

On September 21, 2021, two years after Mr. Balabon's last registration with a FINRA-regulated firm, all of his security licenses expired. On this date and going forward, FINRA had "zero" jurisdictional powers to command Mr. Balabon to do anything. While completely ignoring Mr. Balabon's unlicensed status, on October 7, 2021 in a formal letter to Mr. Balabon (without cause or any complaint from any third party) FINRA requested documents from Mr. Balabon regarding Mr. Balabon's involvement in a crypto company that occurred in late 2017 and early 2018. In their letter they stated:

> "*The purpose of this examination is to determine whether violations of the federal securities laws or FINRA or MSRB rules have occurred. In connection with our examination, and pursuant to FINRA Rule 8210, please provide the following documents and information via Request Manager, our secure document sharing system, no later than October 21, 2021."*

On November 11, 2021 in a formal letter to Mr. Balabon, FINRA stated that Mr. Balabon violated FINRA Rule 8210. In this letter FINRA also threatened to fine, ban him from the industry, and destroy his good name. In their letter they stated:

OS Received 11/30/2021

"On October 7, 2021, FINRA staff sent the enclosed letter to you pursuant to FINRA Rule 8210, requesting that you appear by videoconference over the Internet on November 9, 2021 at 10:00 AM Eastern Time for testimony. You failed to appear on this date and at this time and to date have not contacted FINRA staff regarding your testimony. As a result, you are in violation of FINRA Rule 8210."

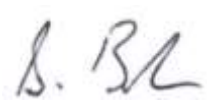
"If you fail to appear on the date scheduled for your testimony and do not obtain an agreement to reschedule your testimony, FINRA may commence against you an expedited or formal disciplinary proceeding that could lead to sanctions, including a bar from associating with any FINRA member in all capacities, suspension, censure and/or fine."

Attached are excerpts from FINRA letters, information off the Internet, and the last two letters from Mr. Balabon's firm to the SEC regarding Mr. Balabon's current dispute with FINRA. Also, prior letters to Congress and SEC to demonstrate Mr. Balabon's desire to improve our society.

FINRA has motive to harm Mr. Balabon as revenge for Mr. Balabon's complaints against them to various government parties, including a lawsuit filed against them.

In conclusion, FINRA knowingly committed fraud against Mr. Balabon by falsely representing that they had jurisdictional authority over him when they had none. They also threatened financial harm against Mr. Balabon under false pretenses. These are felony crimes under 18 U.S.C. 1001. This document, including its attachments, is a turn-key felony; nothing more is needed to prosecute. The criminal activity is already in writing by FINRA. Three votes from the SEC Commission ends FINRA's SRO license. Perhaps FINRA needs to go like Arthur Andersen. It would be a good thing for our younger generation and our society in general.

Sincerely,



Sam Balabon

www.finra.org/brokercheck

User Guidance

Registration and Employment History

After 09/2021 ALL of FINRA's jurisdictional powers over Mr. Balabon were terminated which includes all of Mr. Balabon's security licenses. 24 Months had lapsed.

Registration History

The broker previously was registered with the following firms:

Registration Dates	Firm Name	CRD#	Branch Location
B 01/2006 - 09/2019	OKCOIN SECURITIES LLC	136696	HOUSTON, TX
B 12/1997 - 09/1999	BARRON CHASE SECURITIES, INC.	18969	BOCA RATON, FL

Search results - deepliquidity@g × | Does FINRA Have Jurisdiction Ov × | +

bdlawcorner.com/2019/02/does-finra-have-jurisdiction-over-me/

Ulmer ATTORNEYS

How Long Does FINRA Have to Bring a Disciplinary Action?

Registered Persons

Under Article V, Section 4 of the FINRA By-Laws, FINRA retains jurisdiction over a registered person for purposes of filing a complaint (*i.e.*, bringing a disciplinary action) for two years after the effective date of the person's termination from the firm. Under the same Section, FINRA retains jurisdiction over a registered person for the purpose of requesting documents, information, and testimony under Rule 8210 for just about two years after the effective date of the person's termination. I wrote "just about two years" because, technically, FINRA can file a complaint against a registered person for not providing documents, information, and testimony requested within the two-year post-termination period, but the complaint needs to be filed within the same two-year period.

wklaw.com/federal-fraud-laws/

WALLIN & KLARICH
A LAW CORPORATION

ABOUT US ATTORNEYS CRIMES OFFICES PAYMENT PI

FINRA threatened to fine "unlicensed" Mr. Balabon while concealing the material fact that they no longer held "ANY" jurisdictional powers over "unlicensed" Mr. Balabon. This is a clear violation of 18 U.S.C. 1001 which is a felony.

Federal fraud law is defined under 18 U.S.C. § 1001[1] as knowingly and intentionally doing any of the following:

1. Falsifying, concealing, or covering up by any trick, scheme, or device a material fact;
2. Making any materially false, fictitious, or fraudulent statement or representation; or
3. Making or using any false writing or document knowing the same to contain any materially false, fictitious, or fraudulent statement or entry.

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FINRA committed a real crime not that anyone cares!!!

18 USC 1001 Penalty

Under 18 U.S.C. Section1001, the penalty for making false statements is a **maximum sentence of up to five years in prison**.

OS Received 11/30/2021

FINRA

This date is over 2 years after Mr. Balabon's last FINRA/SEC registration. A clear violation.

October 7, 2021

Sent Via First Class U.S. Mail; Certified Mail No.: 9314 8699 0430 0087 3885 35; and Request Manager: deepliquidity@gmail.com
Mr. Sam Balabon
7934 S. Wellington
Houston, TX 77055

and

Sent Via First Class U.S. Mail and Certified Mail No.: 9314 8699 0430 0087 3909 06
Mr. Sam Balabon
3225 Smoky Ridge Road
Austin, TX 78730

Re: FINRA Matter 20200674930

Dear Mr. Balabon:

FINRA's Member Supervision Department is conducting an examination with respect to outside business activities you participated in during your registration with OKCoin Securities LLC (f.k.a. Spot Quote LLC). The purpose of this examination is to determine whether violations of the federal securities laws or FINRA or MSRB rules have occurred.

In connection with our examination, and pursuant to FINRA Rule 8210, please provide the following documents and information via Request Manager, our secure document sharing system, no later than **October 21, 2021.**

OS Received 11/30/2021

FINRA

October 28, 2021

Sent Via First Class US Mail; Certified Mail No.: 9314 8699 0430 0088 2231 28
and Email: deepliquidity@gmail.com

Mr. Sam Balabon
7934 S. Wellington
Houston, TX 77055

and

Sent Via First Class US Mail and Certified Mail No.: 9314 8699 0430 0088 2242 55

Mr. Sam Balabon
3225 Smoky Ridge Road
Austin, TX 78730

This is not possible because Mr. Balabon held no security licenses. FINRA fraudulently misrepresents their jurisdictional powers over Mr. Balabon.

Re: FINRA Matter No. 20200674930

Dear Mr. Balabon:

On October 7, 2021, FINRA sent the enclosed letter to you pursuant to FINRA Rule 8210, requesting documents and information from you concerning the above-referenced matter. The letter dated October 21, 2021 sent by Ramesh Puranik purportedly on your behalf did not provide any of the documents and information requested in the October 7, 2021 request. Accordingly, to date, we have not received a full response, 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.

OS Received 11/30/2021

FINRA

November 11, 2021

Sent Via First Class US Mail; Certified Mail No.: 9314 8699 0430 0088 7029 75
and Electronic Mail: deepliquidity@gmail.com

Mr. Sam Balabon
7934 S. Wellington
Houston, TX 77055

Sent Via First Class US Mail and Certified Mail No.: 9314 8699 0430 0088 7030 33

Mr. Sam Balabon
3225 Smoky Ridge Road
Austin, TX 78730

Really... How is that going to happen! FINRA harrasses Mr. Balabon with fake/illegal threats to ruin his reputation and ban him from an industry.

Re: FINRA Matter No. 20200674930

Dear Mr. Balabon:

On October 7, 2021, FINRA staff sent the enclosed letter to you pursuant to FINRA Rule 8210, requesting that you appear by videoconference over the Internet on November 9, 2021 at 10:00 AM Eastern Time for testimony. You failed to appear on this date and at this time and to date have not contacted FINRA staff regarding your testimony. As a result, you are in violation of FINRA Rule 8210.

This correspondence serves as a second request for testimony pursuant to FINRA Rule 8210. FINRA staff requests that you appear by videoconference over the Internet for testimony on **November 29, 2021 at 10:00 AM Eastern Time**. You will connect to the videoconference using the following web address: https://finra.zoom.us/j/99977537549?pwd=N1N4Z2JvWlBqNFQyY2R2QkpBY0g2UT09. The password for the videoconference is: 161622. If you would like to receive a link to the videoconference by email, please provide me with an email address and the link will be emailed to you.

If you fail to appear on the date scheduled for your testimony and do not obtain an agreement to reschedule your testimony, FINRA may commence against you an expedited or formal disciplinary proceeding that could lead to sanctions, including a bar from associating with any FINRA member in all capacities, suspension, censure and/or fine.

OS Received 11/30/2021

DEEP ATS, LLC

3225 Smoky Ridge, Austin, TX 78730

Phone: 512-585-4589 Email: deepliquidity@gmail.com

November 2, 2021

Vanessa A. Countryman
Securities and Exchange Commission
100 F St. NE, Room 10915
Washington, DC 20549-1090

RE: Application of Deep ATS LLC for Review of Action taken by FINRA; File No. 3 – 20362
Submission of response to FINRA's Brief

Dear Ms. Countryman,

Deep ATS, LLC (Deep) is seeking the BD license from FINRA to establish and operate an Alternative Trading System (ATS).

Our response to FINRA's brief is as follows:

Attached are Deep's responses to all the information reports raised by FINRA.

On June 24, 2020 an interview was held, during which a working model of the ATS was demonstrated. FINRA staff did not voice their objections during their interview, but highlighted them in the denial letter. They did not pose a single question to Ramesh Puranik, on whom they later alleged a lack of experience.

FINRA did not finalize their decision within the mandated 180 days, but prompted Deep to seek additional time. Even after the deadlines expired, FINRA took more than a month to send the denial letter.

After the denial, Deep sought to appeal the decision. In the hearing held on February 12, 2021, the ruling authorities summoned each person involved in the processing of the application and asked repetitive questions on the information reports, during which each justified their actions. This was a kangaroo court where the judge and jury were pro-FINRA regardless of what they label it. It took close to a year. It was a TOTAL waste of time. This was imposed on our firm simply to stimmy our efforts.

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Deep submits that FINRA's dealings with the entire application process were arbitrary and pre-determined due to the previous issues Sam Balabon, the CEO, had with FINRA.

Main objections of FINRA in their brief

1. *Deep ATS' Membership Interview:*

   At its membership interview, and in subsequent correspondence, Deep ATS offered to "hand over all the patents…and all technology already built to FINRA for a 3% royalty…"
   Sam Balabon, as a businessman, may utilize any lawful opportunity for gains. Therefore, he commented that if FINRA is interested in the technology he might pass it on for a royalty. This should not be construed as a lack of intention to carry out the business; this is simply conjecture.

2. *Member Supervision Discovers Balabon's Undisclosed Business Activity*.

   Sam Balabon as a businessman has started many ventures and has closed them when they were not found viable. This particular firm in question, Moentum, occurred years prior to the application period. Sam Balabon wrote the SEC Chairman personally to seek guidance on cryptocurrency. Deep did not have any intention to hide facts as is FINRA's claim.

3. *Concerns about Deep's ability to comply with federal securities laws*.

   Sam Balabon had operated a BD under the same name for more than 10 years and did not encounter any such concerns with compliance. Sam Balabon and Ramesh Puranik have the required Series 24 license. Moreover, in 2016, FINRA approved the application to sell private placements — which shows FINRA did not notice any objectionable behavior or inability to deal with compliance. It was also submitted by Deep that if activities became complex, suitable personnel would be hired to monitor the necessary compliance. As Deep would not be involved in business immediately, it was felt that Sam Balabon with his expertise gained from the earlier BD can deal with the required compliance procedures effectively. In addition, for a startup with no foreseeable business activity in the near future, it does not make sense to appoint experienced staff at a great cost.

   FINRA quotes several rules in this matter to justify their decision.

4. *Investment Banking Executive did not have Series 79 license.*

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It is true that Ramesh Puranik, the proposed investment bank executive could not obtain a Series 79 license, but FINRA could have approved the BD without investment banking activity instead of denying the entire BD application.

5. *Deep did not establish all contractual and other business relationships.*

   It was clearly demonstrated that Deep had the letters of in principle agreement/intent from the clearing firm, electronic storage vendors, auditors, and Fidelity Bond. However, FINRA insists that working contracts should be signed — which is only possible after obtaining the BD license.

6. *Deep failed to have a supervisory system*.

   FINRA arbitrarily decided that the resume of Ramesh Puranik does not satisfy the abilities required for supervision under the law. Deep does not understand what type of experience FINRA is looking for.

7. *Deep may evade or otherwise compliance with federal laws.*
   This is purely arbitrary and has no evidence. Just the fact that Sam Balabon failed to disclose Moentum does not make him a person with dubious intentions. Enough reasons and explanations have been provided as to why the disclosure was not made.

8. *Sam Balabon failed to obtain Series 57 license.*

   It was explained by Deep that in accordance with FINRA rules, Series 57 is required for Trader Principal; however, Deep will not have trading activity for customers or for itself. The Series 24 license held by Sam Balabon is sufficient to supervise the market-making activities of the ATS.

9. *A firm must be ready to be fully operational for an NMA to be granted.*

   This is a new objection, which was absent in the letter of denial and additional correspondence as well as in the hearing.

10. *Deep did not ask for immediate decision after 180 days.*

    It was at FINRA's insistence that Deep made the requests for additional time. Now FINRA is trying to use the failure of the firm to seek an

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immediate decision as a ground to justify their denial which demonstrates the opportunistic and high-handed attitude of FINRA.

11. *FINRA quotes many rules and claims Deep's appeal is unsubstantial.*

    It is easy for one in authority to quote many rules to justify their actions, but for the victim (Deep) the only recourse is to seek justice from an impartial body such as the SEC.

Deep respectfully submits that the SEC should review this matter and instruct FINRA to approve the NMA.

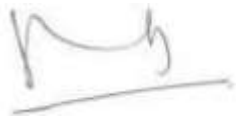
Sam Balabon's efforts to reform FINRA and the security markets in general and FINRA's own rule breaking like the 180-day BD application breach should be considered. The SEC should not sweep FINRA's failings under the rug. FINRA should be punished like they punish the people who engage with them by forcing them into a type of complexity that is unfair in so many ways.

Some of Sam Balabon's accomplishments in the field:

1. Inventor of the D-Limit order type of IEX.
2. Alerted the SEC in a letter of what occurs during margin calls of big accounts.
3. Alerting the SEC on how to audit wholesalers like Citadel.
4. Alerting the SEC that it is wrong to allow FINRA to fine BDs as a way to line their own pockets.
5. Alerting the SEC that the whole BD concept is that they must underwrite 100 percent of their product when they only charge a small percentage. Worse, they allow FINRA to be the judge and jury for any disputes.
6. Showing the SEC how FINRA could be completely rebuilt for the people and not for itself (trading system outlined in congressional letter).

Sam Balabon has devoted his life for many years to society for the Deep Liquidity project. If the SEC rules in favor of FINRA, this will end Sam Balabon's efforts to reform the security markets.

Respectfully submitted,



Ramesh Puranik
Deep ATS LLC

DEEP ATS, LLC
3225 Smoky Ridge, Austin TX 78730
Phone: 512 565 4589 email: deepliquidity@gmail.com

Vanessa A. Countryman
Securities and Exchange Commission
100 F St., NE
Room 10915
Washington, DC 20549-1090

RE:

Application of Deep ATS LLC for Review of Action taken by FINRA ;
File No. 3 – 20362
Submission of Brief

Dear Ms. Countryman,

Deep ATS, LLC (the firm) was set up by Sam Balabon, who has invented a unique trading platform to execute large orders with minimal effect on prices.

He also holds patents on different trading techniques which enable institutional and large investors to execute trades overcoming the manipulations of market makers. He has developed a working model of the technology; however, to adopt it into an ATS, a large investment is required. Sam Balabon has raised about $3 million from several investors and has built the skeleton of the platform. It is estimated that more than $25 million is required to build and operate an ATS. Other than filing for a formal U.S. stock exchange license, the only way to launch an ATS is by obtaining a broker dealer license from FINRA. In order to raise funds, investors require current approvals from regulators. FINRA is the regulator that controls the issuance of broker dealer licenses, which are a prerequisite to an SEC ATS license.

Sam Balabon owned a broker dealer firm with the same name earlier, which was maintained by him for more than 10 years and was sold in 2019. Sam Balabon and Ramesh Puranik were the principals of this firm and have the knowledge and experience to manage all the operations of a broker dealer firm. FINRA alleges that Mr. Balabon did not disclose on his U4 in his involvement in a utility crypto coin offering in 2018, which they constitute as a breach of FINRA Rule 3270. At the time the broker dealer where Mr. Balabon's licenses were held was deemed dormant by its own auditors. The firm never had any clients and thus it would have been impossible for Rule 3270 to have any effect in protecting the general public. Its sole purpose is to deal with conflicts of interest between broker dealer

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employees and their clients. Without a "purpose", the use of the Rule is unconstitutional (illegal). Attempting to enforce Rule 3270 without the prerequisite to protect the public is a clear violation of the Fourth Amendment to the U.S. Constitution, which protects people from unreasonable searches and seizures by the government. Outside of that argument, Mr. Balabon did alert SEC Chairman Mr. Jay Clayton in regard to this offering on January 29, 2018.This led to at least a 40-minute phone call with two SEC attorneys from the Fort Worth SEC office. The topic of the call was what differentiated a utility token from a security token. After the call and full disclosure of the offering to the SEC, no action was taken by the SEC.

The Commission should give credence to Mr. Balabon's contributions to the securities industry through his inventions. Mr. Balabon invented and patented a complete trading system that allowed the largest sized orders to be publicly displayed without fear of being front-runned or gamed. In other words, Mr. Balabon theorized if liquidity could defend itself when it entered the market, all sizes of orders could be displayed. Currently, penny jumping still occurs where one trader with a larger order gets gamed by a trader with the smaller order that slightly improves the price. This phenomenon keeps our markets from displaying an accurate view of the liquidity itself in any financial instrument. James Angel, a professor at Georgetown University, told Mr. Balabon, "You solved the institutional trading problem."Included in this disclosure is a description of the trading system which was once an SEC ATS license.

Mr. Balabon went after FINRA because they broke the law in their dealings with him. Mr. Balabon sued FINRA in federal court. The suit was thrown out on a technical error. The appellate court stated that Mr. Balabon should have added more language that supported FINRA's defense. Mr. Balabon felt that the outcome was outrageous. He also wrote a letter to the Financial Services Committee of the House of Representatives. Mr. Balabon was told by a Congressional aide that his letter was printed in hard copy and hand delivered to committee members' Congressional mail boxes. Both the lawsuit and the letter have been included in this disclosure. It is in FINRA's interest to deny Mr. Balabon's broker dealer application. Mr. Balabon has also drafted a new complaint against FINRA regarding this very case, which is part of this disclosure.

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During the years Mr. Balabon promoted the technology, he met with Goldman Sachs three times, Citadel two times, and Virtu two times. All these meeting occurred at the main offices of these firms. Looking back, these firms' only interest was if Mr. Balabon's technology ever got launched, they wanted to be part of it. Outside of that, the technology was so disruptive to their business models they did not want to touch it. Remember, Mr. Balabon was promoting that stock exchanges/ATSs/wholesalers/HFTs were not necessary. Stock trading itself could be hijacked by the posters of liquidity. Liquidity itself and the dealers behind it could rule equity trading markets as well as other electronically traded markets and forever rip it away from the intermediaries. Who benefits if this occurred? The investors! Why? Because all the nonsense that is allowed in the markets today would be halted by a superior electronic marketplace built for investors where the end game is zero, supply would always rub against demand, and only those who took on risk could participate. Currently, there are intermediaries that are risk-free participants whose market actions harm the integrity of the markets particularly when markets are under selling pressure.

The markets are totally corrupt now and fully controlled by the intermediaries. Wholesaling is a total joke; they pick through orders that have edge (generally smaller orders) and throw all the toxic orders (generally larger orders) into the exchanges. They get in front of the selling and get in front of the buying which makes markets more volatile. Penny jumping simply puts additional costs on orders of size. The worst of all is margin call front running. Once the word gets out that a big account is going to be liquidated, massive selling of names in these accounts commences before any selling from the actual accounts occurs. Wiping out margin in the market by margin call selling is truly disastrous to the markets; it is the inertia that propels stock market crashes. How is it possible that oil traded negative? This is a perfect example of broken electronic markets run by intermediaries.

FINRA is totally clueless regarding Mr. Balabon's inventions and their benefits to society. Their whole gig is to enforce a rigid system of rules that were designed in the 1960s that could be run by an app on a phone in current times. They could not be any more anal about it than they are because their livelihoods depend on keeping the old rules in place. FINRA's mission is self-preservation, which is a conflict of interest with the general public's interests. Mr. Balabon sees FINRA as a nemesis to capital formation, which enforces the inequality between the old

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and the young people of our country. Mr. Balabon believes his project failed to raise enough capital to launch operations because he could not get broker dealers to sell the project's securities due to FINRA not allowing a marketplace for them. However, he has not given up — so please let his efforts continue. We need reform.

The current system does not allow broker dealers to distribute shares of start-up companies because if the deals go bad, FINRA will make the firms pay 100% to them up to 100% of the loss of the investor. Broker dealers only take a small percentage of these deals for themselves, but must underwrite 100% of their losses. Due to this phenomenon that FINRA enforces, capital formation for small business does not exist in a practical sense in our nation. No other industry forces "dealers" of goods and services to underwrite 100% of the money obtained for the goods and services. The result? No money for start-ups through FINRA-regulated broker dealers. Protect the investor is FINRA's motto. I guess if you eliminate a whole line of products from investors, yes, they won't be harmed—but they won't benefit either. It is really messed up thinking. It is truly tragic to the youth of our society who need new forms of financing other than debt to start their businesses.

FINRA accepts money to go away, no matter how many rules a broker dealer breaks. Robin hood broke multiple FINRA Rules. They gave FINRA, a nice fat check of $50M (outrageous) and all was fine. It was just a shameful payoff nothing more.

On December 6, 2019, Mr. Balabon's firm submitted their initial application (NMA) to FINRA. In addition to ATS operation, investment banking and private placement activities were part of the application. Ramesh Puranik, who has worked in a bank and a venture capital firm, was proposed to manage the investment banking activities. In light of the 180-day deadline, it was expected that FINRA would finalize the application by June 6, 2020.

During this period FINRA raised three sets of questions, which were answered by the firm. On June 4, 2020, FINRA asked for a 45-day extension because the approval process was not complete. During a June 24, 2020 interview, Mr. Balabon demonstrated the working model of the trading platform. FINRA representatives did not ask many questions, nor did they address Mr. Puranik.

On July 17, 2020, a fourth set of questions were sent along with a 30-day extension. The deadline was now August 19, 2020 — but even after the date, there was a long silence from FINRA. Ultimately, they denied the membership on September 22, 2020.

The reasons given for the denial included: the platform is rudimentary; Mr. Balabon's intentions to conduct business are in question; Mr. Balabon has not fully disclosed the activities of associate companies; Mr. Puranik does not have the required qualifications and experience for running investment banking; and the firm has not engaged an auditor, a clearing firm, a data warehouse, or obtained a fidelity bond.

The firm appealed the denial. A hearing was held on February 12, 2021, during which FINRA representatives justified their reasons for denial and the firm was given very little time to offer their side of the story. The appellate (another part of FINRA) upheld the denial.

The firm contends that from the beginning, FINRA had no intention to approve the membership of the firm as payback for Mr. Balabon suing them in federal court. In this pursuit, FINRA broke federal law by delaying their decision to decline the broker dealer application past the 180-day deadline. If the reasons for denial were genuine concerns, FINRA should have been able to conduct their work within the scope of 180-day window as prescribed by federal law, which they failed to do.

The firm submits to the Commission that the ATS sole purpose is to reduce the slippage associated with trading large blocks of stocks, which help institutional investors such as pension funds and mutual funds (small investors). The firm is a small independent firm. Does the SEC support such firms? The firm is trying to help investors reduce trading costs. Does the SEC support such efforts? Mr. Balabon has complained extensively to many parties about FINRA, including multiple SEC Commissioners. Please review these letters; I am sure they are on file. Should the SEC grant FINRA the power to deny broker dealer applications to people they don't like? People with over 10 years of experience in the industry and have never been sanctioned for bad behavior (Mr. Balabon has 831 FICA score 09/13/21)? These are the questions before the SEC.

DEEP ATS, LLC
3225 Smoky Ridge, Austin TX 78730
Phone: 512 565 4589 email: deepliquidity@gmail.com

Without regulatory approval, the firm is unable to raise capital to launch ATS. The firm has already obtained letters of intent from an auditor, a clearing firm, a data storage vendor, and a fidelity bond. Sam Balabon and Ramesh Puranik already have Series 24 principal licenses and no business activity is envisioned in the near future. The firm has arranged financing to meet the running expenses from the parent company.

The firm respectfully requests that the Commission overrule FINRA's decision and direct FINRA to approve the membership.

Respectfully submitted,

Ramesh Puranik

Deep ATS LLC

September 20, 2021

Attachments

1. Letter to Financial Services Committee
2. Terminated Lawsuit against FINRA
3. Expired ATS Registration
4. Draft Lawsuit against Finra

APPENDIX 1

LETTER TO FINANCIAL SERVICES COMMITTEE

Sam Balabon, CEO Spot Quote Holdings, Inc.
3225 Smoky Ridge Road, Austin, TX 78730
sam.balabon@spotquoting.com 512 585 4589

May 25, 2017

Financial Services Committee
U.S. House of Representatives
2129 Rayburn HOB
Washington, DC 20515

Dear Committee Member,

My name is Sam Balabon. I am a white male 53-year-old Christian, chronic migraine sufferer and entrepreneur raised in Iowa with some college never graduated. I also believe I receive insight from Heaven. My gift allows me to see truth through false narratives that are promulgated in our society.

I request that your Committee have hearings on the abuses of Financial Industry Regulatory Authority ("FINRA"). My Firm is suing FINRA in Federal Court (lawsuit attached). The lawsuit claims senior FINRA Management along with their CEO committed felonies against my Companies.

I am also outlining four inventions of mine, designed to improve our society, I give them freely to your committee to help the people of the United States of America:

A. **Tradable Securities Invention** - a new type of tradable security for small businesses.

B. **Capital Loss Multiplier Tax Invention** - a new way to stimulate the U.S. economy.

C. **Identify People Invention** - a new way for people to identify themselves and notarize documents online.

D. **Personal Government Web Page Invention** - a new Government service that helps citizens establish themselves in business.

I would suggest that these innovations and laws supporting them be immediately implemented.

I design and build machines for human communications. Here are some links to my business/inventions that I have been pursuing for over ten years. I have never been able to raise enough capital to take these innovations to market. I never give up trying. I embrace the struggle.

My Company PowerPoint and PPM (attached)
Personal Introduction (video): **http://www.spotquoting.com/sam-balabon.html**
On Demand Stock Market (video): **http://www.spotquoting.com/spot-call-market.html**
Hide Side Order Type (video): **http://www.spotquoting.com/hide-side-order.html**
Dealer Order Type (video): **http://www.spotquoting.com/one-cent-market.html**
Patent Portfolio: **http://www.spotquoting.com/patents.html**

Spot Quote

Sam Balabon, CEO Spot Quote Holdings, Inc.
3225 Smoky Ridge Road, Austin, TX 78730
sam.balabon@spotquoting.com 512 585 4589

Please also give me a moment of your time to outline some of the problems we face as a nation.

How FINRA Harms the U.S. Economy

I would argue that it is time to close FINRA because it is simply a relic from Congress's knee jerk reaction to the 1929 Stock Market Crash in a time before computers, internet websites and smartphones. The laws that were approved in the 1930s all but closed the door for small companies to raise money by selling their own stock. We simply need to move on from all the laws based on paper documents to new laws based on the internet.

The ways in which FINRA regulates its members are simply obsolete. Let me give you an analogy:

In the 1930s, the French built the Maginot Line. At the time the French Government believed that fixed fortifications were the cornerstone of national defense. There were intellectuals at the time who believed that the time of fixed fortifications had passed and the new form of warfare would be moving war machines. We all know which one won out.

FINRA focuses on regulating broker-dealers, the fixed fortifications in my analogy. A broker-dealer is not a product. No one cares where investment products originate as long as the products are good. A 12-year-old could sell me a share of Facebook and yet what I bought is still a share of Facebook; it is no different than if I bought the same stock from Goldman Sachs. What Investors care about are the verifiable facts contained in an investment proposal and if the business plan makes sense. FINRA as a regulator does nothing of the sort. What it does do is restrict capital formation by forcing FINRA Rules on broker-dealers. Rules that originated before the internet and are now obsolete.

The future role of the regulator is validating the truthfulness of information, not where the information originates. The role of the regulator in the future will be authenticating facts presented in financial instruments and regulating the "movement of capital" from investors to investments.

The procedural aspects of running a broker-dealer based on FINRA Rules are obsolete, because a website can do a much better job. It just does not matter who the distributor is anymore. What matters is the representations made in investment products that are sold. Are they true or not?

At this point FINRA is an organization that harasses all small brokerage firms through complexity, bullying and dishonesty. The organization provides society zero benefit and hinders the capital formation of small businesses. Their exams and qualifications to sell securities are absurd. Please have your committee subpoena the latest exam I took, and you will know what I am talking about once you see it. I have also attached two correspondence letters from FINRA that demonstrate what is involved when an "existing FINRA broker dealer" seeks permission from FINRA to sell private placements. The documents are cryptic nonsense that have no application in the real world other than heavy handed regulation. This also illustrates a form of intimidation and bullying by FINRA against its members. Perhaps in the 1930s FINRA's

Sam Balabon, CEO Spot Quote Holdings, Inc.
3225 Smoky Ridge Road, Austin, TX 78730
sam.balabon@spotquoting.com 512 585 4589

existence made sense to deal with the stock market crash, but at this point they are only an impediment to economic development. FINRA is a drain on society and do not protect investors as they claim. They audited Bernie Madoff's books and records for over a decade and found nothing. We all know how that ended. It is not simply the abuse that they impose on their members; their reputation is so bad that many good people are dissuaded from the security industry altogether.

Our regulators "force" a certain way securities can be generated and distributed. Now the regulators need to take a new course. Instead of focusing on the generation and sale of securities, at which the internet can do a much better job, they need to focus on validation of facts presented in the securities. Our investment public needs to know if a company that is raising money represents something that is indeed true. The future role of the regulator is to validate facts contained in securities, not the distribution of securities.

The Older Generation is Hoarding our Society's Wealth

The problem is the older generation of our society is "hoarding" our society's wealth and not transferring enough of it to our more productive younger generation. Society is efficient in transferring capital from the old to the young as it relates to education, but not economic development. If this transfer could be accelerated, the economy will grow faster.

The Security Acts of 1933 and 1934 were basically government hijacking the creation and issuance of securities for small businesses. Now with the internet, we can do things that could never have been imagined in the 1930s. The government's over regulation of the security industry for small businesses has resulted in a society of debtors and owners. Do we want our small businesses to be laden with debt, or would we prefer them to be owners with investors risking capital to further their businesses?

"Owning" is the American Dream, not being a debtor. We need new incentives to encourage our older generation to invest their money into businesses started by our young people. We now live in an internet-centered society in which the older generation adds very little value. This is even more reason to come up with new vehicles that assist in the transfer of wealth from the old to the young. As society becomes more information based, the best young minds need capital to pursue their innovations. Current financing methods that involve the sale of securities with rules developed in the 1930s are for the most part inoperable compared to what modern methods could offer through leveraging the internet and all the information technologies wrapped around it.

For most young people, the only way to obtain financing for their new businesses is going into debt using their credit cards. Loans are the vehicle of choice for financing small businesses, because the rules regarding the issuance and trading of securities are broken. Debt financing has an opposite effect of that of equity financing. Debt is basically large banks arbitraging cheap money they get from the government against very high interest rates they can loan it out at. This takes money from our young generation in the form of interest payments and gives it to our older generation through bank dividend payments.

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3225 Smoky Ridge Road, Austin, TX 78730
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Equity financing on the other hand transfers capital directly from the older generation to the younger generation. Think of debt like a leach that continually draws life from its host and equity financing is like economic food. In general debt financing tax our young and equity financing enrich our young.

In my opinion, the current system stifles at least 95% of capital formation for small businesses through the sale of securities that otherwise could occur if we had a new set of rules to govern the issuance and trading of securities to replace both the 1933 and 1934 Security Acts. The system is so broken; it is easier to buy lottery tickets than it is to buy securities in a local restaurant. You would think the government would require the pre-qualification of buyers of lottery tickets like they do with private placements. Instead of dissecting the old laws of the 1930s, we should simply create new laws. People are free to lose their money in so many ways and yet they are restricted on giving money to startups. That is insanity!

Tradable Securities Invention

What is a security? It essentially is a promise to share profits and ownership of a venture. How about we give the internet a new task? Make it a government stone and allow anyone to chisel their promises into it under risk of prosecution if they lie. It will stay on the stone forever like SEC's Edgar. I will provide a basic layout for such a system that will need new laws to support it. There are multiple new ideas contained in this invention. Whole or in part, they are all improvements to the current status quo.

I would suggest a federal website for the creation of a new form of securities which would be exempt from the 1933 and 1934 Security Acts.

A. Users will create profiles describing the opportunity and what assets, if any, will be included in the profile. The profile will become a new security.
B. Users will be able to freely advertise their opportunity to the public.
C. Users will select the number of ownership shares of the project that that they want to issue.
D. Shares are freely tradable, provided that the trades take place on the government website. That means buyer and seller agree to a price and a number of shares for a trade on the website. The website's bank will receive funds from the buyer and deposit funds into the seller's account after a one week delay. The delay allows the government to review all transactions and parties participating in transactions.
E. Allow an option for investors to remain anonymous. They will still identify themselves to the government, but not to the project owner they are investing in. This adds an additional incentive for the rich to invest their money into small businesses. It needs to be set up in such a way that the investors do not have to engage with the businesses they invest in. In general, the rich do not want anything that further complicates their lives; however, they might be willing to invest their money into small business startups if they could remain anonymous.
F. The site will offer an email server so entrepreneurs can communicate directly with investors.
G. 10% Rule on Finder's Fees. Make a rule that issuers will be able to pay anyone up to 10% of the price of the securities for introductions to investors that result in investments. Shouldn't workers

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of the rich or anyone be able to profit if they run into an opportunity that helps someone who seeks to invest? In most cases, the 1930s laws prevent any form of payment for introductions other than through SEC/FINRA licensed brokers.

H. 10% Rule on Net Worth. Make an overall rule that regardless of net worth, a cap of 10% of net worth can be allocated to investments on the site. The investor will state if he meets the minimum requirement under fraud statutes perhaps. Also, investors will be allowed to use the County-assessed value of their homes minus mortgage balances as part of the calculation of net worth.

New laws will need to be passed to support the site. The key to this is to open it up with the least amount of rules as possible because it creates a new way to generate and trade securities which is untested. Run it for a while, identify weaknesses and make rules to deal with the weaknesses rather than relying on old laws. The SEC, perhaps even FINRA, could run the website. Don't riddle it with rules. For your own information, the Job's Act Reg. 506C Exemption was "gutted" when the requirement was put in the law that investors could not simply state they were accredited investors but had to prove to the entrepreneur that they were in fact accredited. Most investors will not do that. Try asking a "stranger" about their net worth and see what type of response you receive.

This invention provides a new economic tool that young entrepreneurs can use to attract "venture" capital to their startups. Shouldn't we deregulate this part of our economy to encourage greater capital flows to our young people and anyone else aspiring to start a new business?

The injustice is right before our eyes. Big banks borrow money from the government at virtually zero interest rates and loan it out as high as 25% annual interest or more to our young people. This harms our young people, and creates a society of debtors and owners.

You can't blame the older generation. There just are not enough incentives for them to part with their money to the younger "more productive" generation. Let me provide a solution to shake some money out of the rich peoples' pockets and put it into U.S. small businesses.

Capital Loss Multiplier Tax Invention

This is a tool to incent the very rich who derive their income from capital gains. How can we get the billionaires to put some of their wealth back into the economy?

Answer: Provide a tax incentive that reduces the risk to invest capital in new companies, but at the same time the Congressional Budget Office scores the cost of the law—perhaps at zero.

Nuts? Not so fast. The key to any tax incentive is to get the biggest bang out of it at the least cost to the government. Why not give a tax incentive that can only be cashed in years down the road and only if a specific event occurs? A tax incentive that encourages the rich to willingly give their money to startups and existing small businesses as "investors" not "creditors." Turn the spigot on to flow capital into the

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private sector at no cost to the government, at least in the onset years. I believe that my proposed tax policy can generate more than enough economic activity on the front end to pay for itself on the backend when reduction in tax receipts could occur.

I propose a new capital loss multiplier to be added to Schedule D of IRS 1040 Tax Return. This would allow an Investor to multiply the loss from a bad investment by a designated multiplier greater than one to offset their current capital gains, if any, or carry forward the "expanded" loss into subsequent years to be used as a tax deduction against capital gains income. This will reduce investor risk of loss. Why not make it for specific types of investments that generate the greatest amount of economic activity?

Example: An investor invests $100,000 into a start-up bicycle factory, and after 6 years the bicycle factory goes broke. Under current law, the investor will have $100,000 capital loss that he can use to offset his capital gains made 6 years later. I am suggesting that we introduce a multiplier to this number to increase the loss in year 6 to perhaps $125,000 (1.25*100,000) or even $200,000 (2*100,000).

Currently, losses are treated on a whole basis and only the actual loss can be deducted. A multiplier greater than one could encourage investors to invest by reducing the possible total loss associated with the investment. Capital gains tax laws need to be reformed. Right now, all capital gains are basically treated equally. An investor who buys and holds a parcel of land over a 5-year period enjoys the same capital gain tax rate as an investor who builds a bicycle factory and ends up employing 20 people. This is just wrong. A simple solution would be to tier capital gain tax rates against the estimated economic activity anticipated. Another solution is the tax deduction derived from the capital loss multiplier, or perhaps a combination of both could be deployed.

This adds an incentive to get investors to invest their money into projects like a bicycle factory. The incentives provided by the government are paid out in the out years, resulting in a reduction in tax collections years down the road—if at all.

Suggested levels of the Multiplier:

250% - $50,000 or Less

200% - $50,000 to $1,000,000

150% - $1,000,000 to $100,000,000

Example: An investor invests $50,000 into a startup in 2016. The startup fails in 2019. In 2020, when the investor does his taxes for 2019, he is able to write off $50,000 x 2.5 = $125,000 providing he has offsetting capital gains that occurred in 2019.

We manipulate capital losses to drive investor behavior. It artificially inflates capital losses to encourage investors to take more risk.

Sam Balabon, CEO Spot Quote Holdings, Inc.
3225 Smoky Ridge Road, Austin, TX 78730
sam.balabon@spotquoting.com 512 585 4589

Giving unique capital gains rates based on anticipated economic activity makes our tax system more efficient. It allows the government to take a more granular view of the investments its citizens make, and at the same time provides preferential treatment for investors willing to underwrite businesses that stimulate the greatest amount of economic activity. If we can get more money flowing into new businesses, we are truly investing in R&D for our Nation as a whole.
There are offshoots of this idea:

A. Use the multiplier like the Federal Reserve uses interest rates. Expand/contract the multiplier to manage economy.

B. It could also be used progressively. What if investments totaling $10,000 or less receive a 400% multiplier? Rich people would be writing checks left and right to needy entrepreneurs striving for the American Dream. Of course the rich would organize it in such a way to push money to the most productive people. The internet is very good at disclosing and sorting opportunities.

C. You could auction this incentive out. What would a 400 percent multiplier be worth in today's money? Let's say for a commitment to invest $1,000,000 in 12 months. The government could make money at the same time while they build sideline money up to stimulate the economy later.

Identify People Invention

The following is a new way to identify people that can be used across the board to improve our Nation's security. The method can also be used to replace the outdated notary system.

Step 1: User goes to a government website, and presses the button on the screen to create a one-time notary profile.

Step 2: The document that needs to be notarized, along with the driver's license of the signer, are uploaded to the government website. The images are examined by software for quality (resolution and completeness).

Step 3: After the quality check, the government website issues a simple 5 or 6 digit code that is displayed to the user.

Step 4: The user then presses a button on the website to begin shooting video of the user looking into their laptop or smartphone, stating their full name and the government-generated code.

Step 5: The website checks the quality of video to determine there is a person talking and that the resolution of the video is adequate. Voice recognition software also compares the code given to the code verbalized by the user.

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Step 6: Once Step 5 is validated, the website issues a second code. This code is given to the user to write down and placed next to his signature on the document. Anyone with this code can go to the government website to view images of the document submitted, driver's license and the user's video.

Personal Government Web Page Invention

People need a new way to establish themselves in society. There is so much fake stuff on the internet; no one knows who to trust anymore. People need a state identity like they have their Social Security Number, credit score, passport and driver's license—they need a new way to show they are a credible person to do business with.

I suggest that every American should have the right to build a web page on a "government" website. This web page may be private or public. What makes it different is that anything posted on it must go through a government validation process and is then posted on a government website. Different items could be posted on it such as driver's license, passport, title to a vehicle, deed to property, stock ownership, bank account information, etc. The postings would be dated, which proves the long-term stability of an individual. It could also have ratings on them from others they have done business with. People should be able to have a presence on the internet validated by the government, which can be shared with other parties that seek to do business with that party. Contra parties will know the information on this website is authentic and not fake. Society needs a new form of personal identification for its people.

In conclusion, the inventions that I give to you today and all the ideas contained in them are for the people who are the most eager to achieve the American Dream. The inventions are a tribute to our nation's finest people who strive for a better life and all those souls who built this country.

Sincerely,

S. B

Sam Balabon

FILED

IN THE UNITED STATES DISTRICT COURT

FOR THE WESTERN DISTRICT OF TEXAS

2017 MAY 19 PM 1:27

CLERK, U.S. DISTRICT COURT
WESTERN DISTRICT OF TEXAS

Plaintiffs, Spot Quote Holdings, Inc. a Delaware Corporation (formerly named Deep Liquidity, Inc.), Spot Quote LLC a Texas Limited Liability Company (formerly named Deep ATS LLC) and Sam Balabon, a natural person.

vs.

Defendants, Robert Cook, Richard Ketchum, Erin Vocke, Scott Maestri, natural persons and Financial Industry Regulatory Authority, Inc., a Delaware Corporation

Case No.: No. [case number]

COMPLAINT

A17CV0486 LY

JURY TRIAL DEMANDED

OS Received 11/30/2021

PLAINTIFFS

1. Spot Quote Holdings, Inc. ("Spot Holdings") a Delaware Corporation formally named Deep Liquidity, Inc.
2. Spot Quote LLC ("Spot") a Texas Limited Liability Company formally named Deep ATS LLC. and a wholly-owned subsidiary of Spot Holdings
3. Sam Balabon ("Mr. Balabon") a natural person.

DEFENDANTS

4. Robert Cook ("Cook") a natural person.
5. Richard Ketchum ("Ketchum") a natural person.
6. Erin Vocke ("Vocke") a natural person.
7. Scott Maestri ("Maestri") a natural person.
8. Financial Industry Regulatory Authority, Inc., ("FINRA") a Delaware Corporation.

ABSTRACT OF ACTIONS

9. First action is a deliberate violation of Section 15(A)(f) of the Securities Exchange Act of 1934 by the Financial Industry Regulatory Authority, Inc. ("FINRA"), a self-regulatory organization ("SRO") acting under authority of the U.S. Securities and Exchange Commission ("SEC") when it invented a new FINRA Rule that gives FINRA the authority to regulate affiliate companies of broker dealers.

10. Second action is a deliberate violation of Title 18 U.S.C. § 3 by current FINRA CEO Cook and prior FINRA CEO Ketchum for concealing a crime from the Securities Exchange Commission ("SEC") that was committed by FINRA Management against Plaintiffs. The law states:

> **18 U.S. CODE § 3 - ACCESSORY AFTER THE FACT**
>
> **Whoever, knowing that an offense against the United States has been committed, receives, relieves, comforts or assists the**

offender in order to hinder or prevent his apprehension, trial or punishment, is an accessory after the fact.

11. Third action is pain, suffering and emotional distress imposed on Mr. Balabon due to FINRA's illegal interactions with him as an individual. Mr. Balabon is in his 50s.

FEDERAL FELONY COMMITTED BY FINRA

12. FINRA illegally attempted to hijack the distribution of securities of Spot Holdings (a non-broker dealer) by ordering Spot Holdings to stop selling securities directly to investors and further ordered, any additional offer and sale of Spot Holdings securities would have to be sold through Spot (a firm FINRA regulated). It harmed Spot by forcing it out of dormancy which would subject itself to additional FINRA Rules and FINRA Examinations such as FINRA's Sales Practice Examination. It harmed Spot Holdings because it limited its ability to distribute its own securities. It gave FINRA greater authority to influence how Spot Holding's securities were to be sold and represented to investors. It increased the regulatory burden on Spot and the cost to maintain the broker dealer. FINRA only administers FINRA Rules, it is prohibited from inventing new FINRA Rules unless they go through a formal public comment process that takes many months. If this occurs, it clearly violates Section 15(A) (f) of the Securities Exchange Act of 1934:

Nothing in subsection (b)(6) or (b)(11) of this section shall be construed to permit a registered securities association to make rules concerning any transaction by a registered broker.

13. Securities Exchange Act of 1934 states:

> **"ANY" person who "WILLFULLY" violates "ANY" provision of the Securities Exchange Act of 1934 can be fined up to $5,000,000 and/or imprisoned for not more than 20 years.**

14. Securities Act of 1934 also has specific provisions regarding the selling of private placements and requires separate registrations for broker dealers that seek to sell them.

Section 15(A)(j) of the Securities Exchange Act of 1934:

> **(j) REGISTRATION FOR SALES OF PRIVATE SECURITIES OFFERINGS**
> **A registered securities association shall create a limited qualification category for any associated person of a member who effects sales as part of a primary offering of securities not involving a public offering.**

15. To comply with Section 15(A)(J) of the Securities Act of 1934 FINRA created FINRA RULE 1017(5):

> **Rule 1017 Application for Approval of Change in Ownership, Control, or Business Operations. (5) a material change in business operations as defined in Rule 1011(k).**

BACKGROUND

16. Spot obtained its broker dealer and alternative trading system (ATS) licenses in 2006. These licenses were necessary for Mr. Balabon to commercialize his inventions that relate to how stocks trade. Spot never conducted any business since its inception. Its total gross sales

between 2006 and 2012 were zero. Spot was deemed a "dormant" broker dealer company by its own auditor. It basically was a shell broker dealer license waiting for a capitalization event to effectuate its business plan. The capitalization event never occurred. This was due to the project's inability to raised enough capital to commercialize Mr. Balabon's inventions.

17. In December 2012, Mr. Balabon got in an argument on the phone with the FINRA District Director Vocke of FINRA's Dallas Office over what FINRA's responsibilities were to their members. The FINRA District Director Vocke got upset and hung up on Mr. Balabon. Mr. Balabon felt the tone and demeaner of the FINRA Official was threatening and going forward this FINRA Official would pursue an effort to harm Spot and Mr. Balabon personally. Mr. Balabon emailed a written complaint on the FINRA District Director Vocke to the FINRA CEO Ketchum. Except:

> **"Miss Vocke has engaged in clear misconduct towards myself and my affiliates."**

We believe FINRA District Director Vocke was furious once she learned that Mr. Balabon went over her head to complain to FINRA CEO Ketchum. We believe from that point on FINRA District Director Vocke set out to punish Mr. Balabon. This set the stage to what was to come.

18. In the same month FINRA rented some offices to do their Cycle Examination of Spot. Two FINRA Examiners spent two full days with Mr. Balabon at these offices asking Mr. Balabon questions and going over his computer records of Mr. Balabon's money raising efforts for Spot Holdings. Since Spot was a dormant broker dealer it had no business records to review.

19. In May of 2013, as part of the same FINRA Cycle Examination, FINRA decided that it wanted to interrogate Mr. Balabon with attorneys present along with a court reporter. Mr. Balabon was not represented by an attorney due to lack of finances. He had to represent himself. FINRA represented itself with its Head Attorney and the Head of their Examinations of FINRA's Dallas Office. The interrogation with the court reporter occurred in Austin for a full day at a FINRA rented office in Austin. These two FINRA officials from morning to evening interrogated Mr. Balabon on his money raising activities for Spot Holdings and Mr. Balabon's personal finances with the court reporter. There were few if any questions about Spot itself; the business entity they were regulating. Spot had no business activity since inception. The interrogation did not go well for FINRA. Nothing useful was discovered that could be used against Spot or Mr. Balabon.

20. We believe that the news of the failed interrogation frustrated FINRA's management particularly the FINRA Associate District Director Maestri of the Dallas Office. We believe this lead to the FINRA Associate District Director Maestri coming up with the idea to illegally order Mr. Balabon to sell Spot Holdings securities through Spot. We also believe this illegal order was taken to and approved by the FINRA District Director Vocke. We believe never in the history of the NASD and now FINRA has there been an interrogation related to the affairs of a "dormant" broker dealer. We don't believe FINRA has ever imposed a "made-up" illegal FINRA Rule upon a broker dealer it regulates. This was an attempt to harm Spot and Mr. Balabon first by using legal means to seek out Mr. Balabon's improprieties but when they found none they resorted to unprecedented measures (interrogation) along with the fabrication of an illegal regulation.

21. In October of 2013, FINRA had an Exit Interview to the FINRA Cycle Examination for Spot. As part of every FINRA Cycle Examination there is an Exit Interview meeting between the FINRA Member and the FINRA staff to go over the findings of the examination. This interview with four FINRA representatives took place on October 31, 2013 by way of a conference call. During the call, it was explained to Mr. Balabon that he would have to discontinue selling Spot Holdings securities directly to investors from Spot Holdings and any future sales of Spot Holdings securities would have to be sold through Spot. This made Spot Holdings an investment banking customer of Spot, subject to all FINRA Rules on how investment banking clients are handled along with the exact manner their securities are distributed to the public. This meant that future investors of Spot Holdings would have to write their checks directly to Spot and then Spot would distribute the money to Spot Holdings. This order was intended to take Spot out of its dormancy and have it commence business as an investment banker which would require it to comply with a considerable number of FINRA Rules associated with the distribution of private securities through a broker dealer. At the time, Mr. Balabon had no idea this order was illegal.

22. In January 2014 Mr. Balabon reached out to the Director of Investment Banking at ViewTrade Securities to see if his firm could assist in the distribution of the Spot Holding's private securities. Mr. Balabon's email to the Director contained the following statement:

23. **"We are required by FINRA to sell these shares through our BD."**

24. In February 2014 Mr. Balabon along with George Hessler, the CEO of Spot Holdings, attended The National Investment Banking Association Conference in Florida. At the event, Mr. Balabon announced that he was

attempting to organize a selling group of broker-dealers to distribute Spot Holdings securities. This pursuit was contained in a video filmed by the Event and in literature that Mr. Balabon handed out. Unknown to Mr. Balabon, these communications made by him were a direct violation of Securities Exchange Act of 1934.

25. In March 2014, Mr. Balabon filed Spot Holdings Private Placement Memorandum with FINRA. The Memorandum stated in the very first paragraph in the document:

> **"This offering of the Units (the "Offering") is being made through Deep ATS LLC, (the "Managing Broker-Dealer")"**

Spot sold $20,000 of securities of Spot Holdings to an individual investor. This was the first investor to buy shares from Spot. This stock sale occurred under the new illegal FINRA Rule that was imposed on Spot by FINRA. The new illegal FINRA Rule was crafted by FINRA with intent to harm Spot. This increased FINRA's regulatory oversight over Mr. Balabon's selling efforts of Spot Holding's securities. We believe that Spot was the only FINRA regulated broker dealer in the country at the time and historically that could sell private placements without being formally approved for that business line by FINRA. Spot was singled out by FINRA to be punished under the new illegal FINRA Rule concocted by FINRA. FINRA hoped with increased regulation, Mr. Balabon would have a higher probability to make a mistake which they could punish Spot and him for.

26. In August 2014, FINRA notified Mr. Balabon that they were going to conduct a FINRA Sales Practice Examination. Purpose of a FINRA Sales Practice Examination is to review the sales practices of a firm on how they are distributing securities. FINRA wanted to see Spot's sales

practices and how Mr. Balabon was selling Spot Holdings securities through Spot. Spot had the one $20,000 sale of securities in behalf of Spot Holdings. This was a new type of examination and the first time it was imposed on Spot. Up until this time only FINRA Cycle Examinations required under the Securities Exchange Act of 1934 were conducted. No other types of FINRA Examinations were ever necessary due to the fact Spot had never conducted any business and remained basically a shell company with zero sales from its inception that spanned over seven years.

27. In September of 2014, FINRA demanded the following (as part of their Sales Practice Exam of Spot):

"Please provide all of the E-Mails for Sam Balabon for the entire review period."

The review period was for 12/04/2012 to 09/08/2014, a period of time Spot was dormant other than the $20,000 security sale that went through Spot. Such a request meant that FINRA wanted to inspect all of Mr. Balabon's emails not only his business emails but also Mr. Balabon's personal emails. Mr. Balabon pointed out that any request from FINRA for personal emails was illegal and not supported by any FINRA Rule. He told them that he would not comply.

28. In September of 2014, Mr. Balabon sent his FINRA representative in Dallas an email containing the following text:

"If FINRA wants me to continue selling Deep Liquidity's private placement through Deep ATS, LLC I want a letter from FINRA which states Deep ATS is allowed to sell private placements which

> **includes private placements of other companies. I want it added as a new business activity approved for the BD."**

This letter lead to a heated phone argument with a FINRA Representative. On the call, Mr. Balabon could not get the FINRA Representative to agree to write the letter adding the business line to Spot. This was the first-time Mr. Balabon realized that something was very wrong. Mr. Balabon complained by email to FINRA's CEO Ketchum. FINRA's CEO Ketchum did nothing, however Mr. Balabon did receive a letter from FINRA stating the Dallas staff had **"no recollection"** of giving Mr. Balabon the order to sell Spot Holdings securities through Spot. This statement of **"no recollection"** is commonly used in the legal world to hide from the truth. It is a legal trick to evade a question. This communication tactic is typically used by criminals attempting to avoid justice not an entity that claims to be one with government such as FINRA. Mr. Balabon decided without any order from FINRA to stop selling Spot Holdings' securities through Spot. Mr. Balabon emailed FINRA CEO Ketchum,

> **"Deep ATS, LLC will no longer engage in the business activity of selling private placements."**

In October 2014, Mr. Balabon emailed FINRA's Chief Technology Officer requesting him to copy all the emails of a specific list of FINRA employees involved so the records could be preserved regarding internal communications within FINRA regarding the allegations contained in this Complaint. Excerpt:

"As a member of this organization, I request you copy the email accounts (all emails sent and received) on Monday for all the below people for the dates specified: Years 2012, 2013 and 2014 to Date" "I want you to put this data on a disk and save it in a safe place in the event you receive: A. Subpoena from a U.S. Court" "These records may contain evidence of wrongdoing and need to be immediately copied to preserve their integrity."

29. In November 2014, Mr. Balabon emailed FINRA CEO Ketchum a letter alerting him that a crime was committed by his staff.

30. In January 2015, FINRA wrote Mr. Balabon a letter stating that Spot was not approved to sell Spot Holdings securities. Excerpt:

"The firm failed to comply with FINRA Rule 2210(d)(1)(b) in that Mr. Balabon stated in the YouTube video that "We are offering our private placement through our broker/dealer". As Deep ATS, LLC is not approved to conduct this type of business, this statement is inaccurate and misleading."

31. In February 2015, Wedbush Securities communicated to Mr. Balabon that Spot's clearing agreement with Wedbush was to be terminated due to pressure from FINRA.

32. In May 2015, FINRA removed the Dallas Regulatory Coordinator and assigned a new regulatory Coordinator from Boca Raton, Florida. This was part of a general move of the regulations of Spot from the Dallas FINRA District 6 to the Florida FINRA District 7 as promised by FINRA Dallas Director's boss the FINRA Regional Director of the entire South. This was a lie.

33. In October 2015, Spot filed a CMA application with FINRA to add the FINRA business line to distribute private placements through the broker dealer. The FINRA approval process to add the distribution of private placements through a broker dealer was fully illustrated in the long letters between FINRA and Spot that spanned over six months.

34. In May of 2016, Spot was approved to sell private placements.

35. In June 2016, during a conference call between Mr. Balabon, FINRA Surveillance Director of the Dallas Office and the Boca Raton FINRA Regulatory Coordinator, the Surveillance Director stated that FINRA "suggested" but did not "order" the sale of Spot Holding's securities through Spot at the end of the FINRA Cycle Examination in October 2013. FINRA Surveillance Director also told Mr. Balabon that further sales of Spot Holdings would have to be sold through Spot now that Spot was approved by FINRA to distribute private placements. Mr. Balabon angrily told the Surveillance Director that FINRA had no right to make such an order. Mr. Balabon stated the FINRA order was illegal and he would not comply. There is no FINRA Rule that permits FINRA to interfere with corporate matters of affiliated companies of broker dealers. Mr. Balabon then emailed the FINRA CEO Ketchum and threatened to file a lawsuit against FINRA. FINRA made no offer to settle and Mr. Balabon decided to shelve the lawsuit and hoped FINRA got the message to back off and quit harassing him with illegal orders.

36. In February 2017, Mr. Balabon learned that his firm was still being regulated by the Dallas FINRA District and not the Florida FINRA District as promised by the FINRA Regional Director. Mr. Balabon emailed FINRA's CEO Cook demanding Spot be allowed to switch Districts because of the promise made by the FINRA Regional Director.

37. April 2017, FINRA turned down Mr. Balabon's request to switch Districts. This made Mr. Balabon very angry. This meant the regulation

of his firm would be under the dominance of the FINRA District Director Vocke whom Mr. Balabon already accused directly of committing a Federal Crime. That outlook was unacceptable to Mr. Balabon. Mr. Balabon gave FINRA three days to change their minds or he was going to file a lawsuit in Federal Court on the third day. Exactly 10 minutes left before Mr. Balabon's deadline on the third day, FINRA emailed Mr. Balabon granting his request to switch Districts. Making the following statement:

> **"For reasons unrelated to your threat of litigation, FINRA is planning to move Spot"**

This statement is a badge of deception. It was clear why they changed their decision. FINRA lies all the time and no one cares.

The following email was sent to the Associate District Director Maestri, District Director Vocke, members of FINRA's General Council and FINRA's CEO Cook seeking an explanation for breaking the law:

> **"A. I have accused Scott Maestri of being the mastermind to the crime.**
>
> **B. I have accused Erin Vocke of being the ringleader. Scott and Erin, I am accusing you both of committing a federal crime. I want to encourage both of you if you feel you are innocent of these charges that I have made against you; please email me your defenses to my claims. I will review them as a fair jurist and if I find they have merit remove one or both of you from the lawsuit."**

Neither of the accused or FINRA Management responded to Mr. Balabon's email.

Mr. Balabon's anger can be viewed in an email sent to the FINRA District Director Vocke and Associate District Director Maestri, FINRA CEO Cook and four other top FINRA Officials. Excerpt from Email:

> "Keep in mind I would not be working on this if it was not for FINRA's poor decision to initially deny the request to switch districts. Why does FINRA always have to be mean and nasty to people? Does your type of business attract humans that enjoy bullying people around? That is what is seems to me. Not all of them, certainly Erin and Scott are bullies. I have no problem calling them out on it either because it is true. They both possessed "evil" intentions against me and this hatred is why they broke the law. Simply unbelievable why people hate the way they do."

JURISDICTION AND VENUE

38. The Court has subject matter jurisdiction over this action under 28 U.S.C. § 1331.

39. To date FINRA has enjoyed "absolute immunity" from civil litigation provided it is in connection with the discharge of their regulatory responsibilities, however engaging in the criminal act of inventing and enforcing an illegal FINRA Rule is outside this scope. Regulatory responsibilities must be legal acts as prescribed by FINRA Rules.

40. In general, we believe the Courts have errored in granting "absolute immunity" for FINRA in general. The cornerstone of "absolute immunity" relies on Eleventh Amendment to the Constitution.

41. Eleventh Amendment to the Constitution states:

> **The judicial power of the United States shall not be construed to extend to any suit in law or equity, commenced or prosecuted against one of the United States by citizens of another state, or by citizens or subjects of any foreign state.**

"One of the United States" was never meant by the delegates of the Constitutional Convention of 1794 to be "One of the United States combined with One of Private Enterprise." Nowhere in the Constitutional Amendment does it suggest, anticipate or allow such a combination. Private enterprise was well known at the time of the 1790s. There were many large corporations in those times such as the East India Company. It was well within the means of the "Committee of Detail" that wrote the Eleventh Amendment to include private enterprise in the text of the Constitutional Amendment. The founders of our Constitution knew the inherent conflicts of interest associated with combining government with private enterprise and choose to only include "one of government" in the Constitution. It would have been obvious at the time to combine private enterprise with government if that was intended. The result of the mixed enterprises is neither government nor private enterprise. There was good reason private enterprise was not mentioned because immunity from civil litigation was "only" to be granted to government and not private enterprise. The term "one of government" also speaks for itself, it is whole, all-inclusive and

singular. It does not mean a combination with private enterprise which leads to all kinds of conflicts of interest.

42. The level of distinction between "one of government" and "one of government combined with one of private enterprise" far exceeds the threshold of what "one of government" meant in those times. The combined entity is not government because the incentives of operation for private enterprise is profit and for government is public service. It is impossible to call the combination government; when it is not. The combination is a broadening of what "one of government" is. It is an expansion of the definition of the term "government." This was not intended by our Founders.

43. FINRA is not "one of government." In the 1930s after the stock market crash of 1929 Government in its pursuit to ever expand its power over the private sector interjected itself into the securities industry. This resulted in the introduction of a new legal corporate structure called Self-Regulated Organization ("SRO") which is a combination of government and private enterprise. SROs have from the beginning claimed they are agents of the government and claim they are owed all the protections afforded by the Constitution as if they were Government. The reality is that SROs are not Government but rather "for profit" businesses leveraging both their private and regulatory businesses for profit. SROs should no longer be able to enjoy absolute immunity from lawsuits and should be subject to civil liability for their actions unless they shed all their private enterprises and change their corporate structure.

44. FINRA is not "one of government" and by no means meets the definition of "one of government" as per the Eleventh Amendment to the Constitution. FINRA is a combination of government/private businesses that give it an unfair advantage over its private business competitors.

Granting immunity from civil litigation to an entity that is not government is unconstitutional.

45. FINRA is a Delaware Corporation that has private enterprises such as Alternative Display Facility (ADF) and a broker dealer regulatory business that is regulated by the Securities Exchange Commission (SEC). FINRA's top 10 executives all make over $800,000 a year with its CEO making close to $3,000,000 a year. Comparatively, the Chairman of the SEC makes less than $200,000 a year. Former FINRA CEO Mary Schapiro received nearly $9,000,000 payout when she left FINRA. FINRA has 23 people on its Board of Governors. None of them are part of the government. Under Delaware corporate law, FINRA Governors have a legal duty to advance the best interests of the corporation. U.S. Government employees on the other hand are public servants. Their duty is to preserve public trust and obey the Constitution, laws and ethical principles "above private gain." Legally, under current law, FINRA is considered an agent of the government but its employees' duty is to further the corporation by making more money for it. FINRA employees are not public servants by any means because they are not required to uphold the high standards of public service. FINRA's duty under Delaware Law is to pursue profit not pubic service. FINRA's and government's motives are opposite. One is to pursue profit and the other is specifically stated "not" to pursue profit.

46. FINRA enjoys all the benefits of being a private enterprise for profit and all the legal benefits of being government. This is unfair to Spot because it must compete directly with FINRA for customers without government powers or its protections. FINRA uses its government powers to harm its competitors and is willing to break the law to protect its interests.

47. Once Spot commences operations, it will be competing directly with FINRA's Alternative Display Facility ("ADF") business for trading volume. If Spot succeeds, FINRA's ADF business will be negatively affected. FINRA is Spot's direct competitor. How is it possible for FINRA to be an impartial jurist in deciding matters of the law as it pertains to Spot when it is in the financial interest of FINRA that Spot fail?

PRAYER FOR RELIEF

48. Plaintiffs request judgment in their favor and against Defendants as follows:

49. Awarding actual damages in favor of Plaintiffs against Defendants in an amount to be determined by the trier of fact.

50. Awarding punitive damages in favor of Plaintiffs and against Defendants in an amount no less than $150 million.

51. Awarding Plaintiffs their reasonable costs and attorneys' fees incurred in bringing this action.

52. For such further relief, the Court deems just and appropriate.

Dated this May 19, 2017

Spot Quote LLC & Spot Quote Holdings, Inc. & Sam Balabon

By S. Bal

Sam Balabon
3225 Smoky Ridge Road
Austin, TX 78730
5125854589

April 1, 2016

Via electronic mail [rameshpuranik09@gmail.com]

Ramesh Puranik
Spot Quote, LLC
3225 Smoky Ridge Road
Austin, TX 78730

Re: Membership Continuance process involving
Spot Quote LLC (CRD #136696)
Continued Membership Application ("CMA") Matter No. 20160484794

Dear Mr. Puranik:

On January 27, 2016, the Membership Application Group ("Staff") received a substantially complete application from Spot Quote, LLC (the "Firm" or "Spot Quote") requesting approval to engage in the private placement of securities. Please note**,** questions relate to both the private placement offering the Firm has already engaged in (the "Deep Liquidity Offering") as well as any potential future offerings it may engage in.

In order to review and assess your application, the Staff requests that you provide certain items of information and documentation as listed below, which will be reviewed for adequacy and consistency and in accordance with the Standards of Admission set forth in Rule 1014(a). Some of these questions are reiterations of items requested in the Staff's initial information request letter to the Firm dated February 17, 2016 (the "February letter"); however, the Staff did not receive responses to those requests.

Therefore, the Staff requires the information and/or documentation listed below, which must be incorporated into the applicable sections of the Form CMA, and electronically resubmitted. Kindly send the Staff an email at (isabelle.goossens@finra.org) when the revised Form CMA and response information has been submitted electronically.

Standard 1 – Application Information/Business Activities

1. The following question was asked in the February Letter; however a response was not provided. Accordingly, please provide a written response to the below.

   The business lines discussed in this question are more complex in nature than a standard private placement. As such, if a Firm is seeking the ability to do them, specific and detailed Written Supervisory Procedures ("WSP") would be required for each. As such, with respect to the private placement activity:
   - Does the Firm anticipate engaging in any private placement offerings pursuant to Regulation A?
   - Will the Firm engage in any EB-5 offerings?
   - Does the Firm anticipate engaging in any private placement offerings in the oil and gas sector?

a. If the Firm responded yes to any of the above questions, provide a detailed explanation surrounding the conduct of the business.
b. For each item the Firm responded "yes" to above, upload the corresponding WSPs to Standard 9 and cite where they appear.
c. For each item the Firm responded "yes" to above, provide an explanation as to how the supervisor of the business has experience specific to each that demonstrates how the principal meets the experience requirement mandated in Rule 1014(a)(10)(d).

2. The Firm stated in an email sent on February 18, 2016 that during the Deep Liquidity Offering, it had one investor (Mr. Steve Davis), who is "a close personal friend of [Mr. Balabon's]" and an accredited investor.
    a. Will the Firm exclusively engage in the private placements business with accredited investors for future offerings?
    b. If so, please explain the steps the Firm will take to verify a customer's status as an accredited investor.
    c. How will these steps be recorded in the Firm's records? Explain.
    d. The Firm noted in its February 18th email response to Staff, under #7, that it will consider subscribing to a website that validated accredited investors. Does the Firm have any specific websites that it is considering utilizing?

3. The Firm also stated in the February 18th email in response to Question 5 that in determining whether a private placement is suitable for a customer, it believes that "*any person with a net worth of less than $5M should not invest more than 10% of their net worth in any one investment. This will be a company rule unless the person has a net worth of over $5M and then it may be proper to move that to perhaps 15%.*"
    a. Please explain how the Firm will review and vet potential customers considering the aforementioned statement regarding net worth. What tools and/or methods will be utilized? Explain.
    b. How the Firm will evidence and record any such reviews? Explain.

4. The following question appeared in the February Letter; the Staff will require a specific response for this question. The response the Firm provides must also be reflected in the Firm's WSPs:
    a. Provide a detailed explanation as to how the Firm anticipates conducting due diligence on investors/clients with relation to any potential/future private placement offerings. The explanation should include a discussion of how and what types of due diligence would be conducted, and how said due diligence efforts will be documented.
    b. Please cite to where in the WSPs there is a discussion of the customer due diligence the Firm will conduct.

5. The following questions were also posed in the February Letter; however, no response has been provided. The information provided in the response must also be reflected in the Firm's WSPs:

a. Regarding the Issuer Qualification process for any future offerings the Firm may engage in, provide a detailed description of the Firm's procedures regarding due diligence conducted on the *issuer* (e.g. site visits to the issuer's location, financial reviews of issuer and related persons, etc.)
b. Please cite to where in the WSPs there is a discussion of the customer due diligence the Firm will conduct.

6. The Firm's February 18 h email response to Question 13 states that "these processes have not been developed yet" with relation to customer engagement process and the processing of funds from the customer (e.g., direct subscription, wire, check). Staff will require this information; please indicate how the Firm will conduct this step and have corresponding WSPs. As such,
    a. Provide an explanation of the customer engagement process and the processing of funds from the customer.
    b. Cite where in the WSPs this process is discussed.

7. In an email to Staff, dated January 19, 2016, the Firm stated that "[a]ll monies received from Investors will be put in a separate bank account of the firm and released immediately within 5 working days after being received by the investor to the issuer". While the money is held in the separate bank account (which the Firm indicated will be a reserve account), will it accrue interest? If so, what will happen with that interest? Will it remain in the Reserve Account? Please provide a detailed explanation of what happens to the funds in the reserve account.

8. In the Firm's February 18th email response to Question 15, the Firm stated that "the controls put in place to ensure that all funds from investors will be deposited with the issuer will be by way of a software program and that it may hire a trust department at a bank to handle investor proceeds and disbursement of monies to issuers (for example, the Bank of Oklahoma).
    a. Please identify the software program. Explain how the software program will allow the Firm to ensure this procedure be accomplished.
    b. A discussion of any such controls in place to ensure customer funds will be received by the issuer must be included in the Firm's WSPs. Please cite where this is included in the WSPs.

Standard 2 – Licenses and Registrations

9. As noted in the February Letter, Regulatory Notice 09-41 states that, "Effective November 2, 2009, NASD Rules 1022 and 1032 require individuals whose activities are limited to investment banking and principals who supervise such activities to pass the new Limited Representative – Investment Banking Qualification Examination (Series 79 Exam)". If the Firm is seeking to engage as a placement agent only, the Series 79 Exam is not a requirement. If the Firm is seeking to engage in the structuring of private placements, the Series 79 Exam would be required.

If the Firm is seeking to engage in the structuring of private placements, the principal must obtain the Series 79 Exam prior to Staff approving the CMA. The Firm noted in its February 18 h email response to Staff that "Ramesh or myself, Sam Balabon, one of us will get the exam".

a. Please confirm whether the Firm will be engaged in any structuring activities?
b. If the response to the above question is "yes", please indicate which principal will take the Series 79 Exam. Please indicate when they intend to open a window and sit for the exam.

10. In the Firm's February 18th response letter, the Firm stated in response to Question 12 that a licensed supervisor would be responsible for generating the offering materials [for the private placement]. If a supervisor at the Firm is generating offering materials, that individual is engaging in structuring. Responses to the below questions should comport with the Firm's response to the above question:
    a. If the Firm is seeking to generate offering materials, please ensure relevant procedures are included in the WSPs. Indicate where in the WSPs any such procedures appear.
    b. If the Firm is *not* seeking to generate offering materials and is *not* seeking to structure any offerings (i.e. placement agent only), please correct this statement.

Standard 9 - Written Supervisory Procedures ("WSP")

11. The Firm provided WSPs and a WSP Checklist on March 17, 2016. Page 104 of the WSP Checklist includes Sections relating to Private Placements with three sections (Suitability, Review of subscription agreements; Disclosures; and Escrow Account Maintenance) and the related rules. As the Firm is seeking approval for this business activity, these sections should be checked off in the WSP Checklist, and procedures for each of the sections should be provided. As such, please check these sections. Please additionally provide the related procedures for each and identify where in the WSP manual they are located.

12. The following two questions appeared in the February Letter; the Staff will require specific responses for each question:
    a. FINRA Rule 5122 requires member firms to file with FINRA any documents relating to any capital raises by the firm or any of the firm's affiliates (e.g. PPMs, terms sheets, etc.) Please ensure the Firm's procedures related to this rule are addressed in the WSPs. *Edit: Please also cite where in the WSPs the rule is addressed.*
    b. If the Firm's registered representatives engage in the sale of private placements away from the Firm, the Firm must ensure that it supervises any such private securities transactions pursuant to FINRA Rules 3270 and 3040. Please ensure the Firm's procedures related to this rule are addressed in the WSPs. *Edit: Please also cite where in the WSPs the rule is addressed.*

As a reminder, please be sure to submit fingerprint cards for each person applying for registration. If an applicant fails to submit a fingerprint card within 30 days after FINRA receives the electronic Form U4, the person's registration will be deemed inactive.

For your information, Rule 1017(e) establishes time frames for the consideration of a continuing member application. In this regard, firms must respond to an initial request for information within 30 days of the date of such initial request letter. Any subsequent requests must be responded to within 30 days. Failure to comply with these or other time frames contained in relevant rules, or failure to respond fully to Staff's requests may result in a lapse of the application. It is, therefore, imperative that complete and timely responses be made to Staff's requests for information. **Accordingly, your response to this request for information is due no later than May 2, 2016.**

Furthermore, NASD Rule 1014 requires that the continuing membership review process be completed within 180 days from the Firm's filing of the Continuing Membership application. It is therefore imperative that complete, timely responses be made to Staff requests for information, and that Staff be made aware of any special time constraints or unique considerations your Firm may have relative to the continuing membership process.

Should you have any questions regarding your application or the application process, please feel free to contact me at (212) 416-0623.

Regards,
Isabelle Goossens
Examiner

February 17, 2016

Via electronic mail [deepatsllc@gmail.com]

Sam Balabon
Spot Quote, LLC
3225 Smoky Ridge Road
Austin, TX 78730

Re: Membership Continuance process involving
Spot Quote LLC (CRD #136696)
Continued Membership Application ("CMA") Matter No. 20160484794

Dear Mr. Balabon:

On January 27, 2016, the Membership Application Group ("Staff") received a substantially complete application from Spot Quote, LLC (the "Firm" or "Spot Quote") requesting approval to engage in the private placement of securities. These changes will subject the Firm to FINRA's continuance of membership process, detailed in FINRA/NASD Rule 1017. Please note, questions relate to both the private placement offering the Firm has already engaged in (the "Deep ATS Offering") as well as any potential future offerings it may engage in.

In order to review and assess your application, the Staff requests that you provide certain items of information and documentation as listed below, which will be reviewed for adequacy and consistency and in accordance with the Standards of Admission set forth in Rule 1014(a).

Therefore, the Staff requires the information and/or documentation listed below, which must be incorporated into the applicable sections of the Form CMA, and electronically resubmitted. Kindly send the Staff an email at (isabelle.goossens@finra.org) when the revised Form CMA and response information has been submitted electronically.

Standard 1 –Application Information/Business Activities

1. With respect to the private placement activity:
   - Does the Firm anticipate engaging in any private placement offerings pursuant to Regulation A?
   - Will the Firm engage in any EB-5 offerings?
   - Does the Firm anticipate engaging in any private placement offerings in the oil and gas sector?

   If the Firm responded yes to any of the above questions, provide an explanation.

2. In connection with the Deep ATS Offering, was the offering pursuant to any exemptions (i.e. Regulation D (Rules 504, 505, 506), Regulation M, Regulation S, or Rule 144A)?

3. For any future private placement offerings, does the Firm anticipate the offering will be pursuant to any of the exemptions listed in the above question?

4. Provide a description of the types of investors/clients the Firm previously engaged with and foresees engaging with for private placement activities. Provide an explanation of the process used by the Firm to verify client data, including any third party or vendor systems utilized in the process.
5. What criteria does the Firm use to determine whether a private placement is suitable for a customer?

6. Provide a detailed explanation of the due diligence the Firm conducted related to investors/customer in the Deep ATS Offering. The explanation should include a discussion of how and what types of due diligence were conducted, who conducted the due diligence, and how said due diligence steps were documented. Provide proof of any such reviews and steps taken, if possible.

7. Provide a detailed explanation as to how the Firm anticipates conducting due diligence on investors/clients with relation to any potential/future private placement offerings. Again, the explanation should include a discussion of how and what types of due diligence were conducted, who conducted the due diligence, and how said due diligence efforts were documented.

8. With regard to the Deep ATS Offering:
    a. What were the Firm's procedures for preventing unauthorized dissemination of private placement information by clients?
    b. Did the Firm provide any legal documents or disclosures to clients (e.g. privacy, confidentiality, consent for electronic disclosure, etc.)? If so, provide copies of all documents. If not, explain why said documents were not necessary/required.

9. Related to question 8, and with regard to any future or anticipated offerings:
    a. What will the Firm's procedures be preventing unauthorized dissemination of private placement information by clients for any future placement offerings?
    b. What types of legal documents or disclosures will be provided to clients in connection with any future private placements (e.g. privacy, confidentiality, consent for electronic disclosure, etc.)? Explain.

10. Staff acknowledges that the Firm has provided a copy of the Private Placement Memorandum ("PPM") utilized in the Deep ATS Offering. Please provide a copy of the Subscription Agreement. Additionally, please provide any other sales literature that the Firm provided to clients relating to the Deep ATS Offering.

11. Regarding the Issuer Qualification process for any future offerings the Firm may engage in:

a. Provide an explanation regarding the Firm's processes to verify *issuer* data, including third party or vendor systems employed in the process.
b. Provide a detailed description of the Firm's procedures regarding due diligence conducted on the *issuer* (e.g. site visits to the issuer's location, financial reviews of issuer, etc.)
c. A copy of the consent to credit check/investigation of background for the issuer and related persons, including specifics on those individuals whose backgrounds will be checked.
d. A description of the considerations used in pricing an offering

12. For future/potential private placements, who will be the party responsible for generating the offering materials? Explain.

13. With relation to the Deep ATS Offering, provide an explanation of the customer engagement process and the processing of funds from the customer (e.g., direct subscription, wire, check).

14. In an email to Staff, dated January 19, 2016, the Firm stated that "[a]ll monies received from Investors will be put in a separate bank account of the firm and released immediately within 5 working days after being received by the investor to the issuer". What will the title for the account be? Will it be a special reserve account? Please provide an explanation as to what will happen with the monies over the 5 working days.

15. What controls will be put in place to ensure that all funds from investors will be deposited with the issuer? Will there, for example, be a control account used for investors proceeds received and reconciliation and disbursement controls out of the control account?

16. Does the Firm intend to engage in Crowdfunding?

Note: Any changes or revisions to the original filing must be amended throughout Form CMA (i.e information provided in responses must be reflected on and consistent with the Business Plan, Form CMA, etc.) to meet the requirement of complete and accurate information.

Standard 2 – Licenses and Registrations

17. Staff notes that the Firm was involved in structuring the Deep ATS Offering. Regulatory Notice 09-41 states that, "Effective November 2, 2009, NASD Rules 1022 and 1032 require individuals whose activities are limited to investment banking and principals who supervise such activities to pass the new Limited Representative – Investment Banking Qualification Examination (Series 79 Exam)". As the Deep ATS Offering was after November 2, 2009, it would appear that a Series 79 license would be required to engage in and supervise such structuring activities. Who served as the supervisor for the Deep ATS Offering?

Did this individual obtain the Series 79 license? If not, provide an explanation as to why it was not deemed necessary/required.

18. Will the Firm be engaged in structuring and future/potential private placement offerings? If so, who will be the supervisor and/or producer that will have the Series 79 – Investment Banking license?

Standard 7 – Financial Operations

19. How much revenue (% of Firm business) does the Firm expect the private placement business to generate within the first year?

20. Provide a financial projection for income statement, a balance sheet, and a net capital computation.

Standard 9 - Written Supervisory Procedures ("WSP")

21. Amend the Firm's WSPs to include the Firm's procedures with relation to due diligence, marketing (i.e. internet), suitability reviews, etc. All responses discussed in the questions in Standards 1 should be discussed and included as a part of the Firm's Written Supervisory Procedures.

22. Please additionally utilize the link provided in Staff's January 11th email to the Firm (regarding substantial incompleteness) which provides a checklist for items that must be included in a Firm's WSPs. Ensure that all applicable rules and subject areas are addressed in the WSPs.

23. FINRA Rule 5122 requires member firms to file with FINRA any documents relating to any capital raises by the firm or any of the firm's affiliates (e.g. PPMs, terms sheets, etc.) Please ensure the Firm's procedures related to this rule are addressed in the WSPs.

24. If the Firm's registered representatives engage in the sale of private placements away from the Firm, the Firm must ensure that it supervises any such private securities transactions pursuant to FINRA Rules 3270 and 3040. Please ensure the Firm's procedures related to this rule are addressed in the WSPs.

Standard 10 - Personnel/Supervision and Qualifications

25. In connection with Rule 1014(a)(10)(d) which states that "each Associated Person identified in the business plan to discharge a supervisory function has at least one year of direct experience or two years of related experience in the subject area to be supervised": Staff notes Mr. Balabon will be the designated supervisor for any potential private placement activities. Please provide an explanation as to how Mr. Balabon's previous involvement with the Deep ATS Offering helps him to satisfy this rule.

Standard 11 – Books and Records

26. How will the books and records related to private placements be maintained (i.e., hardcopy, scanned, electronically, etc.)?

27. Provide a list and explanation as to which types of records the Firm will maintain and for what length of time.

As a reminder, please be sure to submit fingerprint cards for each person applying for registration. If an applicant fails to submit a fingerprint card within 30 days after FINRA receives the electronic Form U4, the person's registration will be deemed inactive.

For your information, Rule 1017(e) establishes time frames for the consideration of a continuing member application. In this regard, firms must respond to an initial request for information within 30 days of the date of such initial request letter. Any subsequent requests must be responded to within 30 days. Failure to comply with these or other time frames contained in relevant rules, or failure to respond fully to Staff's requests may result in a lapse of the application. It is, therefore, imperative that complete and timely responses be made to Staff's requests for information. **Accordingly, your response to this request for information is due no later than March 18, 2016.**

Furthermore, NASD Rule 1014 requires that the continuing membership review process be completed within 180 days from the Firm's filing of the Continuing Membership application. It is therefore imperative that complete, timely responses be made to Staff requests for information, and that Staff be made aware of any special time constraints or unique considerations your Firm may have relative to the continuing membership process.

Should you have any questions regarding your application or the application process, please feel free to contact me at (212) 416-0623.

Regards,
Isabelle Goossens
Examiner

INTRODUCING SIZE PRIORITY MARKET STRUCTURE FOR TRADING STOCKS

OS Received 11/30/2021

INTRODUCTION

How Buyers and Sellers have negotiated Stock Trades on Stock Exchanges is no different for over 100 Years with Best Bid and Offer "Price" Ruling the Order Book.

OS Received 11/30/2021

PROBLEM

- Difficult to Trade Non-Liquid Stocks
- Current Stock Exchanges can only Negotiate Price but cannot Negotiate Price and Quantity Simultaneously.

OS Received 11/30/2021

SOLUTION

Negotiate Price and Quantity Simultaneously

Teared Liquidity Based on Size

Current Market

- 300 BNTC $3.21 Bid 200 $3.22 Ask

Spot Quote Market

- 10,000 BNTC $3.20 Bid $3.23 Ask
- 100,000 BNTC $3.18 Bid $3.24 Ask
- 500,000 BNTC $3.15 Bid $3.27 Ask

How

New Market Structure

5 - U.S. Business Method Patents

- 1. Trading Above and Below NBBO
- 2. Guarantees Peer to Peer
- 3. Three Way Trading
- 4. Hide the Side of Order
- 5. Counter Balance Market

MARKET

Over $25 Billion of Stock Trading Commissions Charged to Institutional Investors Annually.

COMPETITORS

- Stock Exchanges
- Global Banks
- Alternative Trading Systems (ATS)

CUSTOMERS

- Institutional Investors
- Global Banks
- High Frequency Traders
- Brokerage Firms

BUSINESS MODEL

- Charge a Commission for each share traded on the Company trading platform.

FINANCIALS

Cash Flow Projection:

($ in millions)	First 12 Months	Year 2	Year 3	Year 4
Revenue	6.32	674.48	2571.47	3351.34
Expenses	18.50	276.62	410.86	618.38
Pre-Tax Earnings	**-12.18**	**397.82**	**2160.61**	**2732.97**

CAPITAL

- Company seeks $25M to Launch Trading Platform.
- IEX (another stock exchange startup) raised $80M to fund their business.
- $2.7M Raised to date from Investors

EXIT

- Sell Company to Global Bank or National Stock Exchange

- Take Company Public

ROADMAP

- Hire Executive Team
- Launch Trading Platform as ATS
- File to become a U.S. Stock Exchange

TEAM

- **CEO** (Open) Daniel Strack Former Goldman Sachs Managing Director. Also Manoj Narang Former CEO of Tradeworx and Shawn Johnson Former Chairman of State Street have shown interest.

- President - Sam Balabon (Founder/Inventor)

- **Head of Sales** (Open)- Mike Beaver former Nasdaq Executive, he has met with over 30 firms in person in behalf of the Company

- **Chief Technology Officer** (Open) - Richard Hochron Former CTO Direct Edge

- **Head of Strategy** (Open) - Robert Howe Former Head of Strategy at Liquidnet.

- Note: All the candidates for open positions have shown interest to join, however they all need firm funded before joining formally.

TRS Public Equity Market value as of 8/31/09 - $47.23 billion

Assumptions

Average annual turnover of money managers(WSJ article 2/13/10) - 70%

Average transactional costs according (Bloomberg Article 1/29/10) - 35 basis points

TRS total estimated annual transactional costs - $231,427,000*

*(assets [$47.23 billion] * slippage [.35% +.35% to enter and exit positions] * turnover [70%])

Once Deep Liquidity becomes generally accepted ,

TRS estimated cost savings annually after using the Deep Liquidity Platform could exceed $173,570,250**

** 75% of total estimated annual transactional costs
***Statistics were compiled from the time period mid 2008 to mid 2009

Schedule of Fees and Commissions

PENSION TRUST FUND

FOR THE FISCAL YEAR ENDED AUGUST 31, 2009

(continued)

Brokerage Firm - Domestic	Shares Traded	Commissions Paid	Average Commission per Share
Abel Noser Corporation	7,291,948	$ 217,565	$ 0.024
ABN AMRO Bank NV	2,479,820	106,063	0.044
Alfa Capital	2,662,076	148	0.008
American Technology Research, Inc.	40,700	1,506	0.037
Auerbach Grayson	337,305	13,492	0.040
Automated Trading Desk Financial Service	274	5	0.020
Avondale Partners, LLC	130,259	4,821	0.037
Baird, Robert W. & Company, Inc.	722,730	30,797	0.045
Bank of America Securities, LLC	10,588,923	205,144	0.019
Barclays Capital, Inc.	210,837,813	5,642,432	0.022
Baypoint Trading, LLC	1,596,000	21,578	0.023
Benchmarkco, Inc.	13,900	417	0.030
Bley Investment Group	6,007,856	180,236	0.030
Bloombergtradebook, LLC	2,487,682	47,608	0.013
Bluefin Research Partner, Inc.	5,442	201	0.036
BMO Capital Markets	4,582,581	130,117	0.038
BNY Brokerage, Inc.	15,245,090	752,442	0.037
BNY Convergex	15,296,325	630,422	0.033
BOE Securities, Inc./Broadcort Cap Corp.	2,537,100	47,850	0.029
Broadpoint Capital	6,800	252	0.037
Brockhouse & Cooper, Inc. Montreal	55,137	900	0.020
B-Trade Services, LLC	32,688,799	417,407	0.019
Buckingham Research Group, Inc.	73,800	2,768	0.038
BZW New Zealand, LTD	2,160	97	0.045
Cabrera Capital Markets	2,838,320	85,150	0.030
Calyon Direct Access	200	4	0.020
Canaccordadams, Inc.	16,100	725	0.045
Cantor Fitzgerald & Co.	22,512,466	501,690	0.029
Capital Institutional Services, Inc.	4,241,417	212,071	0.050
Chapdelaine Institutional	33,100	993	0.030
CIBC World Markets Corp.	36,350	1,454	0.040
Citation Group	98,100	1,862	0.024
Citigroup Global Markets, Inc.	122,861,692	2,418,090	0.020
CLSA LTD, HK	15,095	679	0.045
Collins Stewart, Inc.	64,500	1,290	0.020
Compass Point Research & Trading	72,900	2,916	0.040
Cowen & Company, LLC	2,821,990	90,746	0.037
CPR Paris	3,093,178	92,795	0.030

Schedule of Fees and Commissions

PENSION TRUST FUND

FOR THE FISCAL YEAR ENDED AUGUST 31, 2009
(continued)

Brokerage Firm - Domestic	Shares Traded	Commissions Paid	Average Commission per Share
Credit Agricole Indosuez	219,960	$ 451	$ 0.020
Credit Research & Trading, LLC	35,600	1,317	0.037
Credit Suisse First Boston	178,872,943	4,943,085	0.020
Credit USA	1,282,605	28,990	0.024
CSI US Institutional Desk	16,186	606	0.038
Cuttone & Co, Inc.	14,200	284	0.020
Davidson D.A. & Company, Inc.	35,400	1,593	0.045
Dematted Monness, LLC	85,200	852	0.010
Desjardins Securities International, Inc.	20,489	758	0.037
Deutsche Bank Securities, Inc.	43,859,539	744,879	0.021
Direct Trading Institutional, Inc.	397,653	11,930	0.030
East Shore Partners, Inc.	23,100	924	0.040
Euroclearbank SA, NV	35,650	334	0.009
Fidelity Capital Markets	37,600	876	0.026
Financial Brokerage Group	102,400	2,789	0.027
First Analysis Securities Corp.	2,739	101	0.036
First Clearing, LLC	50,000	2,000	0.040
Fortis Clearing Americas, LLC/Retail	601,909	15,048	0.025
Fox-Pitt Kelton, Inc.	204,046	5,693	0.038
Friedman, Billings & Ramsey	206,900	8,031	0.044
Gabelli & Company	8,161	302	0.037
Goldman Sachs & Co.	137,617,612	2,684,229	0.021
Gordon, Haskett & Co.	96,200	3,836	0.036
Gunnallen Financial	370,400	8,209	0.023
Guzman & Co.	6,152,500	147,716	0.026
Harris Nesbitt Corp.	6,028,786	182,372	0.035
Howard Weil Division Legg Mason	99,900	4,125	0.045
HSBC Securities, Inc.	21,715,535	112,662	0.027
ICAP Securities LTD	6,664	119	0.017
ING Bank	1,471,967	7,211	0.021
Instinet	28,760,110	375,656	0.016
Invemed Associates	2,704	100	0.037
Investment Technology Group, Inc.	33,946,382	656,964	0.019
ISI Group, Inc.	643,161	25,267	0.040
JP Morgan Securities, Inc.	307,487,974	5,827,638	0.022
Jackson Securities	5,081,243	152,791	0.031
Janco Partners, Inc.	5,408	200	0.037
Janney Montgomery, Scott, Inc.	93,300	4,051	0.045

Schedule of Fees and Commissions

PENSION TRUST FUND

FOR THE FISCAL YEAR ENDED AUGUST 31, 2009

(continued)

Brokerage Firm - Domestic	Shares Traded	Commissions Paid	Average Commission per Share
Jefferies & Company, Inc.	24,309,402	$ 645,033	$ 0.029
Johnson Rice & Co.	3,200	144	0.045
Jones & Associates, Inc.	1,865,800	46,829	0.028
Kas-Associatie NV	50,000	2,000	0.029
Kaufman Brothers	2,739	101	0.036
Keefe Bruyette & Woods, Inc.	314,243	10,823	0.032
Kevin Dann Partners, LLC	15,700	707	0.045
Keybanc Capital Markets, Inc.	342,390	14,752	0.044
King, CL & Associates, Inc.	7,684	231	0.030
Knight Securities	13,601,066	343,181	0.028
Labranchefinancial Services, LLC	555,525	13,850	0.026
Lazard Capital Markets, LLC	1,305,592	11,770	0.016
Leerink Swann & Company	198,210	7,751	0.039
Lehman Brothers, Inc.	50,399	2,180	0.026
Lighthouse Financial Group, LLC	300	11	0.037
Liquidnet, Inc.	8,492,996	169,390	0.024
Longbow Securities, LLC	59,200	2,368	0.040
Loop Capital Markets, LLC	4,122,905	123,687	0.030
Macquariebank Limited	958,583	30,302	0.039
Magavceo Lee & Co	102,300	4,092	0.040
Magna Securities Corp.	5,132,232	152,938	0.025
Merrill Lynch	90,553,154	1,702,324	0.028
Mesirow & Company	1,406,700	28,134	0.020
Midwest Research Securities	77,230	3,089	0.040
Midwood Securities	54,132	2,082	0.037
Miller Tabak & Company, LLC	132,000	5,382	0.033
Morgan Stanley Co., Inc.	219,776,521	4,834,402	0.041
M.R. Beal & Company	689,900	20,697	0.030
Natexis Bleichroeder, Inc.	63,100	2,678	0.043
National Financial Services Corp.	1,355,800	52,892	0.043
Needham & Company	2,250	90	0.040
Nomura Securities International, Inc.	238,900	6,532	0.020
Nutmeg Securities	22,700	908	0.040
Nyfix Transaction Services	8,900	89	0.010
O'Connor & Co., LLC Retail	680,595	15,694	0.025
Oppenheimer & Co., Inc.	718,582	24,389	0.044
Oscar Gruss & Son, Inc.	5,535	205	0.037
Pacific Crest Securities	30,900	1,151	0.043

Schedule of Fees and Commissions

PENSION TRUST FUND

FOR THE FISCAL YEAR ENDED AUGUST 31, 2009
(continued)

Brokerage Firm - Domestic	Shares Traded	Commissions Paid	Average Commission per Share
Pali Capital, Inc.	103,614	$ 3,909	$ 0.042
Pension Financial Services, Inc.	373,727	15,300	0.042
Pershing, LLC	10,604,331	325,825	0.037
Peters & Co. LTD	900	41	0.045
Pickering Energy Partners, Inc.	149,200	6,391	0.043
Pipeline Trading Systems, LLC	1,163,149	21,723	0.018
Piper Jaffray	1,411,530	50,699	0.042
Portales Partners, LLC	441,100	10,791	0.034
Pulse Trading, LLC	240,730	4,683	0.017
Raymond James & Associates, Inc.	754,000	32,147	0.044
RBC Capital Markets	13,006,340	280,634	0.055
Renaissance Capital LTD	5,750,807	18,061	0.019
Reynders, Gray & Company, Inc.	108,550	4,342	0.040
Ridge Clearing & Outsourcing Solutions	1,290,519	52,864	0.042
Rochdale Sec Corp.	855,950	32,956	0.036
Salomon Bros, Inc.	1,707,900	51,220	0.022
Samuel A Ramirez & Company, Inc.	525,100	13,089	0.025
Sanders Morris Harris	21,050	842	0.040
Sandler, O'Neill & Part, L.P.	6,100	305	0.050
Sanford C. Bernstein Co., LLC	10,977,837	259,575	0.021
Scotia Capital (USA), Inc.	13,800	552	0.040
Scott & Stringfellow, Inc.	100	5	0.045
SG Americas Securities, LLC	8,250	305	0.026
Sidoti & Company, LLC	7,961	239	0.030
Simmons & Company International	176,300	6,545	0.041
SMF Trading, Inc.	8,600	172	0.020
Sound Securities, LLC	3,600	72	0.020
Spear, Leeds & Kellogg	3,400	27	0.008
Stanford Group Co.	92,810	4,176	0.045
State Street Global Markets, LLC	9,600	324	0.030
Stephens, Inc.	99,416	4,106	0.044
Sterne, Agee & Leach, Inc.	30,991	1,147	0.037
Stifel Nicolaus & Co., Inc.	1,543,263	54,114	0.042
Suntrust Capital Markets, Inc.	450,940	18,051	0.040
Thinkequity Partners, LLC	26,300	973	0.037
Thomas Weisel Partners, LLC	222,300	8,060	0.037
Tristone Capital USA, Inc.	52,600	2,048	0.039
Troika Dialog (UK) Limited	433,953	9,616	0.031

Schedule of Fees and Commissions

PENSION TRUST FUND

FOR THE FISCAL YEAR ENDED AUGUST 31, 2009

(continued)

Brokerage Firm - Domestic	Shares Traded	Commissions Paid	Average Commission per Share
UBS AG	60,372,113	$ 1,066,371	$ 0.021
Utendahl Capital Partners, L.P.	510,000	15,300	0.030
Veritas Securities	18,500	370	0.020
VTB Bank Europe PLC	1,063,700	2,262	0.002
Wachovia Securities, LLC	252,500	10,446	0.044
Warburg Dillon Read Securities LTD	94,679,503	1,558,453	0.019
Wedbush Morgan Securities, Inc.	124,200	4,880	0.038
Weeden & Co.	35,713,509	636,935	0.026
Wells Fargo Securities, LLC	51,070	2,043	0.040
Wien Securities Corp.	219,300	2,193	0.010
William Blair & Company, LLC	171,300	7,503	0.044
Williams Capital Group, L.P.	1,393,710	38,353	0.030
Total	1,874,641,442	$ 40,752,638	$ 0.024

Futures Contracts Brokerage Firm - Domestic	Contracts Traded	Commissions Paid	Average Commission per Contract
Goldman Sachs & Co.	538,545	$ 1,313,174	$ 2.54
Morgan Stanley Co., Inc.	5,068	12,108	2.16
Total	543,613	$ 1,325,282	$ 2.35

Schedule of Fees and Commissions

PENSION TRUST FUND

FOR THE FISCAL YEAR ENDED AUGUST 31, 2009

(continued)

Brokerage Firm - International	Shares Traded	Commissions Paid	Average Commission per Share
Abacus Securities Corporation	1,112,400	$ 2,009	$ 0.001
ABG Securities	442,138	10,309	0.756
ABM AMRO Securities, Inc.	130,373,738	91,758	0.043
Adams Harkness & Hill, Inc.	3,271	121	0.036
Agora Corde Titul E Val Mob	78,300	1,720	0.019
Alpha Finance	6,295	355	0.056
Arbuthnot Securities LTD	80,696	1,626	0.027
AS Hansapank	321,700	819	0.002
ATA Securities, Inc. (Istanbul)	584,580	3,963	0.028
Atlantik Financni Trhy	11,115	2,551	0.335
Banca Commerciale Italiana Milan	37,931	1,155	0.030
Banco Bilbao Vizcaya Argentari	403,260	11,811	0.037
Banco De Chile Santiago	33,407	552	0.016
Banco Pactual S.A.	1,581,365	22,537	0.031
Banco Santander	4,599,962	48,726	0.019
Banco Schahin S.A.	41,000	1,356	0.032
Bank Am Bellevue	155,249	6,408	0.052
Bank Austria Creditanstalt AG	662,544	9,552	0.043
Bank J.Vontobel Und, Co. AG	25,555	559	0.303
Bank Of China International UK LTD	2,202,200	7,815	0.003
Bank Of New York Brussels	2,685	18	0.006
Banque Paribas Frankfurt	31,208	1,935	0.062
Barclays Capital	12,800	471	0.036
Barnard Jacobs Mellet UK	93,310	1,285	0.025
BMO Capital Markets	158,400	3,388	0.021
BNP Paribas	1,252,124	18,936	0.033
BOE Stockbrokers (PTY) LTD	329,105	6,244	0.025
Bradesco S.A. CTVM	360,456	12,270	0.030
Brockhouse & Cooper, Inc., Montreal	1,376,482	10,373	0.009
CA LB Investment Bank AG	1,176,897	24,201	0.056
Canaccord Capital Corp.	20,800	708	0.033
Canadian Imperial Bank Of Commerce	123,802	3,960	0.031
Cantor Fitzgerald & Co.	6,207,298	16,572	0.018
Capital Institutional Services	2,010,127	18,583	0.063
Capital Markets Brokers LTD	473,400	6,673	0.018
Carnegie Bank	135,150	2,701	0.486
Casa De Bolsa Inverlat, S.A. DE C.V.	32,400	117	0.003
Cazenove & Co.	6,985,401	77,146	0.041

Schedule of Fees and Commissions

PENSION TRUST FUND

FOR THE FISCAL YEAR ENDED AUGUST 31, 2009

(continued)

Brokerage Firm - International	Shares Traded	Commissions Paid	Average Commission per Share
Celfin International LTD	5,088,800	$ 5,666	$ 0.012
Central Securities Clearing System LTD	21,219,250	24,349	0.001
Centro Internationale Handelsbank	18,169	337	0.018
CIBC World Mkts, Inc.	19,888	651	0.032
Citigroup	151,631,510	743,283	0.073
CLSA Securities	24,674,090	35,528	0.190
Collins Stewart & Co.	136,464	2,292	0.013
Commerzbank AG	1,735	61	0.035
Credit Agricole Cheuvreux	180,000	6,228	0.034
Credit Agricole Indosuez	70,348,402	464,654	0.031
Credit Lyonnais Securities	82,922,649	118,278	0.111
Credit Suisse First Boston	273,851,722	1,315,106	0.005
Crestco LTD	4,089,348	41,705	0.015
D Carnegie AG	168,970	3,786	0.029
Daewoo Securities, Co. LTD	27,173	4,966	0.184
Daiwa Securities, Inc.	22,641,712	43,457	0.139
Databank Brokerage LTD	2,062,602	18,408	0.296
Davy	198,913	4,129	0.025
Den Norske Bank	43,382	2,185	0.069
Deutsche Bank	196,265,156	691,167	0.048
Deutsche Morgan Grenfell Securities	158,845	2,873	0.017
DNB Nor Markets Custody DNB Norbank ASA	178,822	5,676	0.070
Dongwon Securities	4,067	1,391	0.341
Dresdner Kleinwort Wasserstein	860,212	12,088	0.050
Dundas Unlu Securities, Inc.	657,170	2,821	0.007
Ekspres Yatirim Mankul	330,500	405	0.001
Erste Bank Der Oesterreichischen	5,300	1,345	0.255
ESN Northamerica, Inc.	88,122	4,088	0.055
Eugene Investment & Securities Co. LTD	93,497	21,298	0.329
Euroclearbank S.A.	739,380	5,374	0.010
Euromobiliare Sim S.P.A.	2,497,663	13,308	0.015
Evolution Beeson Gregory LTD	872,679	3,142	0.005
Exane S.A.	776,367	19,595	0.056
Execution LTD	265,282	1,496	0.015
Fearnly Fond AS	44,955	500	0.011
Financial Brokerage Group (FBG)	735,416	16,093	0.050
Finsettle Services PTY LTD	23,495	2,068	0.088
First Rand	25,400	500	0.019

Schedule of Fees and Commissions

PENSION TRUST FUND

FOR THE FISCAL YEAR ENDED AUGUST 31, 2009

(continued)

Brokerage Firm - International	Shares Traded	Commissions Paid	Average Commission per Share
Fox-Pitt Kelton LTD	1,163,961	$ 17,888	$ 0.030
G Trade Services LTD	177,430	948	0.010
Garban Equities LTD London	771	21	0.027
GBM Grupobursatil Mexicano	355,176	1,808	0.005
Global Equities	212,858	2,034	0.010
Goldman Sachs & Co.	95,780,408	558,286	0.085
Goodbody Stockbrokers	45,449	1,488	0.032
Harris Nesbitt Corp.	621,000	5,780	0.014
HC Istanbul	3,283,496	20,054	0.008
Hedging Griffo Cor de Val S.A.	27,400	1,008	0.036
HSBC Securities, Inc.	231,753,422	579,016	0.103
HVB Capital Markets, Inc.	206,336	6,636	0.070
ICAP Securities LTD	93,213	1,668	0.025
Icatu DTVM LTDA	146,000	2,128	0.020
Ing Bank N.V.	1,808,646	34,322	0.130
Instinet	46,190,386	89,948	0.040
Interdin Bolsa S.V.B., S.A.	42,452	835	0.019
Intermonte Sec Sim Spa	259,507	3,681	0.011
Investec Securities	5,794,976	39,182	0.018
Investment Technology Group, Inc.	55,756,593	167,521	0.021
J B Were & Son	202,367	4,511	0.019
JP Morgan Securities, Inc.	801,586,250	4,010,164	0.105
Jefferies & Company, Inc.	3,174,989	22,741	0.028
Joh Berenberg Gossler & Co.	22,053	356	0.014
K & N Kenanga Sdn Bhd	138,700	828	0.005
Kas-Associatie N.V.	675,043	4,854	0.031
KB Securities N.V.	35,445	651	0.033
KBC Financial Products	528,127	11,048	0.293
Keefe Bruyette & Wood LTD	1,523,940	6,206	0.024
Kempen & Co. N.V.	550,732	5,728	0.011
Kepler Equities	332,130	11,318	0.055
Kestrel Capital East Africa LTD	9,825,100	27,855	0.007
KGI Securities (Hong Kong) LTD	3,378,575	6,832	0.004
Kleinwort Benson Securities LTD	55,095	956	0.017
Knight Securities International	270,560	1,559	0.004
Lazard Capital Markets, LLC	4,181,393	15,541	0.370
Leader & Co. Investments	94,260	957	0.010
Lehman Brothers International (Europe)	107,671	2,923	0.016

Schedule of Fees and Commissions

PENSION TRUST FUND

FOR THE FISCAL YEAR ENDED AUGUST 31, 2009
(continued)

Brokerage Firm - International	Shares Traded	Commissions Paid	Average Commission per Share
Liquidnet, Inc.	1,715,960	$ 9,850	$ 0.019
Macquariebank LTD	125,654,478	210,788	0.111
Magna Securities Corp.	38,449,211	106,622	0.025
Mainfirst Securites	14,966,589	4,210	0.018
Man Financial LTD	2,193,461	25,105	0.030
MBI Corredores de Bolsa S.A.	9,817,323	3,496	0.003
Mediobanca Spa	298,190	4,420	0.019
Merrill Lynch & Co., Inc.	378,603,009	1,567,359	0.034
Mitsubishi UFJ Securities (USA)	481,700	4,784	0.016
Mizuho Securities USA, Inc.	5,378,249	22,973	0.205
Morgan Grenfell New York	98,500	1,536	0.027
Morgan Stanley	1,246,159,895	7,332,072	0.136
MSAS Singapore PTC LTD	72,000	94	0.001
Natexis Bleichroeder, Inc.	143,496	4,342	0.051
NBC Clearing Services Incorporated	104,326	828	0.008
NCB Stockbrokers LTD	419,919	4,984	0.026
Nesbitt Burns	9,406,765	217,145	0.025
Nomura International PLC	18,509,879	130,197	0.261
Nordea Bank Norge ASA	30,911	1,604	0.119
Nordic Partners	1,391	29	0.021
Numis Securities LTD	63,207	841	0.013
NZB Neue Zuercher Bank	71,341	3,130	0.502
Oddo Finance	31,587	1,107	0.048
Oppenheim, Sal.,Jr Und Cie Koeln	481,863	15,042	0.051
Parel	20,062	75	0.003
Pareto Fonds	7,186	619	0.057
Paribas	18,083	227	0.012
Penson Financial Services Canada, Inc.	606,225	9,618	0.024
Pereire Tod Limited	108,299	1,092	0.010
Pershing Securities Limited	59,497,654	256,671	0.038
Petercam S.A.	614,804	8,134	0.046
Pt. Mandiri Sekuritas	179,000	1,915	0.010
Rabobank Netherland	23,380	1,505	0.254
Raiffeisen Bank Rt	401,221	3,470	0.015
Raymond James & Associates, Inc.	110,375	6,637	0.056
Rbc Dominion Securities	592,176	12,936	0.030
Redburn Partners, LLP	893,139	16,187	0.042
Ringfloorlimited	179,365	2,054	0.012

Schedule of Fees and Commissions

PENSION TRUST FUND

FOR THE FISCAL YEAR ENDED AUGUST 31, 2009

(concluded)

Brokerage Firm - International	Shares Traded	Commissions Paid	Average Commission per Share
Saloman Brothers, Inc.	708,264	$ 2,529	$ 0.003
Samsung Securities Co., LTD	104,490	11,244	0.256
Sanford C. Bernstein LTD	5,226,915	44,784	0.016
Santandercentral Hispano Bolsa	489,325	5,018	0.046
Scotia Capital Mkts	4,793	175	0.036
Seoul Securities Co. LTD	105,935	10,979	0.272
Sg Americas Securities, LLC	84,540,668	54,695	0.011
Sis Segaintersettle AG	16,790	1,060	0.113
Skandinaviska Enskilda Banken	614,481	16,395	0.310
Smith Barney Harris Upham & Co., Inc.	2,514,000	2,194	0.001
Societe Generale	7,368,766	58,304	0.018
Sprott Securities Limited	11,660	451	0.038
Standard Charter Bank Indonesia	31,000	118	0.003
State Of Israel Develop Corp.	155,700	505	0.003
State Street Bank & Trust Co.	3,401,011	41,441	0.041
Stockbrokers Botswana LTD	3,565,000	23,676	0.010
Svenska Handelsbanken	713,681	14,500	0.037
Swedbank	245,240	4,551	0.045
Teb Yatirim Menkul Degerler A.S.	908,622	5,668	0.005
Tel Aviv Stock Exchange Clearing House	5,560	561	0.059
Toronto Dominion Bank	3,443	119	0.034
UBS AG	568,367,860	1,206,739	0.033
Upline International S.A.	139,036	33,755	1.018
Vidacos Nominees Limited	754,828	404	0.001
Warburg Dillon Read and Associates	124,809,141	689,179	0.020
Wood and Company	297,902	4,706	0.144
Woori Investment Securities	549,508	12,484	0.150
Zannex Securities	416,998	4,041	0.019
Total	5,020,362,404	$ 21,984,833	$ 0.080

Futures Contracts Brokerage Firm - International	Contracts Traded	Commissions Paid	Average Commission per Contract
Goldman Sachs & Co.	65,575	$ 288,715	$ 5.58
Morgan Stanley Co., Inc.	4,465	12,759	3.32
Total	70,040	$ 301,474	$ 4.45

Goldman Sachs Tops JPMorgan as World's Best Broker

(Excerpt from Bloomberg Article)

Bloomberg.com

By Jeff Kearns, Whitney Kisling and Nina Mehta Jan. 29, 2010

Costs Per Trade

Goldman customers lost an average 0.275 percent, or 27.52 basis points, when they bought or sold through the bank, according to Ancerno's world ranking. (A basis point is 0.01 percentage point.) For instance, a customer who placed an order to buy 50,000 shares at $10 each would get the shares for an average price of slightly less than $10.03. Bank of America's customers lost 32.67 basis points, while Morgan Stanley's lost 33.61.

The biggest brokers -- with their math whizzes, algorithms and flexibility to commit their firms' money -- had the advantage as the Standard & Poor's 500 Index posted the biggest percentage decline since 1937 in 2008 and volatility soared. Trading volume climbed 12 percent from the third quarter of 2008 to the fourth and then 3.8 percent in the next quarter. On average, 10.4 billion shares a day changed hands on U.S. exchanges during the 12 months ended on June 30, 2009.

Widest Swings

U.S. stocks had their most-violent swings in almost eight decades in 2008, pushing the Chicago Board Options Exchange Volatility Index, or VIX, to a record 80.86 in November of that year. The index, which measures the cost of using options as insurance against S&P 500 declines, is a gauge of investor uncertainty. It averaged 20.28 over its two-decade history and 38.91 in the first half of 2009.
Increased volatility makes it costlier for brokers to buy and sell the large blocks of stock that account for the biggest share of institutional orders.

In North America, costs roughly tripled for the top five brokers, causing customers to pay, on average, 25.42 to 34.10 basis points. Institutional investors around the world paid $28.2 billion in trading commissions in 2009, compared with $30.7 billion in 2008 and $26 billion in 2007, according to Greenwich Associates in Stamford, Connecticut.
With so much money at stake, the technology arms race that spawned millions of dollars' worth of buzzing computers in Secaucus shows no sign of letting up.

"Equities is a technology business now," Tabb Group's McPartland says.
What the humans need to do is to make sure their firms have the best equipment, trading know-how and programmers.

World's Best Brokers

Broker	Loss,* in basis points
Goldman Sachs	-27.5
Bank of America Merrill Lynch	-32.7
Morgan Stanley	-33.6
Barclays Capital	-34.2
JPMorgan Chase	-34.2
Investment Technology Group	-35.6
UBS	-36.3
Deutsche Bank	-38.8
Citigroup	-39.7
Credit Suisse	-41.3

* For brokerage clients in the four quarters ended on June 30, 2009, based on the difference between the executed stock price and the price when the order was placed. Source: Ancerno

PRIVATE PLACEMENT MEMORANDUM

87,383,982 UNITS

40% Ownership Stake

$25,000,000 Value

At

$.286 Per Unit

Each Unit Consists of

One Common Stock

&

One Preferred Stock

With

4% Annual Dividend

100% Payback On Face Value

May 23, 2017

Sam Balabon
CEO
3225 Smoky Ridge Road
Austin, TX 78730
sam.balabon@spotquoting.com
512-585-4589

SUMMARY

The planned use of the proceeds from this offering is to fund the launch of a new U.S. Stock Exchange. The Company is currently an U.S. Securities and Exchange Commission (SEC)-licensed Alternative Trading System (ATS) regulated by Financial Industry Regulatory Authority (FINRA). The Company has not launched trading operations to date, but has developed the software to run its stock exchange. The Company introduces two distinct patented order types that allow large traders to advertise and trade blocks of stock or any other type of financial instrument. The Company anticipates a $2.5 billion dollar plus annual profit at the end of the 4th year of its operations.

THE OFFERING

We are offering 87,383,982 Units. Each Unit consists of 1 Common Stock and 1 Preferred Stock of Spot Quote Holdings, Inc. The Company may cancel or modify this Offering, reject purchases of Units in whole or in part, waive conditions to the purchase of Units and allow investments below the minimum purchase price. The Company may also discount the purchase price of the Units and vary the amount of commissions paid to Broker-Dealers. There is no minimum amount of Units that must be sold prior to the initial closing or prior to the final closing of the Offering.

Notice to Investors

Investing in Units involves risks. See "Risk Factors" in this Memorandum. Neither the U.S. Securities and Exchange Commission (the "Commission") nor any state securities commission has reviewed, approved or disapproved of this Memorandum or the Interests, nor have they passed upon the accuracy or adequacy of the information set forth in this Memorandum. Any representation to the contrary is a criminal offense. This Memorandum does not constitute an offer to sell or a solicitation of an offer to purchase securities by anyone in any jurisdiction in which such offer or solicitation is not authorized or in which the person making the offer is not qualified to offer and sell securities, or to any person to whom it is unlawful to make such an offer or solicitation.

OFFERING TABLE

We are offering 87,383,982 Units of 1 share of Preferred Stock and 1 share of Common Stock of Spot Quote, Inc.

Issuer	Spot Quote, Inc.
Securities Offered	87,383,982 Units at $.286 each, each unit consisting of 1 Common Stock and 1 Preferred Stock. Each Preferred will have a $.286 redemption price plus accrued dividends. There are currently 113,130,365 shares of Common Stock issued.
Dividends	4% per annum for each preferred share accrued (See Automatic Redemption)
Frequency	Quarterly dividends
Preferences	The Preferred Stock will receive a preference over our Common Stock as to dividends.
Maturity	Perpetual
Optional Redemption	Spot Quote Holdings, Inc. may redeem Preferred Stock at any time by repayment of face value up to $.286 per share plus any accrued dividends.
Automatic Redemption	25% of net income will be allocated to repay face value of Preferred Stock in the offering pool. Each shareholder will be entitled to his/her ownership percentage of the offering pool. Example: a $12.5 million investment would have a 50% interest in the pool or 12.5% interest in the net income of the Company until the original principal investment is paid off plus any accrued dividend payments to date.
Liquidation Rights	If Spot Quote Holdings, Inc. is dissolved or liquidated, the pool of Preferred Stock will be entitled to receive 25% of any assets available for distribution based on the individual preferred shareholder ownership percentage.
Voting Rights	None, except in the case of specified changes in the terms of the Preferred Stock.

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LEGAL DISCLOSURE

An investment in our stock is speculative, involves a high degree of risk, and hence only those investors who can bear the economic risks of their investment for an indefinite period and who can afford to sustain a total loss of their investment should consider it. **See "Risk Factors" on Page 16 of this private placement memorandum for a description of the risk factors that management believes present the most substantial risks to an investor in this offering.**

You should carefully read the entire private placement memorandum before making an investment decision. In this private placement memorandum, the terms "Spot Quote," "Company," "we," "us," "Spot" and "our" refer to Spot Quote Holdings, Inc. and its 100% owned subsidiary, Spot Quote, LLC.

In making an investment decision, investors must rely on their own examination of the issuer and the terms of the offering, including the merits and risks involved. These securities have not received recommendation or approval from any federal or state securities commission or regulatory authority; furthermore, these authorities have not passed upon the accuracy or adequacy of this memorandum. However, the securities have been submitted to FINRA to be reviewed prior to this offering.

In making your investment decision, you should rely only on the information contained in this memorandum or furnished to you in writing by an authorized officer of Spot Quote. We have not authorized anyone to provide you with any other information. If you receive any other information, you should not rely on it.

The information contained herein is presented as of the date of this private placement memorandum. The delivery of this document at any later date should not create any implication that there has been no change in the information set forth herein or in the financial condition or prospects of Spot Quote.

We have prepared this private placement memorandum and we are solely responsible for its contents. You are responsible for making your own examination of us and your own assessment of the merits and risks of investing in our Company. You may contact us if you need any additional information. By purchasing shares of our Common Stock, you will be deemed to have acknowledged that:

- You have reviewed this private placement memorandum;

- You have had an opportunity to request any additional information that you need from us, and have received all additional information considered by you to be necessary to verify the accuracy of or to supplement the information in this private placement memorandum; and

- You have not relied on us or any persons affiliated with us in connection with your investigation of the accuracy of such information or your investment decision.

We are not providing you with any legal, business, tax or other advice in this private placement memorandum. You should consult with your own advisors as needed to assist you in making your investment decision and to advise you whether you are legally permitted to purchase the shares.

You must comply with all laws that apply to you in any place in which you buy, offer or sell any shares of Common Stock or possess this private placement memorandum. You must also obtain any consents or approvals that you need in order to purchase the stock. We are not responsible for your compliance with these legal requirements.

The shares of Preferred and Common Stock offered are subject to restrictions on resale and transfer as described in this private placement memorandum under "Notice to Investors and Transfer Restrictions." By purchasing shares, you will be deemed to have made certain acknowledgments, representations and agreements as described in that section of this private placement memorandum.

You should rely only on the information contained in this private placement memorandum. We have not authorized anyone to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not making an offer to sell these securities in any jurisdiction where an offer or sale is not permitted. You should assume that the information appearing in this private placement memorandum is accurate as of the date on the front cover of this private placement memorandum only, regardless of the time of delivery of this private placement memorandum or of any sale of the shares. Our business, prospects, financial condition and results of operations may have changed since that date.

Special Note Regarding Forward-looking Statements

The information contained in this private placement memorandum, including in the documents incorporated by reference into this private placement memorandum, includes some statements that are not purely historical and that are "forward-looking statements." Such forward-looking statements include, but are not limited to, statements regarding our management's expectations, hopes, beliefs, intentions or strategies regarding the future, including our financial condition and expected impact on the market and our future financial performance. In addition, any statements that refer to projections, forecasts or other characterizations of future events or circumstances, including any underlying assumptions, are forward-looking statements. The words "can," "anticipates," "believes," "continue," "could," "estimates," "expects," "intends," "may," "might," "plans," "possible," "potential," "predicts," "projects," "seeks," "vision," "verbal commitments," "should," "will," "would" and similar expressions, or the negatives of such terms, may identify forward-looking statements, but the absence of these words does not mean that a statement is not forward-looking.

The forward-looking statements contained in this memorandum are based on current expectations and beliefs concerning future developments and the potential effects on the parties and the transaction. There can be no assurance that future developments actually affecting us will be those anticipated. Those that may cause actual results or performance to be materially different from those expressed or implied by these forward-looking statements, including the following forward-looking statements, involve a number of risks, uncertainties (some of which are beyond the parties' control) or other assumptions.

CASH FLOW PROJECTIONS

SPOT QUOTE HOLDINGS, INC.

CASH FLOW PROJECTIONS

Total U.S. Annual Trade Volume Shares Estimated at 2,107,763,928,648*

SPOT QUOTE CASH FLOW PROJECTIONS	Year 1	Year 2	Year 3	Year 4
Premium Patented Order Types (percent of market)	0.5%	5.0%	10.0%	12.00%
Revenue @ $.003 per share (first year free trading)	$0	$316,164,589	$632,329,179	$758,795,014
Regular Order Types (percent of market)	0.1%	4.0%	6.0%	9.0%
Revenue @ $.003 per share traded (collected/rebated)	$6,323,292	$252,931,671	$379,397,507	$569,096,261
Market Data (based on what NYSE gets for its data)	$0	$0	$1,348,968,914	$1,770,521,700
Market Making 25% of prem. traffic volume $.001 profit share	$0	$105,388,196	$210,776,393	$252,931,671
Reinvest all profits first year to make better quotes				
Total Revenue (annual)	**$6,323,292**	**$674,484,457**	**$2,571,471,993**	**$3,351,344,647**
Expense (annual)				
Head Count	15	30	60	120
Hardware	$300,000	$500,000	$700,000	$900,000
Network Connectivity & Design	$440,000	$720,000	$1,000,000	$1,500,000
Data Center	$225,000	$400,000	$500,000	$600,000
Market Data	$800,000	$1,000,000	$1,200,000	$1,400,000
Clearing	$5,000,000	$7,000,000	$9,000,000	$11,000,000
Liquidity Rebates	$6,323,292	$252,931,671	$379,397,507	$569,096,261
Software Development	$500,000	$1,000,000	$1,500,000	$2,000,000
Website with Real Time Data	$100,000	$250,000	$500,000	$750,000
Professional Fees	$750,000	$1,000,000	$1,500,000	$2,000,000
General Administration	$60,000	$250,000	$500,000	]7500000
Rent and Insurance	$200,000	$4,000,000	$300,000	$350,000
Software and Hardware for Emplyees	$40,000	$100,000	$120,000	$150,000
Hotel & Travel & Conferences	$250,000	$400,000	$500,000	$600,000
Other	$100,000	$250,000	$500,000	$750,000
Compensation and employee benefits	$3,410,000	$6,820,000	$13,640,000	$27,280,000
Total Expense	**$18,498,292**	**$276,621,671**	**$410,857,507**	**$618,376,261**
Net Profit Before Taxes	**-$12,175,000**	**$397,862,786**	**$2,160,614,486**	**$2,732,968,386**

Employee Expense Projections	
Head Count	
CEO	$200,000
Assistant	$75,000
CFO	$200,000
COO	$200,000
CTO	$200,000
Chief Compliance Officer	$150,000
Two Developers	$400,000
Two Operation Guys	$400,000
Head of Marketing & Sales Sell Side	$300,000
Sales Assistant	$100,000
Head of Marketing & Sales Buy Side	$300,000
Sales Assisitant	$100,000
Head of Market Making	$200,000
Taxes & Benefits Est. 20%	$585,000
Total Compensation	$3,410,000
(Labor Costs are expected to double each year)	

MARKET DATA REVENUE PER STOCK EXCHANGE	Annual Revenue Market Data Sales	Annual Volume*	Market Percentage	Data Revenue for Each Share Traded	Daily Revenue
NYSE	$1,948,000,000	484,225,940,268	22.97%	$0.0040	$7,730,159
NASDAQ	$536,000,000	368,727,812,964	17.49%	$0.0015	$2,126,984
BATS	$147,000,000	435,361,529,232	20.66%	$0.0003	$583,333
Off Exch. (Big Banks)		771,830,360,028	36.62%		

*Sample consists of first two weeks of May 2021 Trading Volume to determine calculations

OTHER STOCK EXCHANGES MARKET DATA REVENUE

Three Largest U.S. Stock Exchanges
$2,632,000,000 Annualized Market Data Sales

(Note that NYSE is Intercontinental Exchange)

Intercontinental Exchange, Inc. and Subsidiaries
Consolidated Statements of Income
(In millions, except per share amounts)
(Unaudited)

	Six Months Ended June 30,		Three Months Ended June 30,	
	2016	2015	2016	2015
Revenues:				
Transaction and clearing, net	$ 1,789	$ 1,583	$ 860	$ 747
Data services	974	405	497	205
Listings	208	202	105	101
Other revenues	87	86	42	43
Total revenues	3,058	2,276	1,504	1,096
Transaction-based expenses:				
Section 31 fees	196	171	98	78
Cash liquidity payments, routing and clearing	579	458	277	221
Total revenues, less transaction-based expenses	2,283	1,647	1,129	797

Nasdaq, Inc.

Condensed Consolidated Statements of Income
(Unaudited)
(in millions, except per share amounts)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Revenues:				
Market Services	$ 532	$ 478	$ 1,104	$ 1,018
Listing Services	68	66	134	130
Information Services	134	128	268	253
Technology Solutions	163	13[illegible]	297	265
Total revenues	897	8[illegible]	1,803	1,666

Bats Global Markets, Inc. and Subsidiaries
Condensed Consolidated Statements of Income
(unaudited)
(in millions, except per share data)

	Six Months Ended June 30,	
	2016	2015
Revenues:		
Transaction fees, including $47.9 and $138.7 from related parties for the three months ended June 30, 2016 and 2015, respectively, and $171.2 and $278.9 for the six months ended June 30, 2016 and 2015, respectively	$ 704.0	$ 608.3
Regulatory transaction fees, including $11.9 and $30.5 from related parties for the three months ended June 30, 2016 and 2015, respectively, and $40.9 and $65.2 for the six months ended June 30, 2016 and 2015, respectively	151.0	133.8
Market data fees, including $0.5 from related parties for the three months ended June 30, 2016 and 2015, respectively, and $1.7 and $1.3 for the six months ended June 30, 2016 and 2015, respectively	73.7	64.2
Connectivity fees and other, including $3.1 and $7.3 from related parties for the three months ended June 30, 2016 and 2015, respectively, and $8.9 and $13.8 for the six months ended June 30, 2016 and 2015, respectively	48.1	36.9
Total revenues	976.8	843.2

STOCK EXCHANGES MARKET SHARE

Notional Value Summary | Volume Summary

Today | 5 Day Avg | MTD

Matched Volume	Tape A	Tape B	Tape C	Market*	% of Mkt	Today % of Mkt
⊕ NYSE (P,N,A)	1,334,377,823	412,611,900	174,541,876	1,921,531,599	22.97%	23.33%
⊕ BATS (Z,Y,K,J)	839,708,241	423,739,147	464,177,739	1,727,625,126	20.66%	19.94%
⊕ NASDAQ (B,X,Q)	619,324,724	233,776,344	610,104,559	1,463,205,627	17.49%	16.77%
IEX (V)	89,497,542	21,417,828	39,341,000	150,256,369	1.80%	1.64%
CHX (M)	9,091,091	21,932,970	6,172,039	37,196,100	0.44%	0.51%
NSX (C)	647,188	531,101	330,576	1,508,864	0.02%	0.01%
Matched Total	2,892,646,608	1,114,009,290	1,294,667,787	5,301,323,685	63.38%	62.20%
FINRA & TRF Volume						
⊕ TRFs (DQ,DN)	1,524,749,124	702,326,176	835,743,590	3,062,818,889	36.62%	37.80%
FINRA & TRF Total	1,524,749,124	702,326,176	835,743,590	3,062,818,889	36.62%	37.80%
Total Consolidated Volume						
Total	4,417,395,732	1,816,335,466	2,130,411,377	8,364,142,574	100%	100%

PATENTED PRODUCT ONE

One Cent Block Crossing Network with active FINRA/SEC ATS Trading License. Software is written and ready for commercial use.

Business Proposition:

"If I pay an extra penny towards my execution, how many additional shares can I get filled?"

Each One Cent quote contain shares from THREE different sources of liquidity:

Source 1 – All shares shown available at the national best bid or offer (NBBO).

Source 2 – All shares shown available at one cent away from the NBBO (up to the number of shares shown available at the NBBO).

Source 3 – Shares from Spot market makers. Market makers will compete to determine which market maker will bid the largest number of shares. This is achieved through two "size" auctions that will run continuously for each symbol pegged at one cent under and one cent above the NBBO. The winning market maker can change between each other in microseconds.

Spot Book will "combine" all three sources of liquidity into single quotes and offer them through its order book. Spot, in the capacity of dealer, will open each auction with a 100-share bid. Upon execution, shares are gathered from Source 1,2,3 and the fill price is fixed (up one penny or down on penny from NBBO). Profits from Source 1 are granted to the market maker.

Example:

Symbol	SPOT -$.01	Bid Size	Bid Price
AAL	900	400	$39.90
AAME	900	400	$3.75
AAPL	2,100	1,000	$111.16

In this example, there are 1,000 shares available at the best bid price of the NBBO for AAPL. Our ATS will make the opening bid of 100 shares. This means there are at least another 1,000 shares in the stock exchanges priced at $111.15.

Source 1 – Top of Book 1,000 shares

Source 2 – Top of Book Minus One Cent 1,000 shares

Source 3 – Opening Bid of 100 shares

Total shares offered at ATS is (1,000+1,000 +100) = 2,100 shares @ $111.15

Note: All trade executions must go through a patented market check of up to 25 milliseconds to insure the 2,000 shares in the market can be obtained. All quotes in Spot's One Cent Market will

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be the largest quotes in the world by default and will be available continuously throughout the day. This form of market is protected by three U.S. issued patents and one Japan issued patent.

PATENTED PRODUCT TWO

Hide Side Block Crossing Network with active FINRA/SEC ATS Trading License. Software is written and ready for commercial use.

Business Proposition:

"I would like to advertise a block order but do not want anyone front running my order."

Each Hide Side quote contains shares offered by a single user.

Symbol	SPOT	Bid Price	Offer Price	SPOT	Action
AAL	59,400	$39.90	$39.91	59,400	Buy Sell
AAME	180,000	$3.75	$3.95	180,000	Buy Sell
AAPL	65,900	$111.16	$111.17	65,900	Buy Sell

Each time a Hide Side Order Type is entered into the Spot book, simultaneously an opposite mirror (phantom) order is generated and entered on the opposite side of the book with the same symbol and same number of shares. Each pair of quotes only has one side that is executable. If a liquidity taker attempts to grab the phantom order, they will receive an "unable to fill" message.

This order type has "pinging" protection by providing the liquidity provider the option to include a minimum fill requirement. This form of market is protected by two issued U.S. patents.

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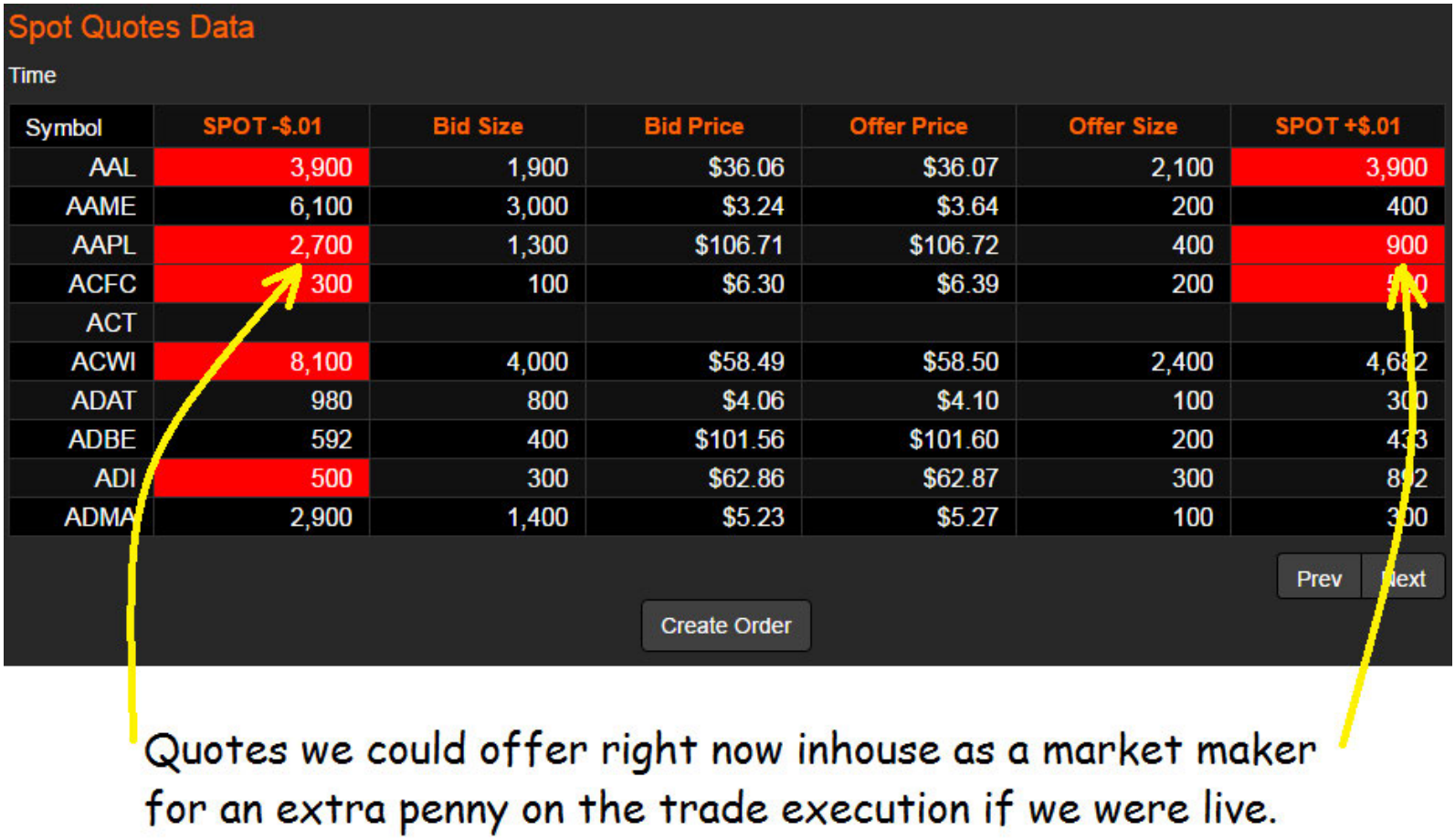
PATENTED PRODUCT THREE

House Quotes

Spot will make continuous markets in all NASDAQ and NYSE listed stocks. We aggregate two price levels and will contribute additional house shares as well to create the largest continuous market making quotes for all NASDAQ and NYSE listed stocks.



Quotes we could offer right now inhouse as a market maker for an extra penny on the trade execution if we were live.

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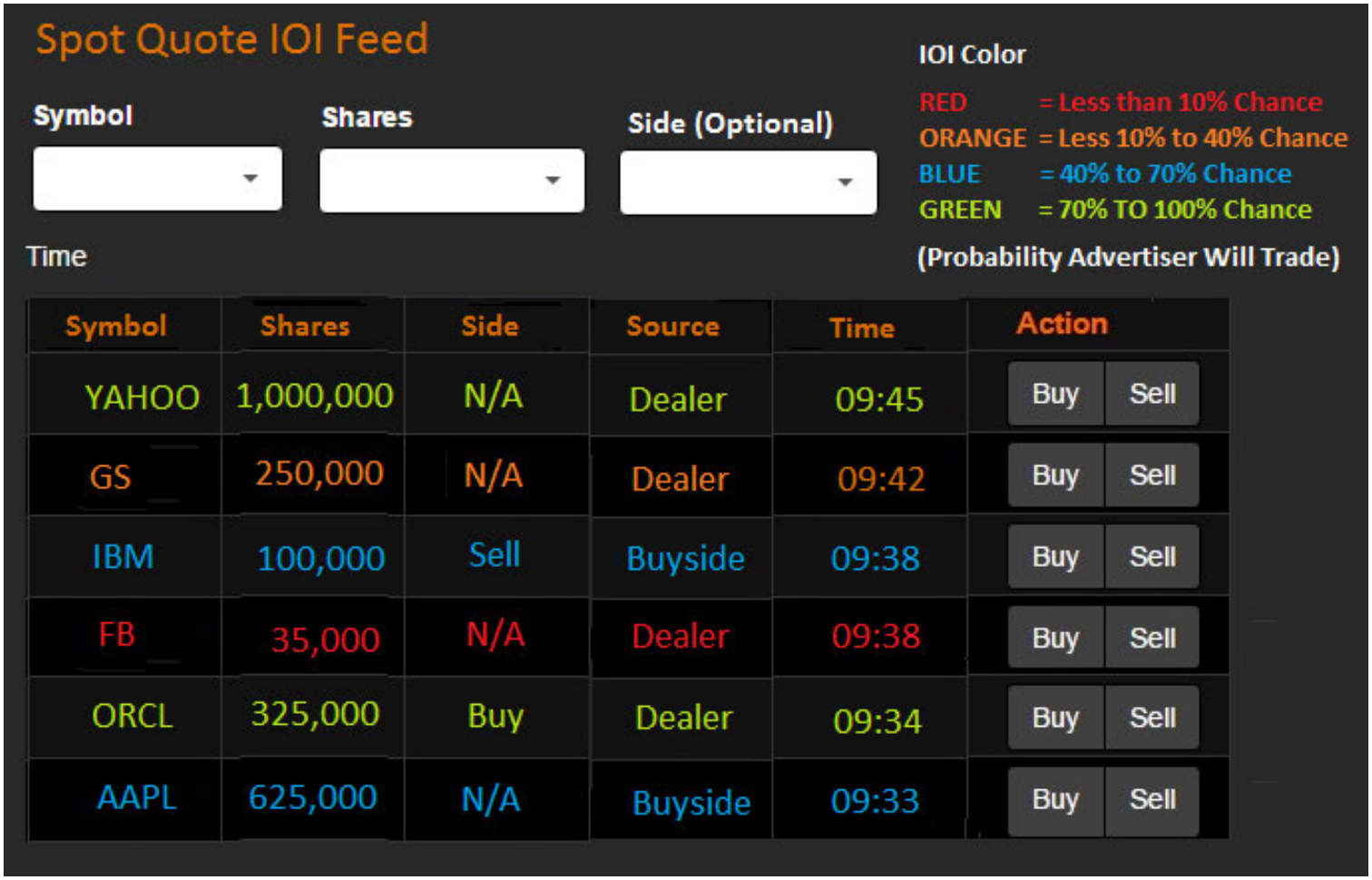
PATENTED PRODUCT FOUR

Call Market

This trading system is designed to be used to construct a counterparty to a trade a block when there is none. Currently block orders are broken up into smaller orders and placed into the market over time to prevent front running and to manage market impact. This trading system with its patented unique order types allows an institutional trader to formulate a market on his screen catered specifically to the trade he wants to get done. It is designed to provide an executable bid and offer for whatever size of trade is entered into it. This is achieved by giving the market making community new powers to trade the market prior to filling the customer's order. This allows market makers the ability to bundle their liquidity and the sitting liquidity in the national stock exchanges into a single product.



The above screen shot depicts indications of interests flowing into the system. The black box computers of market makers responding to this feed input will be the primary means by which quotes will be generated.

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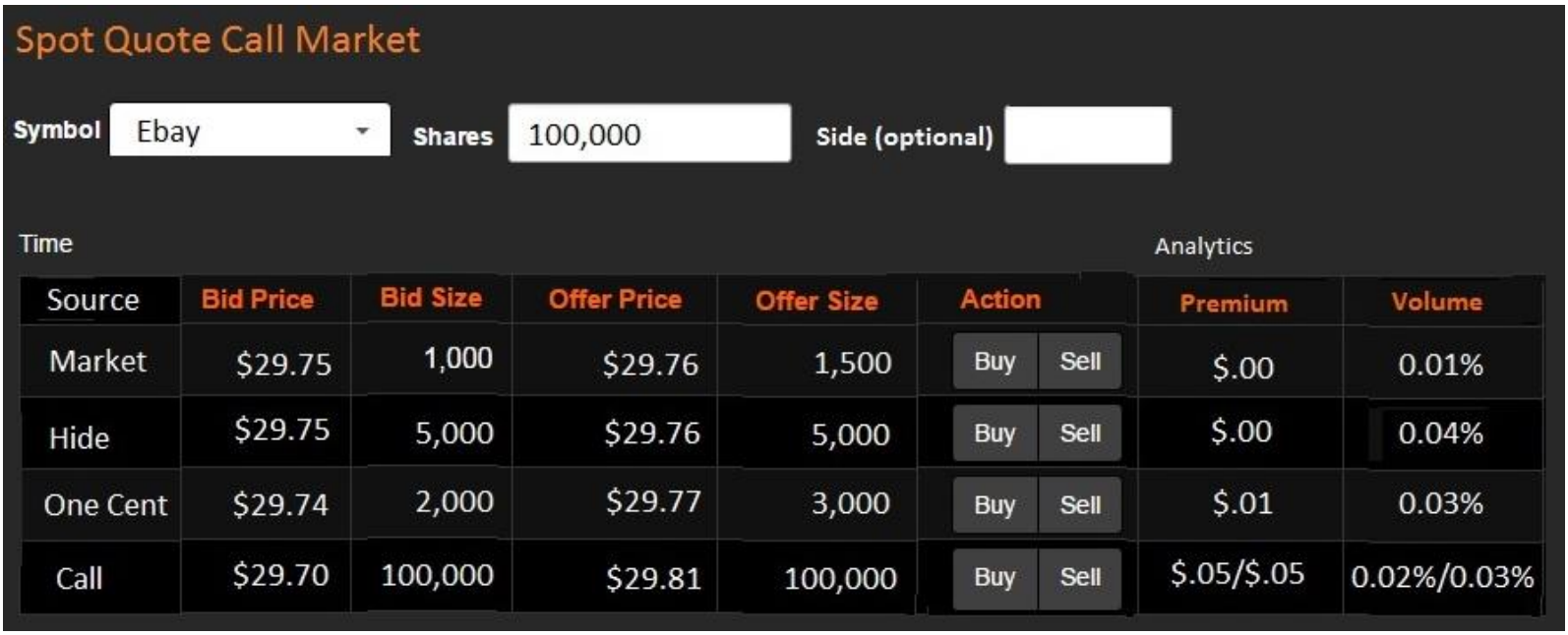

This screen illustrates a view of all four patented marketplaces combined as a liquidity center.

MAIN COMPETITORS

Main Competitors in the Electronic Trading of Securities:

IEX (The Investors Exchange) is a stock exchange based in the United States. Started by Brad Katsuyama, it opened for trading on October 25, 2013. IEX's main innovation is a 38-mile coil of optical fiber placed in front of its trading engine. This 350-microsecond delay adds a round-trip delay of 0.0007 seconds and is designed to negate the certain speed advantages utilized by some high-frequency traders. The exchange's market session runs from 9:30 am to 4:00 pm Eastern Time.

The SEC approved IEX to be an official exchange on June 17, 2016.

IEX was created in response to questionable trading practices that had become widely used across traditional public Wall Street exchanges as well as dark pools and other alternative trading systems. IEX aims to attract investors by promising to "play fair" by operating in a transparent and straightforward manner, while also helping to level the playing field for traders.

IEX is the most similar start-up to the Company. They raised about $80 million from investors. The intrinsic value of their 1.8 percent market share is worth $150 million in annual revenue if

at some point they decide to sell their market data. (This is based on what NYSE makes comparatively by volume.)

Bats Global Markets is a global stock exchange operator based in Lenexa, Kansas, with additional offices in London, New York, Chicago and Singapore. Bats was founded in June 2005, and became an operator of a licensed U.S. stock exchange in 2008.

The company was founded in June 2005 by David Cummings. The niche that he sought for the company was for it to be "a neutral, private, broker-dealer owned, semi-profitable utility" with no party owning more than 20 percent. He noted that the consolidation of the New York Stock Exchange and NASDAQ eliminated competition and they raised prices for their services. The Bats system was intended to charge less. Among the things it did to draw customers was to offer free listings to companies with shares that traded a certain amount each day.

Mr. Cummings is just a regular guy from the Midwest who goes to church every Sunday. It is interesting to note he gave away $5 million in rebates to get his exchange going in the beginning. This exchange trades publicly, with a current market value of $3 billion dollars.

Liquidnet is a global institutional trading network that connects asset managers with liquidity. Liquidnet trades in 41 equity markets for asset management firms who collectively manage $12.5 trillion.

Liquidnet is headquartered in New York City, and has offices in Boston, San Francisco, London, Hong Kong, Singapore, Sydney, Tokyo and Toronto.

Liquidnet was founded in April 2001 by Seth Merrin as a wholesale electronic marketplace where institutional investors could trade large blocks of stocks. Merrin estimated that the network needed at least 100 buy side firms live on Day One to create a critical mass. This number was revised to 75, but the company ultimately launched with only 38 institutions.

Merrin describes his company as "creating marketplaces that enable institutions to trade in size with the efficiency that they sorely need." In the U.S., Liquidnet's average execution size of 50,000 shares is 200 times the size of the 250-share average traded in all lit and dark venues. Liquidnet's average execution in international equities is reportedly 100 times larger than the average.

This trading system is an ATS, which is the regulatory designation of our subsidiary broker dealer. It is a private block trading network that trades approximately30 million shares a day. It is interesting to note they get $.04 for each share traded between a buyer and seller. They charge $.02 on each side of the trade. Note there is not much info on the value of this company. Years ago, some private equity money came in basically to convert some of the insiders' equity in the company. It was worth around $2 billion then.

NASDAQ Stock Market is an American stock exchange. It is the second-largest exchange in the world behind only the New York Stock Exchange.

When it was founded, NASDAQ was the acronym of National Association of Securities Dealers Automated Quotations. NASDAQ was founded in 1971 by the National Association of Securities Dealers (NASD). When the NASDAQ Stock Market began trading on February 8, 1971, it was the world's first electronic stock market. At first, it was merely a quotation system and did not provide a way to perform electronic trades. The NASDAQ Stock

Market helped lower the spread (the difference between the bid price and the ask price of the stock) but was unpopular among brokerages that made much of their money on the spread.

The NASDAQ Stock Market is the first stock market in the United States to start trading online, highlighting NASDAQ-traded companies and closing with the declaration that The NASDAQ Stock Market is "the stock market for the next hundred years." Initially, the NASDAQ Stock Market attracted new growth companies such as Microsoft, Apple, Cisco, Oracle and Dell and helped modernize the IPO.

The company is currently worth $18 billion.

International Securities Exchange Holdings, Inc. (ISE) is a wholly owned subsidiary of Nasdaq, Inc.

Founded in 2000, the ISE began its inception in 1997 with then-chairman of E-Trade, William A. Porter, and his colleague, Marty Averbuch. They approached David Krell and Gary Katz about their concept, and the four founded what is today the International Securities Exchange, a leading U.S. equity options exchange.

Launched as the first fully electronic U.S. options exchange, ISE developed a unique market structure for advanced screen-based trading.

ISE offers equity and index options, including proprietary index products, as well as FX options based on foreign currency pairs. ISE also offers market data tools designed for sophisticated investors seeking information on investor sentiment, volatility and other options data. In 2013, ISE strengthened its focus on ETF and Index development with Introduction of ISE ETF Ventures.

Company acquired by NASDAQ for $1.1 billion in 2016.

Chicago Board Options Exchange (CBOE) located in Chicago, is the largest U.S. options exchange with annual trading volume that hovered around 1.27 billion contracts at the end of 2014. CBOE offers options on over 2,200 companies, 22 stock indices and 140 exchange-traded funds (ETFs).

The Chicago Board of Trade established the Chicago Board Options Exchange in 1973. The first exchange to list standardized, exchange-traded stock options began its first day of trading on April 26, 1973, in a celebration of the 125th birthday of the Chicago Board of Trade.

As of approximately April 11, 2007, the Wall Street Journal estimates that globally the market capitalization of the derivatives markets (futures, options, swaps, etc.) exceeds $450 trillion (while U.S. stock exchanges have approximately $30 trillion and the rest of the world’s stock exchanges total to about another $20 trillion, to a total of about $50 trillion—while the global fixed income markets total to roughly $65 trillion).

Trading at CBOE is carried out by the exchange's Hybrid system, which enables customers to trade—either electronically or through open outcry. About 95 percent of CBOE orders are traded electronically, which equates to between 50 and 60 percent of the exchange's total business. The remaining transactions, traded via open outcry, typically are large or complex institutional orders that use the skills of floor brokers to "work the order" to gain potential price improvement.

Current Market Value is $5.5 billion.

Chicago Mercantile Exchange (CME) is an American financial and commodity derivative exchange founded in 1898 as the Chicago Butter and Egg Board, an agricultural commodities exchange. Originally, the exchange was a non-profit organization.

Today, CME is the largest options and futures contracts open interest (number of contracts outstanding) of any futures exchange in the world, including any in New York City. The Merc trades several types of financial instruments: interest rates, equities, currencies and commodities. It also offers trading in alternative investments, such as weather and real estate derivatives.

CME also pioneered the CME SPAN software that is used around the world as the official performance bond (margin) mechanism of 50 registered exchanges, clearing organizations, service bureaus and regulatory agencies throughout the world.

Trading is conducted in two methods—an open outcry format and the CME Globex electronic trading platform. Approximately 80 percent of total volume at the exchange occurs electronically on Globex.

Open Outcry

Operating during regular trading hours (RTH), the open outcry method consists of floor traders standing in a trading pit to call out orders, prices and quantities of a particular commodity. Different colored jackets are worn by the traders to indicate what firm they are a part of. In addition, complex hand signals (called Arb) are used. These hand signals were first used in the 1970s.

Current Market Value is $38 billion. The reason it is so high is because they cornered the market on instruments they generate in house that no one else for the most part can trade.

Intercontinental Exchange (traded as ICE) is an American business and finance company founded on May 11, 2000 by Jeffrey Sprecher, headquartered in Atlanta, Georgia. It owns exchanges and clearing houses for financial and commodity markets, and operates 23 regulated exchanges and marketplaces including the NYSE.

Spretcher was a power plant developer who spotted a need for a seamless market in natural gas used to power generators. In the late 1990s, Sprecher acquired Continental Power Exchange, Inc. with the objective of developing an Internet-based platform to provide a more transparent and efficient market structure for OTC energy commodity trading.

The new exchange offered the trading community better price transparency, more efficiency, greater liquidity and lower costs than manual trading. While the company's original focus was energy products (crude and refined oil, natural gas, power and emissions), acquisitions have expanded its activity into soft commodities (sugar, cotton and coffee), foreign exchange and equity index futures.

Current Market Value is $32 billion. Part of that value is the $1.9 billion of revenue that is generated through market data sales through its subsidiary NYSE. The interesting thing about market data is it has a captive audience that must subscribe to it. One stock exchange's data is no different than another stock exchange's data. Two years after our Company becomes a stock exchange, the Company will file with the SEC to sell market data. Based on our projections, we could earn $1.3 billion in annual revenue for the Company in year Year 3 of operations.

New York Stock Exchange is an American stock exchange located in New York City. It is owned by Intercontinental Exchange. It is by far the world's largest stock exchange by the value of the companies that list on it. The market value of its listings is worth $19.3 trillion as of June 2016.

The earliest recorded organization of securities trading in New York among brokers directly dealing with each other can be traced to the Buttonwood Agreement. Previously, securities exchange had been intermediated by the auctioneers who also conducted more mundane auctions of commodities such as wheat and tobacco. On May 17, 1792, twenty four brokers signed the Buttonwood Agreement which set a floor commission rate charged to clients and bound the signers to give preference to the other signers in securities sales. The earliest securities traded were mostly governmental securities such as War Bonds from the Revolutionary War and First Bank of the United States stock.

The invention of the electrical telegraph consolidated markets, and New York's market rose to dominance over Philadelphia after weathering some market panics. The Civil War greatly stimulated speculative securities trading in New York. By 1869 membership had to be capped, and has sporadically increased since. The latter half of the nineteenth century saw rapid growth in securities trading.

Securities trade in the latter nineteenth and early twentieth centuries were prone to panics and crashes. Government regulation of securities trading was eventually seen as necessary, with arguably the most dramatic changes occurring in the 1930s after a major stock market crash precipitated an economic depression.

Prior to ICE's acquisition of NYSE Euronext in 2013, Marsh Carter was the Chairman of the NYSE and the CEO was Duncan Niederauer. Presently, the chairman is Jeffrey Sprecher.

This is where it all started.

BUSINESS SUMMARY

Spot will become a typical stock exchange, providing all the customary services of a stock exchange. To drive commercial traffic to achieve market share, Spot will provide two unique patented order types that allow the advertising of block limit orders openly. Currently block orders are put into algorithms, which break the orders up into smaller orders that are entered into the market over time to limit market impact.

The Company's new order types provide new patented rules to govern the trading of stocks and other financial instruments. Much like rules that govern stock trading in the U.S. such as minimum trading increments of (one cent) between bid/offer prices, Spot has its own "patented" rules that are very different from the current stock exchange rules in the U.S. and throughout the world, especially with respect to how traders negotiate with one another.

We have built a new trading platform, on which we will offer order placement and crossing services to institutional traders, global banks, high frequency traders and market makers.

We seek capital to so we can apply to become a stock exchange and launch operations.

We will manage our trading platform, support our customers and work with regulators such as FINRA and SEC.

PATENT PORTFOLIO

Our U.S. Patents are 100% owned by Spot Quote Holdings, Inc. (formally Deep Liquidity, Inc.)

Our Patents describe new ways limit orders can be:

- Displayed to the market,
- Executed. Executions currently favor parties that hit or take limit orders out of order books and not the parties that place the limit orders,
- Communicated between individual buyers and sellers,
- Constructed to contain built-in quote fees. This type of quote fee is based on the level of risk a market maker takes to fill a particular size of a retail order. This type of fee does not exist anywhere in the world today.

The closest related business model is "rebates" offered by stock exchanges for the purposes of attracting market makers to post in their electronic bulletin boards. These methods are crude, but still form the cornerstone of the stock exchange business model in today's markets.

•**U.S. Patent 8,510,208** – – System and method for block trading, patented August 13, 2013. This invention describes a new type of stock exchange that uses decoys to protect the trading interest contained in the orders it displays to the market. This introduces the concept that traders can disclose their trading interest to the market by "diluting" their trading interest just enough to attract contra parties, but not "concentrate" their trading interest to the degree that it can be gamed by other traders. When orders are entered into the market using this invention, decoy trading interests (limit orders) are entered on the opposite side of the market to counterbalance them. Decoy trading interest neutralizes the supply/demand impact of an order entering into the market. This reduces the trading interest leakage, which also reduces what is widely known as slippage/transaction costs associated with block trading.

•**U.S. Patent 8,484,121** – – System and method for execution delayed trading, patented July 9, 2013. This invention provides a new type of limit order that checks the market at the moment that the limit order is matched with a contra order. If the market has changed due to the impact of the matched orders by scanning the stock exchanges, the matched orders are not converted into trade executions. This prevents what market makers call being "run over." It allows market makers to provide the market quotes and at the same time opt out when third parties attempt to sweep the stock exchanges for quotes simultaneously. It forces the quote seeker to enter into a one-on-one automated negotiation directly with the market maker, which is advantageous to the market maker. Of course, the market does not gain any efficiencies unless the market makers compete against each other.

•**U.S. Patent 7,921,054** – – System and method for block trading, patented April 5, 2011. This invention describes a new market maker order type that trades above or below the National Best

Bid or Offer (NBBO). When the limit order executes, it will attempt to liquidate itself back into the markets seeking hidden and better-priced quotes.

•**U.S. Patent 7,769,668** – – System and method for facilitating trading of financial instruments, patented August 3, 2010. This invention describes a new limit order type called Hide Side. It is designed to be displayed to the market, but not to disclose if a trader is buying or selling. It allows a trader to effectively advertise what he needs to get done and at the same time reduce his trading interest footprint to the market. It protects limit orders from penny jumping. It also reduces transaction costs associated with trading. It is a must-have for brokers to protect their customers' limit orders when they are entered into the market. It works for all types of financial instruments.

•**U.S. Patent 7,076,461** – – System and method for trading above or below the market, patented July 11, 2006. This patent is revolutionary, because it suggests that the "quantity" of securities along with price can be electronically negotiated as easily as stock exchanges express prices of their listed shares today. This transforms the negotiation of financial instruments into a two-dimensional process. This is achieved through a new limit order type that is designed for market makers. It allows market makers to build a quote fee into their limit orders in direct proportion to the risk associated with filling particular orders. This opens the door to a new type of specialist that provides a quote based on quote fees. It is a must-have for market makers, so they can more efficiently price risk. It works for all types of financial instruments.

•**Japan Patent** – – This invention is the Japanese version of U.S. Patent 7,076,461. It is active and in full force. The Founder has agreed to assign this patent to the Company; however, assignment has not been formally filed at the Japan PTO.

Claims

The five U.S. patents comprise 69 separate claims. The claims cover Spot's various, unique features. Among the claims covered include the use of phantom or dummy orders to disguise the trading interest of participants and to protect displayers of blocks. Other claims protect quote makers from getting swept when a block trade is triggered at Spot.

The unique order types at Spot are based on these patents. These order types allow a new type of market structure, one in which blocks of stock can be displayed without fear of front running or sweeping by high-speed programs. Instead, the new structure allows and encourages for the first time the integration of high-speed market makers and institutions to trade blocks of stock with each other. Instead of trading a small number of shares continually over a period of time, market makers can offer large blocks of quotes to institutions.

MARKET THEORY AND GOAL

Transform the world's markets from a hub and spoke market structure where buy and sell orders of stocks, currencies, bonds and derivatives are sent to centralized exchanges to a peer to peer market structure where markets are generated on the spot for each buy and sell order entering the market.

Possibly Twice as Many IPOS

If “slippage,” also known as the “transaction cost” associated with block trading could be put on the screen before the investor decides to buy or sell a stock, the risk associated with unknown transaction costs could be reduced. Unknown transaction costs scare many investors away because the slippage risk is greater than the investment opportunity. They tend to make lists of stocks that “they feel” can absorb the dollar size of their orders with minimal market impact. If a stock does not make it to the list, it is not even looked at regardless how good the company is. This “quote problem” prevents big investors from buying little company stocks.

If “transaction costs” were made transparent, small companies with less liquid stocks could broaden their investor audiences; this would increase their stock values and lead to more companies going public. The least liquid stocks would see the greatest valuation increases. Bringing transaction costs into the “light” will overall increase the quote of our stock market.

Taking a closer look, current transaction cost (market impact) analysis tools rely too much on the size of an order relative to the total daily volume of a stock. Using this ratio is a very crude means to guess what the transaction cost might be, because it cannot determine if the market will step up and defend any price level. What if investors could look up historical “transaction costs” based on the size of their orders or ping the market for an instant quote to fill a particular size of order? Wouldn’t that fundamentally change how investors consider investing in the stocks of a small company? If investors knew their “transaction costs” or “slippage” upfront before they parted with their money, don’t you think they would increase their investments in small company stocks?

Lower Volatility/Reduced Market Crashes

If "slippage" was widely accepted to be “built into the price” of a block trade, then the number of block orders that would need to be broken up and placed into algorithms could be reduced. If the use of algorithms that break large orders into bits and pieces and enter them into the market over a time (minutes to weeks) could be reduced when the market is in crisis, there would be less price distortion. When the market is in crisis, sell orders placed in algorithms build up on the sidelines. This distorts prices because the sidelined selling quote is not counterbalanced by the sidelined buying quote. The supply and demand equilibrium of the market gets disrupted, which results in artificially inflating the prices of stocks offered in exchanges. If market prices are inflated due to unfilled sell orders sitting on the sidelines, no one wants to step up and buy until this phenomenon reverses itself (sidelined buy orders are greater than sidelined sell orders).

The above-mentioned phenomenon increases the volatility and severity of market crashes. These price distortions also provide profitable “shorting” opportunities for the short-term trader at the expense of natural sellers. In the end of 2008 and at the beginning of 2009, this phenomenon was rampant and resulted in much faster price drops than should have occurred, wiping out years of accumulated leverage that was already built into the market. Reducing leverage destroys wealth in our society. This phenomenon artificially enhances price movements, either way up or way down. A single block size purchase of a stock using an algorithm generates this phenomenon, although to a lesser extent. Spot technology will reduce the use of algorithms to trade blocks.

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TRADING SOLUTIONS FOR INSTITUTIONAL INVESTORS

Spot provides a quote solution for institutional investors. We will collect access fees when we match buyers and sellers of stock. Eventually we will trade other types of financial instruments as well.

One aspect that makes Spot different is its patented limit order types. Spot's limit orders contain new features that ultimately will transform the electronic trading of stock and other financial instruments from a "price" only negotiation to a "price/size" negotiation. Adding "size" as a second dimension to the electronic negotiation of financial instruments will ultimately change the way exchanges operate worldwide.

Currently buy and sell quotes are maintained in central order books at stock exchanges. Our ultimate goal is to have investors construct markets (book of custom quotes) on demand on their screens in real time. They will then hit or lift the quotes offered to them on their screens. Dealers and other investors will be able to generate these quotes from anywhere in the world. It is similar to an Amazon type of business model, though a little different. You will be able to drop bits and pieces of your limit order into the market (advertising trading interest), like its name, e.g. "IBM" or "IBM and 250,000" to the dealers' computers and other investors around the world, and they will react to your input and broadcast quotes directly to your computer screen.

Spot's new limit order types give dealers/market makers the ability to charge quote fees that are priced relative to the "risk" associated with filling an order. In other words, "slippage" that is also known as the "transaction costs" associated with trading block/large orders are converted into fees similar to an insurance premium and displayed to the investor for their consideration. This way the investor can make an informed decision before he pulls the trigger on a trade. If transaction cost "transparency" can be granted to electronic trading, the markets as we now know them will become much more efficient and productive. Right now, "quote" issues related to trading financial instruments present a very serious problem. Spot's technologies bring these quote issues into the "light" for orders of all sizes. Spot provides the dealers of the world the patented tools necessary to construct quotes that contain quote fees. We also have the ability to make dealers compete against each other in real time for every order coming into the market, thereby generating a unique best bid/offer quote based on the size of an order.

Our technology provides an internet-based "operating system" that facilitates the negotiation and trading of financial instruments between parties. Why trust an organization or algorithm with your orders and "hope" for a good outcome when you can do it yourself better by constructing your own markets on your screen for each of your orders? It grants investors greater autonomy by making the markets come to them when they want to trade as opposed to going to the markets to trade. This new form of patented communications will ultimately transform how our financial markets operate in the future.

NEW ECONOMIC THEORIES

A. Trading interest can be advertised if it is diluted enough so that market participants cannot game it, but can only concentrate enough that the market can respond to it.

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B. If you prevent a quote taker from simultaneously sweeping the market at the same time they hit a quote sitting in a stock exchange, you can deliver the sweeping opportunity to the quote provider. If the quote provider has first access to the market when he fills an order, he can offer prices that are away from the inside quote. Basically, this enables setting a unique inside quote based on the "size" of the order.

C. If you can reflect the trading interest when a quote lands into a stock exchange, you can neutralize the supply and demand splash that occurs when the order reaches the exchange. This eliminates limit orders from being penny jumped.

D. Stock exchange order books should be generated on demand and in real time when a customer pings/calls the market for quote—not by a centralized book governed by a minimum tick size (one penny) and minimum order size (100 shares).

E. Investors should not push their orders into the market to gain executions, but rather pull the market to their screen and make the market compete for every one of their orders.

BUSINESS

In short, Spot aims to put block trading back onto trading screens in the markets. Unlike any other trading venue or exchange, Spot possesses patents to protect the interests of block-size traders.

In today's markets, market participants have no incentive to display large quantities. For example, a large bid order to buy stock might attract front-running traders who push up the market price for the stock. Conversely, a large offer to sell a stock might attract front-running behavior that could depress the market price of the stock. Spot provides patented features that incentivize the display of large bids and offers in the market by protecting the interests of these market participants.

MARKET OPPORTUNITY

The current opportunity to create a block-trading venue is enormous. The current volume of stock trading in the United States alone is approximately 8 billion shares per day, or 2.1 trillion shares per year. Estimates for institutional/hedge fund trading is about 32% of the total, or approximately 8 billion shares per day.

Conversely, the volume of block trading on trading venues today is a small fraction of the total. Most trades must be broken up into very small trades, which are then entered into the market via front-ends or algorithms (algos). The largest separate block-trading venue, Liquidnet, trades typically only 20-30 million shares per day, or less than 2% of the total institutional volume. A big percentage of current institutional volume is available to be captured in a new trading venue such as Spot.

LAUNCH

Once funded, we can launch within 90 days. We plan to supply the market with quotes from our One Cent Market at launch (see image of market above and clearing firm letter at end of PPM). By default, we will "always" have the largest displayed quotes in the world for any name we trade. This is due to the fact that we aggregate the whole market into single quotes. This is a tremendous advantage for us, because we will have guaranteed liquidity in our market at launch. We anticipate there will be many market makers in our launch as well. We have received many verbal commitments to participate in the launch.

FUNDING REQUIREMENTS

We seek to raise $25 million to create the premier place to trade blocks of stock. The investment will allow Spot to complete the development of its matching-engine software, to build an organization, to build its datacenter infrastructure and to provide working capital for its trading venue.

MANAGEMENT TEAM AND KEY ADVISORS

Sam Balabon, age 53, Chief Executive Officer and President and Chairman of the Board. Mr. Balabon is a serial entrepreneur, money manager, trader and inventor with multiple patents. He serves as the chief compliance officer of our broker-dealer subsidiary and holds all of the appropriate securities licenses.

New President or CEO: The Company is actively looking for additional help at the highest level to assist Mr. Balabon in the management of the Company.

Chief Marketing Officer: To be announced; the Company has identified this person, however, until the Company can afford to pay him, he is unable to leave his current position.

Chief Compliance Officer: This employee will ensure that operations of the trading venue comply with all applicable regulations. Initially, the CFO may act as CCO in a dual capacity.

Chief Technology Officer: To be announced; the Company has identified this person and believes he will join once we can pay him an adequate salary. He is a former CTO of one of the U.S. stock exchanges.

Chief Financial Officer: This position is open.

Prakash Patel, age 55, Director. Mr. Patel is a major shareholder and lender to our Company. He is currently the President/CEO of M&R Enterprise of NY Inc., as well as Vice President of Hemisphere Management, an asset management and ownership company with a portfolio of hotels, restaurants and investment properties. Additionally, Mr. Patel serves as the Chairman of the Board of Directors of Hanover Community Bank in Garden City Park, New York, a position he has held since the bank's inception.

Francis Corcoran, Advisor: Mr. Corcoran was the President and Chief Administrative Officer the National Stock Exchange, Inc. He was Vice President and Head of Sales and Business Development at Instinet Corporation. He was Senior Vice President at the American Stock Exchange for Equity

Order Flow & Business Development. He was a Member of the Congressional Financial Services Advisory for the Financial Services Committee of the U.S. House of Representatives.

Chris Nagy, Advisor: Mr. Nagy is a 25-year veteran of Wall Street, and was previously the Managing Director of Order Routing, Sales and Strategy at TD Ameritrade for 12 years.

RISK FACTORS

An investment in our common stock is subject to a number of risks. You should carefully consider the risks described below together with all the other information contained in this private placement memorandum before deciding whether to purchase our common stock. If any of the following risks occur, our business, financial condition, prospects or results of operations could be harmed. In such an event, you may lose part or all of your investment.

We operate in a highly regulated industry and compliance features could adversely affect our business.

We are governed by FINRA and SEC; as such, any action taken by either of these regulators at any time could harm our business. It is our belief that we are in good standing with both regulators and our trading platform complies with all applicable security laws.

The stock exchange and institutional brokerage businesses are extremely competitive.

The financial services industry generally is extremely competitive and we expect it to remain so for the foreseeable future. We will compete for trade execution services mainly with stock exchanges and global banks. Many of our competitors will have substantially greater financial, technical, marketing and other resources that will enable them to compete with the services we provide. On the other hand, we will rely heavily on our intellectual property rights contained in our numerous patents to fend off competitors from attempting to copy us.

We may be unable to protect our intellectual property or may be prevented from using the intellectual property necessary for our business.

Our business will rely in part on proprietary technology and the intellectual property that we own. We feel this will be sufficient in fending off competitors, but cannot guarantee it.

If we do not receive additional funding, we would have to curtail or cease development stage operations.

We will need to continue to raise capital until our business can make a profit.

We may fail to attract customers in a cost-effective manner.

Our business will depend on establishing a customer base in a cost-effective manner. Although we plan to spend financial resources on advertising and related expenses, there are no assurances that these efforts will succeed in attracting customers.

Our risk management policies and procedures may not be effective and may leave us exposed to unidentified or unexpected risks.

Our policies, procedures and practices used to identify, monitor and control a variety of risks may fail to be effective.

We are dependent on a clearing firm.

We will be dependent on our clearing firm for clearance and settlement of transactions executed in our marketplace. We currently do not have a clearing agreement with a clearing firm; however, we have two clearing firms ready to provide clearing services and have verbally committed to work with us once we have raised enough capital. However, we cannot guarantee we will be able to secure a clearing agreement favorable to the Company.

You may experience dilution of your ownership interest because of the future issuance of additional shares of our Common Stock.

There are currently 500 million shares of Common Stock authorized. We may also register additional shares of our Common Stock or other securities that are convertible into or exercisable for Common Stock in connection with hiring or retaining employees. Such actions could include issuing options to our executive team and employees in general by way of incentive bonus programs or consultants, future acquisitions, future sales of our securities for capital raising purposes or for other business purposes. The future issuance of any such additional shares of our Common Stock or other securities may affect the value of our Common Stock. The Company may use shares in the future to pay off debts to shareholders, and has done so at prices as low as four cents a share.

Changes in legislation or regulations may affect our ability to conduct business or reduce our profitability.

The regulatory environment in which we operate may change. These changes may affect our ability to conduct business.

Our business could be harmed if we fail to hire and retain highly qualified personnel.

Our current and future performance depends on our ability to attract and retain highly qualified technology, sales, managerial and other personnel.

Our controlling security holder may take actions that conflict with your interests.

Mr. Sam Balabon, our Founder, beneficially will own approximately 35% of our capital stock with voting rights after this offering. If he exercises his option to purchase "voting only" shares, which will result in creating a new class of "voting only" common shares, he will control approximately 60% of the issued common shares of the Company. In this case, Mr. Balabon will be our controlling security holder and thus will be able to exercise control over all matters requiring stockholder approval, including the election of directors, amendment of our certificate of incorporation and bylaws, and approval of significant corporate transactions. In addition, he will have significant control over our management and policies. If Company is not worth at least $100 million as determined by a third party three years from the completion of this $25 million raise, these super voting shares will expire.

PRODUCTS AND SERVICES

The Company's first products will be the introduction of its One Cent Market and Hide Side Market. Both trading systems will be offered through a single trading platform.

One Cent Market

One Cent Market will maintain a buy quote pegged at one cent above the national best offer price (NBO) and a sell quote that is pegged one cent below best bid price (NBB) for each stock that it allows to be traded on its trading platform. Dealers/market makers that provide the quotes will compete to see which one can offer the largest buy and sell quote for each stock. The dealer that offers the largest size quote is allowed to post his quote to the public.

Hide Side Market

Each time a Hide Side Order Type is entered into the market, simultaneously an opposite mirror (phantom) order is generated and entered on the opposite side of the book with the same symbol and same number of shares. Both the real quote and the mirror quote are marked with an H insignia to differentiate hide side displayed type quotes from standard quotes. Both quotes are publicly displayed; the market cannot tell which quote is the real order and which order is the mirror quote. Order type allows for minimum fill requirement to prevent pinging.

The Company will also provide standard order types offer at other exchanges as well as listing services.

MARKET ANALYSIS

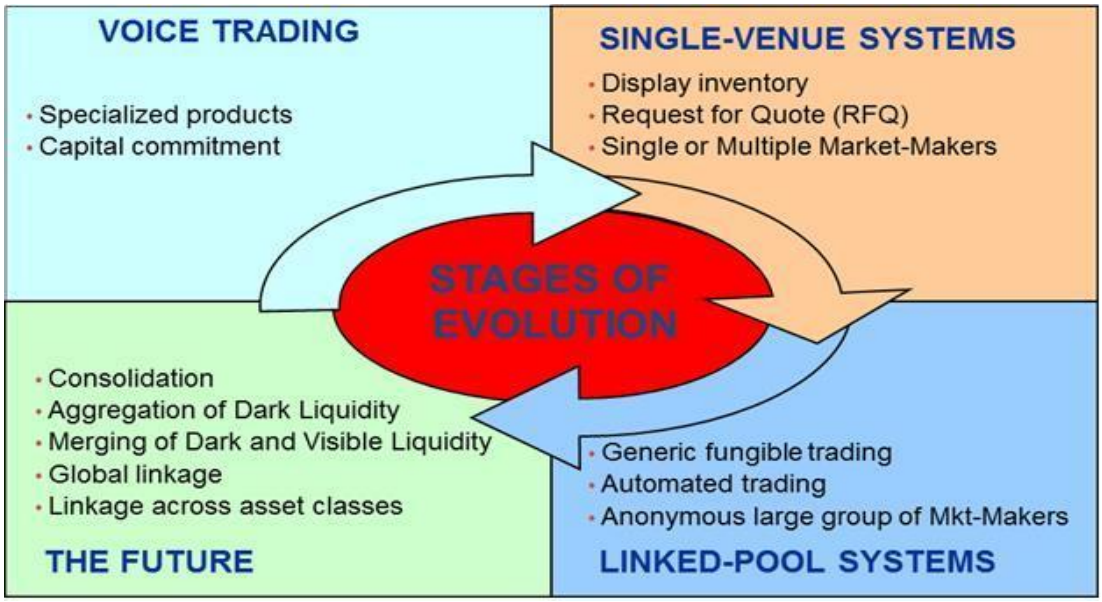
Spot will concentrate on this institutional segment of the market and the broker-dealers who service this segment of the market. Spot will attract a customer base that includes the largest trading firms and investment firms in the world. Potential types of clients include large broker-dealers, large high-speed market-making firms, pension funds, mutual funds, insurance companies, hedge funds, investment advisors and banks.

Equity Market Evolution

Most of the 8 billion shares traded per day in the United States are traded in small lots as a result of the dramatic change in the market as it became more electronic over the last two decades.

While current trade size has stabilized at 200-300 shares per trade, this size is woefully inadequate for institutional investors. Many investors complain about the lack of quote available in large trade sizes. As a result of the changes that have taken place in the markets, institutional traders have been forced to split up their trades into very small transactions, using algorithms.

The equity market has followed a typical model of evolution over the past 20 years. Here is a summary of market evolution as asset classes move from traditional market-making structures to electronic trading market structures:



The equity market moved significantly from voice trading to single-venue systems in the 1990s. In the 2000s, the equity market created high-speed linkages, including Lava Trading's sweep technology and the implementation of the SEC's Regulation NMS, which created a true high-speed National Market System.

The linked-pool systems created much efficiency, including lower commissions for both institutional and retail investors, and high-speed executions for small trades. However, it became more difficult for large trades to be executed. Much of the large-size quotes went underground, as invisible or "dark" pools proliferated.

Market Trends

The equity market is only now beginning to move past the linked-pool structure. Exchanges are considering merging, and cross-asset-class linkages are being created. Spot's role in the market evolution will be (1) Aggregation of Dark Quotes and (2) Merging of Dark and Visible Quotes.

Spot's unique order types will create new ways for market participants to trade block-size quotes as electronic market participants.

Regulators are trying to catch up with the rapid changes that fostered a high-frequency trading market structure and the proliferation of dark quotes. Regulators are supportive of moves by market venues to increase trade transparency, bringing more quotes into visible trading venues.

Market participants are also looking for more block quotes. However, the frustration to-date has been the inability of block quotes to be aggregated. Institutional traders are looking for aggregation, but current venues' trading rules make it impractical to achieve. Spot will have unique trading rules to encourage and support aggregation of quotes.

OS Received 11/30/2021

BLOCK TRADING COMPETITION

Given the current U.S. equity market volume of 8 billion shares per day, and approximately 2 billion shares per day for institutional flow, it may be surprising that very little of the flow can be traded in block size. In fact, very few venues that facilitate large block trading exist.

The largest true block-trading venue, Liquidnet, trades typically only 20-30 million shares per day, or less than 2% of the total institutional volume. Its average size per trade is impressive, at approximately 50,000 shares. Liquidnet is a dark pool, so it will not compete in the visible quotes space with Spot.

ITG Posit is another venue that occasionally trades blocks. However, its average trade size is only around 5,000 shares, so most of its volume is not in true block size. Posit is a dark pool, so unlike Spot, it does not display block quote. Its total volume is around 30 million shares per day. Its block volume is estimated at about 10 million shares per day.

Currently, no large broker-dealer venue that trades a significant volume of equity blocks exists in the market, and it is highly unlikely that a large broker-dealer will choose to do so. Trading venues are, by their nature, typically independent locations at which multiple broker-dealers meet to trade. A single broker-dealer venue would have difficulty attracting business from its competitors. We believe that large broker-dealers would welcome an independent block-trading venue with unique order types.

MARKET NICHE

Spot has an opportunity to create a new niche in the equity market, a trading venue that allows blocks to be traded on the screens. Unlike a dark pool, Spot will display blocks, which provides an inherent advantage in that Spot's quotes will be self-advertised. Only Spot can display these blocks because of its patented order types. While other venues can technically display blocks, traders choose not to display blocks due to increased transaction costs that result from information leakage.

Because the current market structure does not have a venue like Spot, there are few venues on which to trade blocks. These venues are isolated and fragmented, so almost all blocks are forced to be broken up in order to trade under the current market structure. A big percentage of current institutional volume is available to be captured in a new trading venue like Spot.

With Spot's Hide Side and market aggregation features of the One Cent Market, block trading can safely migrate back into the markets. Consequently, institutional traders, regulators, exchanges and even dark pools will welcome this migration of block trading back onto screens. Trades on Spot will result in sweeps of other trading venues, thereby making Spot a large client of other trading venues.

INCOME SOURCES

Spot intends to generate income from traditional stock exchange businesses and market making. We will charge an execution fee and may use some of the revenue to attract quote providers through rebates. As a new trading venue, Spot intends to minimize these charges in order to

increase adoption of the service and will offer free trading in the beginning. The following is a list of revenue sources that we feel will be realized through the operation of our stock exchange:

Access Fees – This fee is charged on a per share basis (generally.3 cents per share) to remove shares/liquidity from Spot's order books.

Market Data Fees – This is licensing revenue paid by customers who subscribe to the data feed generated by Spot's trading books.

Market-Making Revenue – Spot will provide liquidity to its order books in the capacity of a market maker. Initially all profits will be reinvested into making quotes more marketable.

Market Depth Data Fees – This licensing revenue is paid to receive the full book of quotes, including non-marketable quotes contained in Spot's order books.

Listing Fees –These fees are paid by companies that list their shares in Spot's stock exchange.

Routing Fees – These fees are paid by customers, so that their orders can be sent to other markets other than Spot for fills.

Port Fees – These are monthly charges to connect to Spot's order books and access its liquidity.

PRICING

The transaction fee and rebate model we propose is similar to many execution venues in the industry. The quote provider ("Maker") will trade flat or receive a small rebate per share traded at Spot. The quote taker ("Taker") will pay a fee to Spot of .3 cents per share traded at Spot. This fee will be competitive with exchanges, and is the traditional maker/taker model prevalent in the industry.

The alternative venue of Liquidnet charges each side of the block trade a commission of 2 cents per share. SPOT's pricing structure undercuts this high cost with a model that will attract broker-dealers with sponsored institutional clients.

ADVERTISING

Direct advertising costs will be minimal. A favorable aspect of the Spot model is the readily available block-size quotes on the Spot website. As these quotes proliferate, the business model effectively advertises itself in large-size quotes and trades.

Awareness of the service will be enhanced through industry articles and conferences. In addition, partnering with sponsoring broker-dealers will allow the route to be integrated into existing broker algorithms and routing tables. Institutional clients may be able to access Spot's quotes through their normal broker's electronic systems.

SALES STRATEGY

Two primary client types will predominate in the early stages of Spot's sales strategy. Spot expects that large high-frequency trading (HFT) firms will be interested in providing quotes on Spot. In addition, major institutional broker-dealers will be interested in providing Spot's immediate execution service to their large clients.

The sales strategy will be to encourage a few large HFT firms to provide block quotes on Spot. The Spot model is the first one available to protect these HFT market makers, so it will be the first opportunity for these firms to make large-size quotes available to the market. Many of these firms have accumulated significant capital over the past decade; Spot will allow these firms to use market-making strategies that can scale to larger-size trades. These firms will be attracted by the potential profitability of block trading.

In addition to a direct-sales approach with HFT firms, Spot will employ salespeople to attract and retain broker-dealers with large institutional clients. These brokers already have systems that are integrated with their clients' systems, so Spot will provide these broker-dealers an opportunity to leverage their systems to capture more of their large clients' trading flow. Early adopters among the broker-dealer community will be able to offer more block quotes to their institutional clients and to enhance the broker-dealers' own algorithmic capabilities.

We met with the following firms at their offices in 2013, and all agreed verbally that they would participate in our launch:

1. Academy
2. Bank of Montreal
3. Bank of New York
4. BNP Paribas
5. Citadel
6. Citigroup
7. Coastal Management
8. Cuttone & Company
9. DE Shaw
10. Deutsche Bank
11. First New York
12. Hudson River Trading
13. Instinet
14. JP Morgan Chase
15. Jones Trading
16. Knight Capital Group
17. Latour Trading
18. Morgan Stanley
19. Quantlab
20. RGM Advisors
21. Rosenblatt Securities
22. Sandler O'Neill
23. Sun Trading
24. Societe Generale

25. Susquehanna
26. Tradeworx
27. Two Sigma
28. Wallach Beth Capital
29. Virtu Financial
30. Vandham Securities

SOFTWARE DEVELOPMENT

Our trading platform has been under development by the Company since November 2014. The matching engine is already complete, and now we are building out the parts. Development on several parts of the software is also complete.

FUTURE OPPORTUNITIES

Spot's concepts and patents are applicable well beyond the U.S. equity market. Future opportunities to develop Spot's concepts include expansion to other geographic locations and to other asset classes. Many other markets have adopted the U.S. equity market model; as such, these other markets may develop similar needs to expand block trading. A very easily adapted change would be to allow Spot to be available for U.S. Over-The-Counter (OTC) securities, which trade over $150 billion annually. We plan to open currency, bond and derivative markets using our technology once we obtain traction on our original business model.

STAFFING

In the current electronic environment, a trading venue can operate with a relatively small staff. After initial critical hires, staff can be scaled to accommodate the rate of growth of revenues and the needs of the organization.

OPERATIONS

The planned location of the business is Austin, Texas, where the Company will rent office space to centralize coordination to go into production. We will also plan to have a sales office in Midtown New York City. Company software will eventually be located within a secure data center near or inside NASDAQ's data center in Carteret, New Jersey. This space will be rented on a server rack basis within an established data center.

MAKING AN INVESTMENT DECISION

Should I make an investment or not? Good question! Before making that decision you should first closely analyze the investment opportunity, come up with what you think the investment opportunity could make, then determine the chances of that happening. Multiply the two together, and you will have the intrinsic value of the investment opportunity. If the intrinsic value is greater than 1, then it might be a good investment depending on your return goals for the money you invest. If it is under 1, it should be avoided because it is projected to lose money.

Example: If the upside is 10 to 1, but the likelihood of that happening is only 10%. If the intrinsic value and the current value remain unchanged. (10 x .1 = 1), this would be a poor investment. On

the other hand, if the upside is 100 to 1 but the likelihood of that happening is only 10%. However, the intrinsic value is 10 times the current value. Therefore, this would be a good investment.

USE OF PROCEEDS

The Company will use the proceeds of the offering to pursue our business plan. Our management will have broad discretion over how we use the net proceeds from this offering. Expenses will include compensation, consulting, hosting, legal, accounting, general obligations, brokerage commissions, quote provider rebates, capital raising, rent, R&D and general overhead expenses related to the Company. Money that is not used for operations will be placed in money market instruments. We plan to keep a good portion on this raise on our balance sheet to ensure the success of our business plan. We purposely kept our preferred shares redemption at 25% of net profits to keep our financing opportunities open in the event we need to raise additional capital in the future.

DIVIDEND POLICY

We currently do not pay a dividend on our Common Stock. Any future determination to pay dividends on our Common Stock will be at the discretion of our Board of Directors and will depend upon a number of factors, including our results of operations, financial condition, future prospects, contractual restrictions, restrictions imposed by applicable law and other factors our Board of Directors may deem relevant. Once we are profitable, we will be making payments to our Preferred Stockholders (see the Offering).

SHAREHOLDERS

There are 113,130,365 shares of Common Stock issued.

As of this date, the following owners hold Common Stock greater than 5%:

Title of Class	Name of Beneficial Owner	Shares	Percentage Ownership
Common Stock	Sam Balabon	68,553,418	60.60%
Common Stock	Prakesh Patel	17,779,331	15.72%
Common Stock	Estate of Mahesh Patel	8,500,000	7.51%
Common Stock	Social Media	6,661,144	5.89%
Total of Large Shareholders		97,668,893	89.71%

(1) This table is based on 113,130,365 shares of Common Stock outstanding at the date of this offering. Percentage ownership will differ slightly based on current outstanding shares. At the date of this offering, there are 58 shareholders of record of our capital stock.

COMPENSATION OF DIRECTORS

Directors do not currently receive compensation for their services as directors, but we plan to reimburse them for expenses incurred in attending board meetings.

BUSINESS STRUCTURE AND COMPANY HISTORY

Spot Quote Holdings, Inc., formally Deep Liquidity, Inc., is the holding company and is a Delaware corporation. The company's subsidiary, Spot Quote LLC, formally Deep ATS LLC, is a broker-dealer member of FINRA and has an Alternative Trading System (ATS) registration with the U.S. Securities Exchange Commission (SEC). Spot ATS is a Texas limited liability company and is 100% owned by the holding company. Both the parent company and its subsidiary were incorporated in 2004. A version of the technology different from what we are building now was built in 2008. Although the technology was built in 2008, it was never offered commercially due to lack of finances. The Company has received approximately $3.5 million from our Founder and investors since inception.

DESCRIPTION CAPITAL STOCK

General

We are authorized to issue an aggregate number of 700,000,000 shares of capital stock, of which 500,000,000 shares are Common Stock, $0.00001 par value per share, and 200,000,000 shares are Preferred Stock, $0.00001 par value per share.

Common Stock

We are authorized to issue 500,000,000 shares of Common Stock, $0.00001 par value per share. Currently, we have 113,130,365 shares outstanding and there are 58 shareholders of record of our capital stock.

Holders of Common Stock are entitled to one vote for each share held, are not entitled to cumulative voting for the purpose of electing directors and have no preemptive or similar right to subscribe for, or to purchase, any shares of Common Stock or other securities to be issued by the Company in future. Accordingly, the holders of more than 50% in voting power of the shares of Common Stock voting generally for the election of directors will be able to elect all of our directors. As the holder of more than 50% of our Company's outstanding shares of Common Stock, our Founder is in a position to control actions that require the consent of stockholders, including the election of directors, payment of dividends, amendment of the certificate of incorporation, bylaws and mergers or a sale of all or substantially all of the assets of our Company. Holders of shares of Common Stock have no exchange, conversion or preemptive rights, and shares of Common Stock are not subject to redemption. All outstanding shares of Common Stock are duly authorized, validly issued, fully paid and non-assessable. In the event of a liquidation, dissolution or winding up of our Company, holders of Common Stock are entitled to share ratably in all of our assets remaining after payment of liabilities. Holders of Common Stock have no preemptive or other subscription or conversion rights. There are no redemption or sinking fund provisions applicable to Common Stock.

Preferred Stock

We are authorized to issue 200,000,000 shares of Preferred Stock, $0.00001 par value per share. Preferred Stock may be divided into any number of series as our directors may determine from time to time. Our directors are authorized to determine and alter the rights, preferences, privileges and restrictions granted to and imposed upon any wholly issued series of Preferred Stock, and to

fix the number of shares of any series of Preferred Stock and the designation of any such series of Preferred Stock. We are offering 87,383,982 of Preferred Stock with this offering. Each preferred share will have a redemption value of $.286 and accrue a 4% annual dividend, paid quarterly.

Once the Company is profitable, 25% of the Company's profits will be paid to the Preferred Stock pool—provided the offering is fully subscribed to. If the offering is not fully subscribed to, a pro-rata share of the 25% of the profits will be allocated to the pool based on the percentage of the offering which was subscribed to.

As of the date of this Offering, there are currently $236,086 worth of preferred shares outstanding that are accruing dividends at a rate between 4.5% to 8% annually. The Company has committed .59% of its profits going forward to redeem these shares at their face value of $236,086, plus accrued dividends.

Dividends

The declaration of any future cash dividends is at the discretion of our Board of Directors and depends upon our earnings, if any, our capital requirements and financial position, our general economic conditions and any other pertinent conditions.

LEGAL PROCEEDINGS

We are currently suing FINRA. FINRA issued some illegal orders that were intended to harm Company in 2014-2016.

From time to time, we may become involved in various lawsuits and legal proceedings that arise in the ordinary course of business. However, litigation is subject to inherent uncertainties, and an adverse result in these or other matters may arise from time to time that may harm our business. We are currently not aware of any such legal proceedings or claims that we believe will have a material adverse effect on our business, financial condition or operating results.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

As of the date of this private placement memorandum, other than what is listed in this memorandum, there are no undisclosed agreements or proposed transactions, whether direct or indirect, with any of the following:

- Any of our Directors or Officers;
- Any nominee for election as a Director;
- Any principal security holder identified in the preceding "Security Ownership of Selling Shareholder and Management" section; or
- Any relative or spouse, or relative of such spouse, of the above referenced persons.

The Company currently is indebted to our Founder for a sum of $302,133—$84,133 in accrued interest and a $218,000 note, plus any unpaid salary and interest to date for 2016. The note carries an 8% interest rate and matures on Jan 1, 2020.

SALARIES

The current salary of our Founder is $150,000 annually. In the event the Company does not pay in cash, the salary will accrue at a 10% annual interest rate. The Company also employs software developers overseas.

COMMITMENTS, CONTINGENCIES AND GUARANTEES

The Company owes Fred Gahl $55,000 once the Company has raised significant capital past consulting work.

The Company has granted our Founder an option to purchase 2 million shares of a new class of (voting shares only) that currently do not exist, but will at a future date if our Founder exercises his option. The exercise price of this option was $100,000. The Company agreed to amend its articles of incorporation to include this new class of shares. These new shares would have allowed our Founder additional voting rights. Each new share would have had an equivalent voting right as a current common share. This was to increase our Founder's influence in the selection of the Company's Board of Directors in the future in the event this option was exercised. These shares were not to participate in the profits of the Company or to change the Founder's ownership percentage of the Company. These shares would never receive any dividends. On February 8, 2014, the Company retired this option and a new option was granted to our Founder to purchase 100,000 (1.7 million after a 17 for 1 stock split) shares of a new class of Common Stock of the Company that currently does not exist. In the event this option is exercised, the Company agreed to amend its articles of incorporation to include this new class of Common Stock. The exercise price for this option is $10,000. This new class of stock will have 70 votes per share as opposed to our current Common Stock that has one vote per share. These shares cannot receive dividends or participate in the profits of the Company, or change the Founder's ownership percentage of the Company. If the Company is not worth at least $100 million as determined by a third party three years from the completion of this $25 million raise, these super voting shares will expire. This will increase our Founder's influence in the selection of the Company's Board of Directors in the future in the event that this option is exercised. Founders often protect their interest in companies they found with the issuance of such shares (e.g. Google and Facebook). Mr. Balabon's current salary is $150,000 annually, plus interest that currently accrues due to the Company's inability to pay his salary. In lieu of cash compensation, Mr. Balabon has in the past been paid salary in shares at a rate of $1.00 a share prior to the 17 for 1 stock split. Mr. Balabon's salary of $150,000 can only be increased if there is a higher paid employee of the Company and at most to the amount paid to the higher-paid employee or the Company becomes profitable.

George Hessler, the Company's prior CEO, and Mr. Balabon have 600,000 options at a strike price of $1.25 each before stock split. James O'Reilly has 45,624 options at a strike price of $1.25 each before stock split. Craig Kravetz has 15,000 options at a strike price of $1.36 each before stock split.

The Company entered into an option agreement with the law firm of Johns Marrs Ellis & Hodge LLP ("JMEH"), which has acted as outside counsel to the Company in providing an opinion letter verifying the specific representations made in this offering. A copy of this opinion letter is attached as the last page of this offering. Aside from providing the opinion letter, JMEH has not assisted in the preparation of this offering. Although not acting as general counsel, JMEH will serve as outside

legal counsel to the Company on particular legal issues specifically identified by the Company in the future. In exchange for JMEH's preparation of the attached opinion letter and its anticipated future legal services, the Company has granted JMEH the option to purchase up to 20,000 shares of Common Stock at a price of $1.25 before stock split; after stock split it is $.074.

SUMMARY OF FINANCIAL INFORMATION

Spot Quote Holdings, Inc.
Consolidated Balance Sheet
December 31, 2016

	Year Ended Dec 31, 2015	Year Ended Dec 31, 2016
ASSETS		
Current assets		
Cash and cash equivalents	$ 326,009	$ 167,519
Prepaid expenses & Other Current Assets	0	0
Total current assets	$326,009	$167,519
Other assets		
Patent, net (cost of patents, the value of patent portfolio is unknown)	$129,448	$129,448
Total assets	$ 455,457	$ 296,967
LIABILITIES		
Current liabilities		
Accounts payable	$ 0	$ 0
Salaries	0	0
Total current liabilities	0	0
Long-term liabilities		
Loans from shareholders plus accrued interest	$344,375	$302,133
Total long-term liabilities	$344,375	$302,133
Total liabilities	$344,375	$302,133

All liabilities on this balance sheet are owed to our Founder.

Spot Quote Holdings, Inc.
Income Statement
December 31, 2016

	Year Ended December 31, 2015	Year Ended December 31, 2016
Revenue		
Income	$ 0	$ 0
Operating Expenses		
Expenses	$86,637	$92,681
Salary Expenses	$205,890	$225,000
Total operating expenses	$292,527	$317,681
Total operating loss	$292,527	$317,681
Other Income / (expenses)		
Interest Expenses	$28,161	$24,940
Interest Prior Years	$42,242	$40,869
Total other expenses	$ 70,403	$ 65,809
Operating Loss & Interest Expenses	(362,930)	(383,490)
Basic and diluted loss per common share	$ (0.0033)	$ (0.0034)
Weighted average shares outstanding	108,793,558	113,004,445

Notes to Financials

Spot Quote Holdings, Inc.
Current and Long Term Liabilities
December 31, 2016

As of December 31, 2016, the Company has an employment agreement with Mr. Balabon, our Founder, at $150,000 a year plus interest of 10% if not paid in cash. All accrued salary due to Mr. Balabon up to December 31, 2016 was converted to Common Stock and interest paid in cash. The Company also owes Mr. Balabon $218,000 in the form of a promissory note that bears an interest rate of 8% per year. Interest has been paid in cash through December 31, 2016. Total monies paid to Mr. Balabon in 2016 included $24,940 towards 2016 interest on his promissory note to the Company and interest on his unpaid salary as well as $40,869 towards accrued interest from prior years, which overall reduced the indebtedness of the Company in 2016 by $40,869. Mr. Balabon's accrued salary for 2016 was converted to 2,550,000 in shares of Common Stock.

The Company also paid James O'Reilly 1,275,000 shares of Common Stock in exchange for $75,000 due to him in the form of salary in 2016. On June 30, 2016, James O'Reilly resigned his position with the Company. In 2015, the Company paid Craig Kravetz 276,936 stock options with an exercise price of $.08 a share for consulting work. The Company has a contingent liability with Fred Gahl for $55,000 for services rendered in 2013. The contingency is that the Company raise a substantial amount of money. George Hessler, the Company's prior CEO, and Mr. Balabon have 600,000 options at a strike price of $1.25 each before stock split. Mr. O'Reilly has 45,624 options at a strike price of $1.25 each before stock split. Johns Mars Ellis & Hodge LLP has 20,000 options at a strike price of $1.25 each before stock split. There are a total of 1,265,624 options out with a strike price of $1.25 before 17/1 stock split.

Loans
Dec 31, 2016 $218,000 Promissory Note to Mr. Balabon Open

Salaries
2016 Sam Balabon Salary $150,000 Paid in Stock
2016 James O'Reilly Salary $75,000 Paid in Stock

Interest
2016 Interest $7,500 Sam Balabon Salary Paid in Cash
2016 Interest $17,440 Sam Balabon Promissory Note Paid in Cash

Accrued Interest
Dec 31, 2016 $84,133 Open to Sam Balabon

2015 Interest $40,869 Paid in Cash
Dec 31, 2016 $43,264 Open

Dec 31, 2015 Total Long-Term Liabilities of the Company $302,133
Dec 31, 2016 Total Long-Term Liabilities of the Company $258,869

REGULATORY REQUIREMENTS

Spot Quote LLC is subject to the Securities and Exchange Commission Uniform Net Capital Rule (Rule 15c3-1) under the Securities Exchange Act of 1934 administered by the SEC and FINRA, formerly the NASD, which requires the maintenance of minimum net capital. Under this Rule, Spot Quote is required to maintain net capital of 1/8th of "aggregate indebtedness" or $100,000, whichever is greater, as these terms are defined.

Below is a summary of the capital requirements for Spot Quote LLC:

		February 22, 2017		
	Required Net Capital	**Net Capital**	**Excess Net Capital**	**Ratio of Aggregate Indebtedness to Net Capital**
Spot Quote LLC	$100,000	$ 150,000	$ 50,000	.01%

CORPORATE INFORMATION

The current Corporate address is 3225 Smoky Ridge Road, Austin, TX 78730. Once we are adequately financed, we plan to commence operations in the New York City area. Our telephone number is 512-585-4589. Our website address is www.spotquoting.com. Contact information for our CEO is as follows:

Sam Balabon
CEO
Spot Quote Holdings, Inc.
3225 Smoky Ridge Road
Austin, TX 78730
512-585-4589
sam.balabon@spotquoting.com

LETTER FROM ATTORNEY

JOHNS MARRS ELLIS & HODGE LLP
300 WEST SIXTH STREET, SUITE 1950
AUSTIN, TEXAS 78701
MAIN: 512.215.4078 | FAX: 512.628.7169

March 7, 2014

To: Board of Directors, Deep Liquidity, Inc.

Re: Reg. D 506 Private Placement

Gentlemen:

We have acted as outside counsel for Deep Liquidity, Inc., a Delaware corporation (the "Company"), in issuing this opinion letter to be used in connection with unit sales consisting of 556,894 preferred shares and 2,784,470 common shares, $0.001 par value issued by the Company (the "Company Shares"), on the terms and conditions set forth in the Private Placement Memorandum.

In issuing the following opinions, we have examined originals or certified copies of, or have otherwise identified to our satisfaction, such documents and corporate records; have examined such laws or regulations; and have spoken with such officials as we have deemed necessary or appropriate for the purposes of the opinions hereinafter set forth.

Based on the foregoing, we are of the opinion that:

1. The Company owns 100% of Deep ATS, LLC, a Texas limited liability company. Deep ATS, LLC holds a broker-dealer license with the U.S. Securities and Exchange Commission ("SEC") and is regulated by the SEC and FINRA. It also operates under an alternative-trading-system ("ATS") registration with the SEC containing the Company's limit-order-type inventions. The broker-dealer license is in good standing, and the ATS's registration and operation are effective.

2. The Company owns five U.S. patents. All these patents are in good standing and are in force with the U.S. Patent and Trademark Office.

3. As of the date of this letter, the Company is a corporation in good standing and is duly organized and validly existing under the laws of the State of Delaware.

4. The sale of the Company Shares to be sold pursuant to the terms stated in the Private Placement Memorandum as filed with FINRA's Corporate Finance Department has been duly authorized by the Company's board of directors and, upon the sale thereof in accordance with the terms and conditions of the Memorandum, will be validly issued, fully paid, and non-assessable.

OS Received 11/30/2021

5. We hereby consent to be named in the aforementioned Private Placement Memorandum.

Our opinions about the Company are limited to those expressed in this letter. We express no opinion about the Company's financial condition, the merits of the investment described in the Private Placement Memorandum, or the suitability of such an investment for prospective investors. Nor do we express any opinion about the Company's or the proposed offering's compliance with state and federal laws and regulations.

Sincerely,

JOHNS MARRS ELLIS & HODGE LLP
By: Christopher S. Johns, as Partner

LETTER FROM CLEARING FIRM

Electronic Transaction Clearing, Inc.

Confidential

January 26, 2016

Mr. Sam Balabon
CEO
Spot Quote Holdings, Inc.
3225 Smoky Ridge Road
Austin, TX 78730

Re: Electronic Transaction Clearing, Inc. – Clearance Services Confirmation

Dear Mr. Balabon:

Electronic Transaction Clearing, Inc. ("ETC") has approved Spot Quote LLC's client application. ETC is prepared to quickly onboard Spot Quote LLC upon FINRA's approval of the new clearing agreement, and we look forward to acting as the clearing firm for Spot Quote LLC.

ETC and Spot Quote LLC have discussed its proposed "One Cent" market making product for equities and ETFs. Based on representations made by Spot Quote LLC on the manner in which the market making product disseminates firm orders to the national market system and how it produces non-guaranteed interest internally, that ETC is comfortable with the buying power needed will be met with our clearing agreement's minimum deposit requirement. However, as we do with all clients, ETC reserves the right to promptly modify its minimum account requirements in the event circumstances change from the representation of the market maker product we have discussed.

Spot Quote LLC's market making model from a clearance and settlement perspective will not create operational process challenges for our firm. ETC has experience with providing clearance services to ATSs and market makers, and we do not anticipate any problems clearing Spot Quote LLC's business.

Sincerely,

Michael A. Barth
Vice President

ANNUAL LICENSING COSTS

Spot Quote Stock Exchange Licensing Fees Monthly					
Bats Stock Exchanges	Access Fees	ATS Platform Fees	Prop Trading	All Listings Lic. Fees	Nasdaq Only Listings
BZX	$1,500	$5,000		$6,500	$6,500
BYX	$1,000	$5,000		$6,000	$6,000
EDGX	$1,500	$2,000		$3,500	$3,500
EDGA	$1,000	$2,000		$3,000	$3,000
Nasdaq Stock Exchanges					
NASDAQ TotalView w/Direct Access	$4,500			$4,500	$4,500
BX TotalView	$1,500			$1,500	$1,500
PSX TotalView	$1,500			$1,500	$1,500
CTA Tape C	$3,500			$3,500	$3,500
NYSE Stock Exchanges					
OpenBook	$5,000	$6,000	$6,000	$17,000	
Arca OpenBook	$2,000	$5,000	$5,000	$12,000	$12,000
NYSE MKT OpenBook	$1,000	$2,000	$2,000	$5,000	
UTP Tape A	$1,250	$2,000	$2,000	$5,250	
UTP Tabe B	$600	$1,000	$1,000	$2,600	
MONTHLY	**$25,850**	**$30,000**	**$16,000**	**$71,850**	$42,000
ANNUALLY	**$310,200**	**$360,000**	**$192,000**	**$862,200**	**$504,000**

OS Received 11/30/2021

APPENDIX 2

TERMINATED LAWSUIT AGAINST FINRA

IN THE UNITED STATES DISTRICT COURT

FOR THE WESTERN DISTRICT OF TEXAS

Plaintiffs, Spot Quote Holdings, Inc. a Delaware Corporation (formerly named Deep Liquidity, Inc.), Spot Quote LLC a Texas Limited Liability Company (formerly named Deep ATS LLC), and Sam Balabon, a natural person.	Case: 1:17-CV-0486-LY Lawsuit Amendment Under Rule 15 **COMPLAINT** **JURY TRIAL DEMANDED**

vs.

Defendants, Richard Ketchum, Erin Vocke, natural persons, and Financial Industry Regulatory Authority, Inc., a Delaware Corporation.

PLAINTIFFS

1. Spot Quote Holdings, Inc. ("Spot Holdings"), a Delaware Corporation formerly named Deep Liquidity, Inc.
2. Spot Quote LLC ("Spot"), a Texas Limited Liability Company formerly named Deep ATS LLC and a wholly-owned subsidiary of Spot Holdings.
3. Sam Balabon ("Mr. Balabon"), a natural person.

DEFENDANTS

4. Richard Ketchum ("Ketchum"), a natural person.
5. Erin Vocke ("Vocke"), a natural person.
6. Financial Industry Regulatory Authority, Inc. ("FINRA"), a Delaware Corporation.
7. The term "FINRA" is meant to include all defendants.

ABSTRACT OF ACTIONS

8. **First Action** is illegal discrimination among FINRA Members when FINRA, a self-regulatory organization ("SRO") acting under the authority of the U.S. Securities and Exchange Commission ("SEC"), assessed fines against Spot that were influenced by Spot's financial condition rather than based solely on the FINRA Rules or Exchange Act. Plaintiffs seek to prove FINRA employees use financial information provided by FINRA Members as a weapon against them. FINRA's fine collections are not taxed, and end up on FINRA's balance sheet. Although FINRA attempts to segregate fine money from general revenue money, from a balance sheet perspective this segregation is meaningless. FINRA employees are direct beneficiaries of FINRA's balance sheet, because they rely on it for their salaries and retirement benefits. FINRA's commercial stake in each fine is in direct

conflict with their role as a public servant and administrator of the law.

This conflict of interest distorts FINRA's judgment in determining the amount of a fine or if a fine should be levied at all. If Plaintiffs' allegations are true, then the amount of a FINRA fine will on average be relative to the net worth of a FINRA Member. Any association between these two metrics distorts the application of the law. Any distortion to the metrics in determining FINRA fines apart from what is prescribed by law is illegal discrimination among FINRA Members. This is a direct violation of provision 15A(b)(6) of the Exchange Act:

> **15A(b)(6) "The rules of the association" "are not designed to permit unfair discrimination between" "brokers"**

Spot seeks reimbursement of all fines paid to FINRA, because they were assessed illegally.

9. **Second Action** is tortious interference when FINRA ordered Spot Holdings, a non-member of FINRA, to distribute its securities through Spot, thus interfering in the corporate governance of Spot Holdings (a non-member of FINRA). This occurred twice during two formal conference calls between Mr. Balabon and FINRA, with each call having a completely different set of multiple FINRA employees. Note: The second call was conducted "after" FINRA's CEO was notified that his employees were engaging in criminal activity, but he still allowed the order to stand. This tortious interference relied on a made-up FINRA Rule, which was never formally stated by FINRA but had the same result under the law.

"Nothing in the Act should prevent an (SRO) from governing the distribution of securities of its member affiliate companies."

Inventing and enforcing a fake regulation is a criminal offense, because it violates four separate sections of the Securities Exchange Act of 1934:

VIOLATION 1 OF SECURITIES EXCHANGE ACT OF 1934 BY FINRA:

19(g)(1) Every self-regulatory organization shall comply with the provisions of this title, the rules and regulations thereunder, and its own rules"

VIOLATION 2 OF SECURITIES EXCHANGE ACT OF 1934 BY FINRA:

15A(f) "Nothing in subsection (b)(6) or (b)(11) of this section shall be construed to permit a registered securities association to make rules concerning any transaction by a registered broker"

VIOLATION 3 OF SECURITIES EXCHANGE ACT OF 1934 BY FINRA:

19(b)(1) "No proposed rule change shall take effect unless approved by the Commission"

VIOLATION 4 OF SECURITIES EXCHANGE ACT OF 1934 BY FINRA:

15A(b)(6) "The rules of the association are designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade," "and are not designed to permit unfair discrimination between" "issuers, brokers, or dealers"

This criminal act committed by FINRA resulted in the tortious interference in the corporate governance of Spot Holdings (a non-member of FINRA). FINRA knew Mr. Balabon was the registered principal of Spot and the controlling shareholder of Spot Holdings. With this knowledge, FINRA ordered Mr. Balabon in their capacity as the regulator of Spot to sell Spot Holdings securities through Spot. FINRA's order to sell private placements through its broker-dealer was a trap, because they knew Mr. Balabon would make mistakes they could cite him on and ultimately run him out of business. Mr. Balabon obeyed the order, which led to Spot Holdings and Spot spending money on marketing and travel expenses for an investment banking conference in Florida. The direct travel and event costs were well over $5,000, not including wages. At the conference, Spot attempted to form a syndicate of brokers to distribute Spot Holding's security offering under which Spot would be the lead manager. These representations made at the conference by Mr. Balabon were a direct violation of FINRA Rules and Exchange Act. This led to an improper security sale by Spot, which was an additional violation of the Exchange Act.

Plaintiffs seek reimbursement for these expenses and payment for the pain and suffering imposed on Mr. Balabon for causing him to commit illegal acts and FINRA's attempt to damage Mr. Balabon's businesses by imposing illegal regulations upon Spot. This caused Mr. Balabon (in his 50s) an illness that resulted in his reduced ability to raise money, which diminished the business opportunity that was critical for Spot and Spot Holdings.

10. **Third Action** is tortious interference when FINRA ordered Wedbush Securities to cancel their clearing agreement with Spot. This left Spot without a clearing agreement, which damaged the market value of Spot and Spot Holdings. Spot seeks compensation for damage to its business opportunity and a dollar amount equal to all monies paid to Wedbush Securities related to the clearing agreement – which are over $100,000. This was a direct violation of the Exchange Act:

> **15A(b)(6) "The rules of the association" "are not designed to permit unfair discrimination between" "brokers"**

The Exchange Act recommends the following punishment for willful violations of the Exchange Act:

> **"Any person who willfully violates any provision of the Securities Exchange Act of 1934 can be fined up to $5,000,000 and/or imprisoned for not more than 20 years."**

11. **Plaintiffs' View of the Security Marketplace**

Society is at a crossroads in the securities industry, whether to keep the old laws based on thinking in the 1930s, which still grips our society, or move to new ideas on how to run the security industry based on Internet technologies. Spot Holdings and Spot seek to disrupt the security industry with innovations that move the negotiations and even the origination of securities into the Internet Era. FINRA are the guardians of the past, which relies on the enforcement of old rules that almost all originated over 30 years ago. In fact, if you look at the 1969 NASD (now FINRA) Manual, you will find that the rules now are almost identical to the way they were then. It is not in FINRA's interest to make any changes that would reduce their power over the brokers they regulate. They have the most to lose if new laws are approved by Congress that circumvent their powers and make it easier to originate and negotiate securities. Any advocates of change that reduce their power are a natural enemy of FINRA.

On May 25, 2017, Mr. Balabon shared his thoughts on this very topic in a letter (minus its attachments) to the U.S. House Financial Committee (see below).

May 25, 2017

Financial Services Committee

U.S. House of Representatives

2129 Rayburn HOB

Washington, DC 20515

Dear Committee Member,

My name is Sam Balabon. I am a white male 53-year-old Christian, [redacted] and entrepreneur raised in Iowa with some college never graduated. I also believe I receive insight from Heaven. My gift allows me to see truth through false narratives that are promulgated in our society.

I request that your Committee have hearings on the abuses of Financial Industry Regulatory Authority ("FINRA"). My Firm is suing FINRA in Federal Court (lawsuit attached). The lawsuit claims senior FINRA Management along with their CEO committed felonies against my Companies.

I am also outlining four inventions of mine, designed to improve our society, I give them freely to your committee to help the people of the United States of America:

A. Tradable Securities Invention - a new type of tradable security for small businesses.

B. Capital Loss Multiplier Tax Invention - a new way to stimulate the U.S. economy.

C. Identify People Invention - a new way for people to identify themselves and notarize documents online.

D. Personal Government Web Page Invention - a new Government service that helps citizens establish themselves in business.

I would suggest that these innovations and laws supporting them be immediately implemented.

I design and build machines for human communications. Here are some links to my business/inventions that I have been pursuing for over ten years. I have never been able to raise enough capital to take these innovations to market. I never give up trying. I embrace the struggle.

My Company PowerPoint and PPM (attached)
Personal Introduction (video): http://www.spotquoting.com/sam-balabon.html
On Demand Stock Market (video): http://www.spotquoting.com/spot-call-market.html
Hide Side Order Type (video): http://www.spotquoting.com/hide-side-order.html
Dealer Order Type (video): http://www.spotquoting.com/one-cent-market.html
Patent Portfolio: http://www.spotquoting.com/patents.html

Please also give me a moment of your time to outline some of the problems we face as a nation.

How FINRA Harms the U.S. Economy
I would argue that it is time to close FINRA because it is simply a relic from Congress's knee jerk reaction to the 1929 Stock Market Crash

in a time before computers, internet websites and smartphones. The laws that were approved in the 1930s all but closed the door for small companies to raise money by selling their own stock. We simply need to move on from all the laws based on paper documents to new laws based on the internet.

The ways in which FINRA regulates its members are simply obsolete. Let me give you an analogy:

In the 1930s, the French built the Maginot Line. At the time the French Government believed that fixed fortifications were the cornerstone of national defense. There were intellectuals at the time who believed that the time of fixed fortifications had passed and the new form of warfare would be moving war machines. We all know which one won out.

FINRA focuses on regulating broker-dealers, the fixed fortifications in my analogy. A broker-dealer is not a product. No one cares where investment products originate as long as the products are good. A 12-year-old could sell me a share of Facebook and yet what I bought is still a share of Facebook; it is no different than if I bought the same stock from Goldman Sachs. What Investors care about are the verifiable facts contained in an investment proposal and if the business plan makes sense. FINRA as a regulator does nothing of the sort. What it does do is restrict capital formation by forcing FINRA Rules on broker-dealers. Rules that originated before the internet and are now obsolete.

The future role of the regulator is validating the truthfulness of information, not where the information originates. The role of the regulator in the future will be authenticating facts presented in financial instruments and regulating the "movement of capital" from investors to investments.

The procedural aspects of running a broker-dealer based on FINRA Rules are obsolete, because a website can do a much better job. It just does not matter who the distributor is anymore. What matters is the representations made in investment products that are sold. Are they true or not?

At this point FINRA is an organization that harasses all small brokerage firms through complexity, bullying and dishonesty. The organization provides society zero benefit and hinders the capital formation of small businesses. Their exams and qualifications to sell securities are absurd. Please have your committee subpoena the latest exam I took, and you will know what I am talking about once you see it. I have also attached two correspondence letters from FINRA that demonstrate what is involved when an "existing FINRA broker dealer" seeks permission from FINRA to sell private placements. The documents are cryptic nonsense that have no application in the real world other than heavy handed regulation. This also illustrates a form of intimidation and bullying by FINRA against its members. Perhaps in the 1930s FINRA's existence made sense to deal with the stock market crash, but at this point they are only an impediment to economic development. FINRA is a drain on society and do not protect investors as they claim. They audited Bernie Madoff's books and records for over a decade and

found nothing. We all know how that ended. It is not simply the abuse that they impose on their members; their reputation is so bad that many good people are dissuaded from the security industry altogether.

Our regulators "force" a certain way securities can be generated and distributed. Now the regulators need to take a new course. Instead of focusing on the generation and sale of securities, at which the internet can do a much better job, they need to focus on validation of facts presented in the securities. Our investment public needs to know if a company that is raising money represents something that is indeed true. The future role of the regulator is to validate facts contained in securities, not the distribution of securities.

The Older Generation is Hoarding our Society's Wealth

The problem is the older generation of our society is "hoarding" our society's wealth and not transferring enough of it to our more productive younger generation. Society is efficient in transferring capital from the old to the young as it relates to education, but not economic development. If this transfer could be accelerated, the economy will grow faster.

The Security Acts of 1933 and 1934 were basically government hijacking the creation and issuance of securities for small businesses. Now with the internet, we can do things that could never have been imagined in the 1930s. The government's over regulation of the security industry for small businesses has resulted in a society of debtors and owners. Do we want our small businesses to be laden with debt, or would we

prefer them to be owners with investors risking capital to further their businesses?

"Owning" is the American Dream, not being a debtor. We need new incentives to encourage our older generation to invest their money into businesses started by our young people. We now live in an internet-centered society in which the older generation adds very little value. This is even more reason to come up with new vehicles that assist in the transfer of wealth from the old to the young. As society becomes more information based, the best young minds need capital to pursue their innovations. Current financing methods that involve the sale of securities with rules developed in the 1930s are for the most part inoperable compared to what modern methods could offer through leveraging the internet and all the information technologies wrapped around it.

For most young people, the only way to obtain financing for their new businesses is going into debt using their credit cards. Loans are the vehicle of choice for financing small businesses, because the rules regarding the issuance and trading of securities are broken. Debt financing has an opposite effect of that of equity financing. Debt is basically large banks arbitraging cheap money they get from the government against very high interest rates they can loan it out at. This takes money from our young generation in the form of interest payments and gives it to our older generation through bank dividend payments.

Equity financing on the other hand transfers capital directly from the older generation to the younger generation. Think of debt like a leach that continually draws life from its host and equity financing is like economic food. In general debt financing tax our young and equity financing enrich our young.

In my opinion, the current system stifles at least 95% of capital formation for small businesses through the sale of securities that otherwise could occur if we had a new set of rules to govern the issuance and trading of securities to replace both the 1933 and 1934 Security Acts. The system is so broken; it is easier to buy lottery tickets than it is to buy securities in a local restaurant. You would think the government would require the pre-qualification of buyers of lottery tickets like they do with private placements. Instead of dissecting the old laws of the 1930s, we should simply create new laws. People are free to lose their money in so many ways and yet they are restricted on giving money to startups. That is insanity!

Tradable Securities Invention

What is a security? It essentially is a promise to share profits and ownership of a venture. How about we give the internet a new task? Make it a government stone and allow anyone to chisel their promises into it under risk of prosecution if they lie. It will stay on the stone forever like SEC's Edgar. I will provide a basic layout for such a system that will need new laws to support it. There are multiple new

ideas contained in this invention. Whole or in part, they are all improvements to the current status quo.

I would suggest a federal website for the creation of a new form of securities which would be exempt from the 1933 and 1934 Security Acts.

A. Users will create profiles describing the opportunity and what assets, if any, will be included in the profile. The profile will become a new security.

B. Users will be able to freely advertise their opportunity to the public.

C. Users will select the number of ownership shares of the project that that they want to issue.

D. Shares are freely tradable, provided that the trades take place on the government website. That means buyer and seller agree to a price and a number of shares for a trade on the website. The website's bank will receive funds from the buyer and deposit funds into the seller's account after a one week delay. The delay allows the government to review all transactions and parties participating in transactions.

E. Allow an option for investors to remain anonymous. They will still identify themselves to the government, but not to the project owner they are investing in. This adds an additional incentive for the rich to invest their money into small businesses. It needs to be set up in such a way that the investors do not have to engage with the businesses they invest in. In general, the rich do not want anything that further complicates their lives; however, they might be willing to invest their money into small business startups if they could remain anonymous.

F. The site will offer an email server so entrepreneurs can communicate directly with investors.

G. 10% Rule on Finder's Fees. Make a rule that issuers will be able to pay anyone up to 10% of the price of the securities for introductions to investors that result in investments. Shouldn't workers of the rich or anyone be able to profit if they run into an opportunity that helps someone who seeks to invest? In most cases, the 1930s laws prevent any form of payment for introductions other than through SEC/FINRA licensed brokers.

H. 10% Rule on Net Worth. Make an overall rule that regardless of net worth, a cap of 10% of net worth can be allocated to investments on the site. The investor will state if he meets the minimum requirement under fraud statutes perhaps. Also, investors will be allowed to use the County-assessed value of their homes minus mortgage balances as part of the calculation of net worth.

New laws will need to be passed to support the site. The key to this is to open it up with the least amount of rules as possible because it creates a new way to generate and trade securities which is untested. Run it for a while, identify weaknesses and make rules to deal with the weaknesses rather than relying on old laws. The SEC, perhaps even FINRA, could run the website. Don't riddle it with rules. For your own information, the Job's Act Reg. 506C Exemption was "gutted" when the requirement was put in the law that investors could not simply state they were accredited investors but had to prove to the entrepreneur that they were in fact accredited. Most investors will not do that. Try asking a "stranger" about their net worth and see what type of response you receive.

This invention provides a new economic tool that young entrepreneurs can use to attract "venture" capital to their startups. Shouldn't we deregulate this part of our economy to encourage greater capital flows to our young people and anyone else aspiring to start a new business?

The injustice is right before our eyes. Big banks borrow money from the government at virtually zero interest rates and loan it out as high as 25% annual interest or more to our young people. This harms our young people, and creates a society of debtors and owners.

You can't blame the older generation. There just are not enough incentives for them to part with their money to the younger "more productive" generation. Let me provide a solution to shake some money out of the rich peoples' pockets and put it into U.S. small businesses.

Capital Loss Multiplier Tax Invention

This is a tool to incent the very rich who derive their income from capital gains. How can we get the billionaires to put some of their wealth back into the economy?

Answer: Provide a tax incentive that reduces the risk to invest capital in new companies, but at the same time the Congressional Budget Office scores the cost of the law—perhaps at zero.

Nuts? Not so fast. The key to any tax incentive is to get the biggest bang out of it at the least cost to the government. Why not give a tax

incentive that can only be cashed in years down the road and only if a specific event occurs? A tax incentive that encourages the rich to willingly give their money to startups and existing small businesses as "investors" not "creditors." Turn the spigot on to flow capital into the private sector at no cost to the government, at least in the onset years. I believe that my proposed tax policy can generate more than enough economic activity on the front end to pay for itself on the backend when reduction in tax receipts could occur.

I propose a new capital loss multiplier to be added to Schedule D of IRS 1040 Tax Return. This would allow an Investor to multiply the loss from a bad investment by a designated multiplier greater than one to offset their current capital gains, if any, or carry forward the "expanded" loss into subsequent years to be used as a tax deduction against capital gains income. This will reduce investor risk of loss. Why not make it for specific types of investments that generate the greatest amount of economic activity?

Example: An investor invests $100,000 into a start-up bicycle factory, and after 6 years the bicycle factory goes broke. Under current law, the investor will have $100,000 capital loss that he can use to offset his capital gains made 6 years later. I am suggesting that we introduce a multiplier to this number to increase the loss in year 6 to perhaps $125,000 (1.25*100,000) or even $200,000 (2*100,000).

Currently, losses are treated on a whole basis and only the actual loss can be deducted. A multiplier greater than one could encourage investors to invest by reducing the possible total loss associated with

the investment. Capital gains tax laws need to be reformed. Right now, all capital gains are basically treated equally. An investor who buys and holds a parcel of land over a 5-year period enjoys the same capital gain tax rate as an investor who builds a bicycle factory and ends up employing 20 people. This is just wrong. A simple solution would be to tier capital gain tax rates against the estimated economic activity anticipated. Another solution is the tax deduction derived from the capital loss multiplier, or perhaps a combination of both could be deployed.

This adds an incentive to get investors to invest their money into projects like a bicycle factory. The incentives provided by the government are paid out in the out years, resulting in a reduction in tax collections years down the road—if at all.

Suggested levels of the Multiplier:

250% - $50,000 or Less

200% - $50,000 to $1,000,000

150% - $1,000,000 to $100,000,000

Example: An investor invests $50,000 into a startup in 2016. The startup fails in 2019. In 2020, when the investor does his taxes for 2019, he is able to write off $50,000 x 2.5 = $125,000 providing he has offsetting capital gains that occurred in 2019.

We manipulate capital losses to drive investor behavior. It artificially inflates capital losses to encourage investors to take more risk.

Giving unique capital gains rates based on anticipated economic activity makes our tax system more efficient. It allows the government to take a more granular view of the investments its citizens make, and at the same time provides preferential treatment for investors willing to underwrite businesses that stimulate the greatest amount of economic activity. If we can get more money flowing into new businesses, we are truly investing in R&D for our Nation as a whole.

There are offshoots of this idea:

A. Use the multiplier like the Federal Reserve uses interest rates. Expand/contract the multiplier to manage economy.

B. It could also be used progressively. What if investments totaling $10,000 or less receive a 400% multiplier? Rich people would be writing checks left and right to needy entrepreneurs striving for the American Dream. Of course the rich would organize it in such a way to push money to the most productive people. The internet is very good at disclosing and sorting opportunities.

C. You could auction this incentive out. What would a 400 percent multiplier be worth in today's money? Let's say for a commitment to invest $1,000,000 in 12 months. The government could make money at the same time while they build sideline money up to stimulate the economy later.

Identify People Invention

The following is a new way to identify people that can be used across the board to improve our Nation's security. The method can also be used to replace the outdated notary system.

Step 1: User goes to a government website, and presses the button on the screen to create a one-time notary profile.

Step 2: The document that needs to be notarized, along with the driver's license of the signer, are uploaded to the government website. The images are examined by software for quality (resolution and completeness).

Step 3: After the quality check, the government website issues a simple 5 or 6 digit code that is displayed to the user.

Step 4: The user then presses a button on the website to begin shooting video of the user looking into their laptop or smartphone, stating their full name and the government-generated code.

Step 5: The website checks the quality of video to determine there is a person talking and that the resolution of the video is adequate. Voice recognition software also compares the code given to the code verbalized by the user.

Step 6: Once Step 5 is validated, the website issues a second code. This code is given to the user to write down and placed next to his signature on the document. Anyone with this code can go to the government website to view images of the document submitted, driver's license and the user's video.

Personal Government Web Page Invention

People need a new way to establish themselves in society. There is so much fake stuff on the internet; no one knows who to trust anymore. People need a state identity like they have their Social Security Number, credit score, passport and driver's license—they need a new way to show they are a credible person to do business with.

I suggest that every American should have the right to build a web page on a "government" website. This web page may be private or public. What makes it different is that anything posted on it must go through a government validation process and is then posted on a government website. Different items could be posted on it such as driver's license, passport, title to a vehicle, deed to property, stock ownership, bank account information, etc. The postings would be dated, which proves the long-term stability of an individual. It could also have ratings on them from others they have done business with. People should be able to have a presence on the internet validated by the government, which can be shared with other parties that seek to do business with that party. Contra parties will know the information on this website is authentic and not fake. Society needs a new form of personal identification for its people.

In conclusion, the inventions that I give to you today and all the ideas contained in them are for the people who are the most eager to achieve the American Dream. The inventions are a tribute to our nation's finest people who strive for a better life and all those souls who built this country.

Sincerely,

Sam Balabon

12. **PLAINTIFFS' VIEW OF DEFENDANTS**

FINRA peddles the complexity of FINRA Rules backed by the power of the federal government. Unfortunately, our government has not had any significant security regulation reform since the 1930s.

FINRA currently enjoys a monopoly hold on all the security professionals and broker-dealers they regulate in U.S. They make their money by peddling complexity that was designed in an era of file cabinets, typewriters, books and telephones. They harass people in the industry to adhere to FINRA Rules, even if the Rules are not applicable to the situation. Their exams and qualifications completely discriminate against minority groups. How? Because they are based on pure memorization. Many people simply do not possess the memory to pass their exams; however, these same people can access any of the material required to be memorized in seconds just by searching the internet. It is just not necessary to have these exams anymore, at least at the crazy levels of difficulty they have now. The complexity of FINRA's exams for security licenses are discriminatory and beyond the IQs of the average citizens of the U.S. This cheats our society from its ability to diversify its workforce and only allows a small minority of our population the ability to participate in the security industry – even if they are hardworking and honest Americans.

The Court may be wondering, why is it such a big deal to sell securities through a broker-dealer? The Plaintiffs wanted to know that answer as well. In that spirit, Spot sought formal permission from FINRA to sell private placements and, wow, the complexity was tremendous.

It is truly a gauntlet a broker-dealer must go through to sell securities through their broker-dealer. This is a crime to our society, because it prevents capital formation for small businesses that otherwise could occur if FINRA would get out the way. It is also a business opportunity for FINRA to force people (if they want to be in business) to promise to abide by FINRA Rules, with the knowledge these people will make mistakes. This empowers FINRA to fine them and perhaps even run them out of business if FINRA so chooses.

Below are two letters from FINRA regarding obtaining permission to sell private placements through a broker-dealer that demonstrate the sheer complexity imposed on security professionals:

February 17, 2016

Via electronic mail [deepatsllc@gmail.com]

Sam Balabon
Spot Quote, LLC
3225 Smoky Ridge Road
Austin, TX 78730

Re: Membership Continuance process involving Spot Quote LLC (CRD #136696)
Continued Membership Application ("CMA") Matter No. 20160484794

Dear Mr. Balabon:

On January 27, 2016, the Membership Application Group ("Staff") received a substantially complete application from Spot Quote, LLC (the "Firm" or "Spot Quote") requesting approval to engage in the private placement of securities. These changes will subject the Firm to FINRA's continuance of membership process, detailed in FINRA/NASD Rule 1017. Please note, questions relate to both the private placement offering the Firm has already engaged in (the "Deep ATS Offering") as well as any potential future offerings it may engage in.

In order to review and assess your application, the Staff requests that you provide certain items of information and documentation as listed below, which will be reviewed for adequacy and consistency and in accordance with the Standards of Admission set forth

in Rule 1014(a).

Therefore, the Staff requires the information and/or documentation listed below, which must be incorporated into the applicable sections of the Form CMA, and electronically resubmitted. Kindly send the Staff an email at (isabelle.goossens@finra.org) when the revised Form CMA and response information has been submitted electronically.

Standard 1 -Application Information/Business Activities

1. With respect to the private placement activity:

Does the Firm anticipate engaging in any private placement offerings pursuant to Regulation A?

Will the Firm engage in any EB-5 offerings?

Does the Firm anticipate engaging in any private placement offerings in the oil and gas sector?

If the Firm responded yes to any of the above questions, provide an explanation.

2. In connection with the Deep ATS Offering, was the offering pursuant to any exemptions (i.e. Regulation D (Rules 504, 505, 506), Regulation M, Regulation S, or Rule 144A)?

3. For any future private placement offerings, does the Firm anticipate the offering will be pursuant to any of the exemptions listed in the above question?

4. Provide a description of the types of investors/clients the Firm previously engaged with and foresees engaging with for private placement activities. Provide an explanation of the process used by the Firm to verify client data, including any third party or vendor systems utilized in the process.

5. What criteria does the Firm use to determine whether a private placement is suitable for a customer?

6. Provide a detailed explanation of the due diligence the Firm conducted related to investors/customer in the Deep ATS Offering. The explanation should include a discussion of how and what types of due diligence were conducted, who conducted the due diligence, and how said due diligence steps were documented. Provide proof of any such reviews and steps taken, if possible.

7. Provide a detailed explanation as to how the Firm anticipates conducting due diligence on investors/clients with relation to any potential/future private placement offerings. Again, the explanation should include a discussion of how and what types of due diligence were conducted, who conducted the due diligence, and how said due diligence efforts were documented.

8. With regard to the Deep ATS Offering:

a. What were the Firm's procedures for preventing unauthorized dissemination of private placement information by clients?

b. Did the Firm provide any legal documents or disclosures to clients (e.g. privacy, confidentiality, consent for electronic disclosure, etc.)? If so, provide copies of all documents. If not, explain why said documents were not necessary/required.

9. Related to question 8, and with regard to any future or anticipated offerings:

a. What will the Firm's procedures be preventing unauthorized dissemination of private placement information by clients for any future placement offerings?

b. What types of legal documents or disclosures will be provided to clients in connection with any future private placements (e.g. privacy, confidentiality, consent for electronic disclosure, etc.)? Explain.

10. Staff acknowledges that the Firm has provided a copy of the Private Placement Memorandum ("PPM") utilized in the Deep ATS Offering. Please provide a copy of the Subscription Agreement. Additionally, please provide any other sales

literature that the Firm provided to clients relating to the Deep ATS Offering.

11. Regarding the Issuer Qualification process for any future offerings the Firm may engage in:

a. Provide an explanation regarding the Firm's processes to verify issuer data, including third party or vendor systems employed in the process. b. Provide a detailed description of the Firm's procedures regarding due diligence conducted on the issuer (e.g. site visits to the issuer's location, financial reviews of issuer, etc.)

c. A copy of the consent to credit check/investigation of background for the issuer and related persons, including specifics on those individuals whose backgrounds will be checked.

d. A description of the considerations used in pricing an offering

12. For future/potential private placements, who will be the party responsible for generating the offering materials? Explain.

13. With relation to the Deep ATS Offering, provide an explanation of the customer engagement process and the processing of funds from the customer (e.g., direct subscription, wire, check).

14. In an email to Staff, dated January 19, 2016, the Firm stated that "[a]ll monies received from Investors will be put in a separate bank account of the firm and released immediately within 5 working days after being received by the investor to the issuer". What will the title for the account be? Will it be a

special reserve account? Please provide an explanation as to what will happen with the monies over the 5 working days.

15. What controls will be put in place to ensure that all funds from investors will be deposited with the issuer? Will there, for example, be a control account used for investors proceeds received and reconciliation and disbursement controls out of the control account?

16. Does the Firm intend to engage in Crowdfunding?

Note: Any changes or revisions to the original filing must be amended throughout Form CMA (i.e information provided in responses must be reflected on and consistent with the Business Plan, Form CMA, etc.) to meet the requirement of complete and accurate information.

Standard 2 - Licenses and Registrations

17. Staff notes that the Firm was involved in structuring the Deep ATS Offering.

Regulatory Notice 09-41 states that, "Effective November 2, 2009, NASD Rules 1022 and 1032 require individuals whose activities are limited to investment banking and principals who supervise such activities to pass the new Limited

Representative - Investment Banking Qualification Examination (Series 79 Exam)". As the Deep ATS Offering was after November 2, 2009, it would appear that a Series 79 license would be required to engage in and supervise such structuring activities. Who served as the supervisor for the Deep ATS Offering?

Did this individual obtain the Series 79 license? If not, provide an explanation as to why it was not deemed necessary/required.

18. Will the Firm be engaged in structuring and future/potential private placement offerings? If so, who will be the supervisor and/or producer that will have the Series 79 - Investment Banking license?

Standard 7 - Financial Operations

19. How much revenue (% of Firm business) does the Firm expect the private placement business to generate within the first year?

20. Provide a financial projection for income statement, a balance sheet, and a net capital computation.

tandard 9 - Written Supervisory Procedures ("WSP")

21. Amend the Firm's WSPs to include the Firm's procedures with relation to due diligence, marketing (i.e. internet), suitability reviews, etc. All responses discussed in the questions in Standards 1 should be discussed and included as a part of the Firm's Written Supervisory Procedures.

22. Please additionally utilize the link provided in Staff's January 11th email to the Firm (regarding substantial incompleteness) which provides a checklist for items that must be included in a Firm's WSPs. Ensure that all applicable rules and subject areas are addressed in the WSPs.

23. FINRA Rule 5122 requires member firms to file with FINRA any documents relating to any capital raises by the firm or any of the firm's affiliates (e.g. PPMs, terms sheets, etc.)

Please ensure the Firm's procedures related to this rule are addressed in the WSPs.

24. If the Firm's registered representatives engage in the sale of private placements away from the Firm, the Firm must ensure that it supervises any such private securities transactions pursuant to FINRA Rules 3270 and 3040. Please ensure the Firm's procedures related to this rule are addressed in the WSPs.

tandard 10 - Personnel/Supervision and Qualifications

25. In connection with Rule 1014(a)(10)(d) which states that "each Associated Person identified in the business plan to discharge a supervisory function has at least one year of direct experience or two years of related experience in the subject area to be supervised": Staff notes Mr. Balabon will be the designated supervisor for any potential private placement activities. Please provide an explanation as to how Mr. Balabon's previous involvement with the Deep ATS Offering helps him to satisfy this rule.

Standard 11 - Books and Records

26. How will the books and records related to private placements be maintained (i.e., hardcopy, scanned, electronically, etc.)?

27. Provide a list and explanation as to which types of records the Firm will maintain and for what length of time.

As a reminder, please be sure to submit fingerprint cards for each person applying for registration. If an applicant fails to submit a fingerprint card within 30 days after FINRA receives

the electronic Form U4, the person's registration will be deemed inactive.

For your information, Rule 1017(e) establishes time frames for the consideration of a continuing member application. In this regard, firms must respond to an initial request for information within 30 days of the date of such initial request letter. Any subsequent requests must be responded to within 30 days. Failure to comply with these or other time frames contained in relevant rules, or failure to respond fully to Staff's requests may result in a lapse of the application. It is, therefore, imperative that complete and timely responses be made to Staff's requests for information. Accordingly, your response to this request for information is due no later than March 18, 2016.

Furthermore, NASD Rule 1014 requires that the continuing membership review process be completed within 180 days from the Firm's filing of the Continuing Membership application. It is therefore imperative that complete, timely responses be made to Staff requests for information, and that Staff be made aware of any special time constraints or unique considerations your Firm may have relative to the continuing membership process.

Should you have any questions regarding your application or the application process, please feel free to contact me at (212) 416-0623.

Regards,

Isabelle Goossens

Examiner

April 1, 2016

Via electronic mail [rameshpuranik09@gmail.com]

Ramesh Puranik

Spot Quote, LLC

3225 Smoky Ridge Road

Austin, TX 78730

Re: Membership Continuance process involving Spot Quote LLC (CRD #136696)
Continued Membership Application ("CMA") Matter No. 20160484794

Dear Mr. Puranik:

On January 27, 2016, the Membership Application Group ("Staff") received a substantially complete application from Spot Quote, LLC (the "Firm" or "Spot Quote") requesting approval to engage in the private placement of securities. Please note, questions relate to both the private placement offering the Firm has already engaged in (the "Deep Liquidity Offering") as well as any potential future offerings it may engage in.

In order to review and assess your application, the Staff requests that you provide certain items of information and documentation as listed below, which will be reviewed for adequacy and consistency and in accordance with the Standards of Admission set forth

in Rule 1014(a). Some of these questions are reiterations of items requested in the Staff's initial information request

letter to the Firm dated February 17, 2016 (the "February letter"); however, the Staff did not receive responses to those requests.

Therefore, the Staff requires the information and/or documentation listed below, which must be incorporated into the applicable sections of the Form CMA, and electronically resubmitted. Kindly send the Staff an email at (isabelle.goossens@finra.org) when the revised Form CMA and response information has been submitted electronically.

Standard 1 - Application Information/Business Activities

1. The following question was asked in the February Letter; however a response was not provided. Accordingly, please provide a written response to the below.

The business lines discussed in this question are more complex in nature than a standard private placement. As such, if a Firm is seeking the ability to do them, specific and detailed Written Supervisory Procedures ("WSP") would be required for each. As such, with respect to the private placement activity:

Does the Firm anticipate engaging in any private placement offerings pursuant to Regulation A?

Will the Firm engage in any EB-5 offerings?

Does the Firm anticipate engaging in any private placement offerings in the oil and gas sector?

a. If the Firm responded yes to any of the above questions, provide a detailed explanation surrounding the conduct of the business.

b. For each item the Firm responded "yes" to above, upload the corresponding WSPs to Standard 9 and cite where they appear.

c. For each item the Firm responded "yes" to above, provide an explanation as to how the supervisor of the business has experience specific to each that demonstrates how the principal meets the experience requirement mandated in Rule 1014(a)(10)(d).

2. The Firm stated in an email sent on February 18, 2016 that during the Deep Liquidity Offering, it had one investor (Mr. Steve Davis), who is "a close personal friend of [Mr. Balabon's]" and an accredited investor.

a. Will the Firm exclusively engage in the private placements business with accredited investors for future offerings?

b. If so, please explain the steps the Firm will take to verify a customer's status as an accredited investor.

c. How will these steps be recorded in the Firm's records? Explain.

d. The Firm noted in its February 18th email response to Staff, under #7, that it will consider subscribing to a website that validated accredited investors. Does the Firm have any specific websites that it is considering utilizing?

3. The Firm also stated in the February 18th email in response to Question 5 that in determining whether a private placement is suitable for a customer, it believes that "any person with a net worth of less than $5M should not invest more than 10% of their net worth in any one investment. This will be a company rule unless the person has a net worth of over $5M and then it may be proper to move that to perhaps 15%."

a. Please explain how the Firm will review and vet potential customers considering the aforementioned statement regarding net worth. What tools and/or methods will be utilized? Explain.

b. How the Firm will evidence and record any such reviews? Explain.

4. The following question appeared in the February Letter; the Staff will require a specific response for this question. The response the Firm provides must also be reflected in the Firm's WSPs:

a. Provide a detailed explanation as to how the Firm anticipates conducting due diligence on investors/clients with relation to any potential/future private placement offerings. The explanation should include a discussion of how and what types of due diligence would be conducted, and how said due diligence efforts will be documented.

b. Please cite to where in the WSPs there is a discussion of the customer due diligence the Firm will conduct.

5. The following questions were also posed in the February Letter; however, no response has been provided. The information provided in the response must also be reflected in the Firm's WSPs:

a. Regarding the Issuer Qualification process for any future offerings the Firm may engage in, provide a detailed description of the Firm's procedures regarding due diligence conducted on the issuer (e.g. site visits to the issuer's location, financial reviews of issuer and related persons, etc.)

b. Please cite to where in the WSPs there is a discussion of the customer due diligence the Firm will conduct.

6. The Firm's February 18th email response to Question 13 states that "these processes have not been developed yet" with relation to customer engagement process and the processing of funds from the customer (e.g., direct subscription, wire, check). Staff will require this information; please indicate how the Firm will conduct this step and have corresponding WSPs. As such,

a. Provide an explanation of the customer engagement process and the processing of funds from the customer.

b. Cite where in the WSPs this process is discussed.

7. In an email to Staff, dated January 19, 2016, the Firm stated that "[a]ll monies received from Investors will be put in a separate bank account of the firm and released immediately within 5 working days after being received by the investor to the issuer". While the money is held in the separate bank account (which the Firm indicated will be a reserve account), will it accrue interest? If so, what will happen with that interest? Will it remain in the Reserve Account? Please provide a detailed explanation of what happens to the funds in the reserve account.

8. In the Firm's February 18th email response to Question 15, the Firm stated that "the controls put in place to ensure that all funds from investors will be deposited with the issuer will be by way of a software program and that it may hire a trust department at a bank to handle investor proceeds and disbursement of monies to issuers (for example, the Bank of Oklahoma).

a. Please identify the software program. Explain how the software program will allow the Firm to ensure this procedure be accomplished.

b. A discussion of any such controls in place to ensure customer funds will be received by the issuer must be included in the Firm's WSPs. Please cite where this is included in the WSPs.

Standard 2 - Licenses and Registrations

9. As noted in the February Letter, Regulatory Notice 09-41 states that, "Effective November 2, 2009, NASD Rules 1022 and 1032 require individuals whose activities are limited to investment banking and principals who supervise such activities to pass the new Limited Representative - Investment Banking Qualification Examination (Series 79 Exam)". If the Firm is seeking to engage as a placement agent only, the Series 79 Exam is not a requirement. If the Firm is seeking to engage in the structuring of private placements, the Series 79 Exam would be required.

If the Firm is seeking to engage in the structuring of private placements, the principal must obtain the Series 79 Exam prior to Staff approving the CMA. The Firm noted in its February 18th email response to Staff that "Ramesh or myself, Sam Balabon, one of us will get the exam".

a. Please confirm whether the Firm will be engaged in any structuring activities?

b. If the response to the above question is "yes", please indicate which principal will take the Series 79 Exam. Please indicate when they intend to open a window and sit for the exam.

10. In the Firm's February 18th response letter, the Firm stated in response to Question 12 that a licensed supervisor would be responsible for generating the offering materials [for the private placement]. If a supervisor at the Firm is generating offering materials, that individual is engaging in structuring.

Responses to the below questions should comport with the Firm's response to the above question:

a. If the Firm is seeking to generate offering materials, please ensure relevant procedures are included in the WSPs. Indicate where in the WSPs any such procedures appear.

b. If the Firm is not seeking to generate offering materials and is not seeking to structure any offerings (i.e. placement agent only), please correct this statement.

Standard 9 - Written Supervisory Procedures ("WSP")

11. The Firm provided WSPs and a WSP Checklist on March 17, 2016. Page 104 of the WSP Checklist includes Sections relating to Private Placements with three sections (Suitability, Review of subscription agreements; Disclosures; and Escrow Account Maintenance) and the related rules. As the Firm is seeking approval for this business activity, these sections should be checked off in the WSP Checklist, and procedures for each of the sections should be provided. As such, please check these sections. Please additionally provide the related procedures for each and identify where in the WSP manual they are located.

12. The following two questions appeared in the February Letter; the Staff will require specific responses for each question:

a. FINRA Rule 5122 requires member firms to file with FINRA any

documents relating to any capital raises by the firm or any of the firm's affiliates (e.g. PPMs, terms sheets, etc.) Please ensure the Firm's procedures related to this rule are addressed in the WSPs. Edit: Please also cite where in the WSPs the rule is addressed.

b. If the Firm's registered representatives engage in the sale of private placements away from the Firm, the Firm must ensure that it supervises any such private securities transactions pursuant to FINRA Rules 3270 and 3040. Please ensure the Firm's procedures related to this rule are addressed in the WSPs. Edit: Please also cite where in the WSPs the rule is addressed.

As a reminder, please be sure to submit fingerprint cards for each person applying for registration. If an applicant fails to submit a fingerprint card within 30 days after FINRA receives the electronic Form U4, the person's registration will be deemed inactive.

For your information, Rule 1017(e) establishes time frames for the consideration of a continuing member application. In this regard, firms must respond to an initial request for information within 30 days of the date of such initial request letter. Any subsequent requests must be responded to within 30 days. Failure to comply with these or other time frames contained in relevant rules, or failure to respond fully to Staff's requests may

result in a lapse of the application. It is, therefore, imperative that complete and timely responses be made to Staff's

requests for information. Accordingly, your response to this request for information is due no later than May 2, 2016.

Furthermore, NASD Rule 1014 requires that the continuing membership review process be completed within 180 days from the Firm's filing of the Continuing Membership application. It is therefore imperative that complete, timely responses be made to Staff requests for information, and that Staff be made aware of any special time constraints or unique considerations your Firm may have relative to the continuing membership process.

Should you have any questions regarding your application or the application process, please feel free to contact me at (212) 416-0623.

Regards,

Isabelle Goossens

Examiner

13. FINRA's Fine Determination Process is Corrupted by Greed

According to Smarsh.com:

> ***"The fines reported by FINRA in 2016 increased dramatically to a record-high of $176 million, an increase of 87% from the $94 million reported in 2015, and a 31% increase from the former record of $134 million in 2014. Overall, fines have increased by 529% since FINRA assessed fines of $28 million in 2008!"***

14. Plaintiffs believe FINRA's fining methodology is corrupt and is beginning to look like a shakedown of FINRA Members. FINRA's fine business is at a record high with $176,000,000 in fines collected in 2016, which is a 529% increase over what they collected in fines in 2008. This business makes a bundle of money for FINRA and strikes terror among FINRA Members. One of the big accounting firms should be commissioned to audit this portion of FINRA's business. Plaintiffs believe FINRA Members and public may be very surprised to what they might find.

Why the FINRA fining process is corrupt:

a. FINRA Fines are kept by FINRA and not distributed to victims of wrongdoings committed by FINRA Members. Customer victims of fined broker-dealers obtain zero restitution out of the fine money FINRA collects. This harms investors, which is *not* in the public's interest.

b. FINRA fines indirectly support the outrageous salaries of FINRA employees. This is because the money FINRA spends its fine money on would have to be spent anyway, drawing from the same balance

sheet FINRA salaries come from. All FINRA does is shuffle the money around to make themselves look good. According to FINRA's 2013 annual report, the average compensation and salary for 3,400 FINRA employees was $197,000. This is double the mean wage earned at all 167 occupation titles listed in the 2013 "Securities and Commodity Contracts Intermediation and Brokerage" estimates tallied by the Bureau of Labor Statistics. The head regulator of FINRA – its CEO – makes over $2,900,000 a year. These are not public servant salaries, and nowhere in the world would public servants be given so much money. It would be impossible that any of these salaries could be approved by voters.

c. FINRA fines indirectly support the retirement funds of FINRA workers by supporting FINRA's balance sheet. This is unlike a private company, where much of the money brought into the company by its employees leaks out of the balance sheet through dividends and taxes. FINRA as a nonprofit has no shareholders, so there are no dividends and FINRA gets to keep all the money it brings in because of its nonprofit status with the IRS.

d. FINRA employees are commercially incented to bring in money to support b and c at a higher level than employees at private companies in general.

Plaintiffs believe there is real corruption due to the commercial incentives mentioned. This corruption plays out in the level of fine FINRA determines is appropriate for any FINRA Rule infraction by one of its members. Sometimes fines are assessed and then withdrawn. Sometimes there can be a FINRA Rule violation and no fine at all. Plaintiffs believe the strength of a FINRA Member's balance sheet is the greatest

determining factor for FINRA in calculating what amount of fine is appropriate when FINRA has discretion in determining the amount. Discriminating among FINRA Members based on the size of their balance sheets is a direct violation of the Exchange Act.

15. Plaintiffs believe who pays and how much members pay towards FINRA fines are illegally influenced by the commercial interests of FINRA and not by the law. Although FINRA is a Delaware non-profit corporation, it is in their commercial interest and in the "personal interest" of each employee of FINRA to collect as much money for FINRA as possible.

16. The purpose of FINRA Rules is to govern the behavior of its members. FINRA Rules should be applied impartially and fairly among its members, regardless of their economic status. This would result in a uniform distribution of fines based on specific infractions and not fines based on "how much cash and liquid securities are on a FINRA Member's balance sheet." Using commercial interests to determine the dollar amount of a FINRA fine is literally extortion, because if a member does not pay they are run out of business by FINRA.

17. When commercial interests are mixed with public service, history tells us the result is corruption. Perhaps FINRA is not guilty of any form of corruption. Plaintiffs believe they are. Perhaps a simple "smell test" for corruption should be conducted by the Court. Plaintiffs' allegations can be authenticated or discarded with a simple examination of FINRA's records.

18. Identify the 200 largest FINRA fines against its members for 2015 and 2016. Assign a net worth of each FINRA Member firm to each of the 200 fines. Net worth can be found on the SEC-required annual audit

of each firm, which is public on the internet. Rank the 200 fines by net worth ascending, largest fine first.

Create four groups ranked by highest to lowest net worth for 2015 and 2016:

	Average Net Worth	Average Fine
Group 1 1-50	-	-
Group 2 51-100	-	-
Group 3 101-150	-	-
Group 4 151-200	-	-

Determine the average net worth and average fine for the four different groups. Determine if there is any relationship between net worth and the amount of the fine assessed. Plaintiffs believe the results will show the higher the net worth, the higher the fine on average. This shows a Member's net worth is relative to level of fine imposed. The higher the net worth, the higher the fine for the same FINRA rule violations. There is no FINRA rule that allows such discretion based on net worth. All FINRA actions must rely on a FINRA rule, or they are illegal.

FEDERAL FELONY COMMITTED BY FINRA

19. FINRA illegally attempted to hijack the distribution of securities of Spot Holdings (a non-broker-dealer) by ordering Spot Holdings to stop selling securities directly to investors and further ordered any additional offer and sale of Spot Holdings securities would have to be sold through Spot (a firm FINRA regulated). It harmed Spot by forcing it out of dormancy, which would subject itself to additional

FINRA Rules and FINRA Examinations such as FINRA's Sales Practice Examination. It harmed Spot Holdings, because it limited its ability to distribute its own securities. It gave FINRA greater authority to influence how Spot Holding's securities were sold and represented to investors. It increased the regulatory burden on Spot and the cost to maintain its broker-dealer status. FINRA only administers FINRA Rules; it is prohibited from inventing new FINRA Rules unless they go through a formal public comment process that takes many months. If this occurs, it clearly violates Section 15(A)(f) of the Securities Exchange Act of 1934:

> **Nothing in subsection (b)(6) or (b)(11) of this section shall be construed to permit a registered securities association to make rules concerning any transaction by a registered broker.**

20. The Exchange Act also has specific provisions regarding the selling of private placements and requires separate registrations for broker-dealers that seek to sell them.

Section 15(A)(j) of the Exchange Act:

> **(j) REGISTRATION FOR SALES OF PRIVATE SECURITIES OFFERINGS**
> **A registered securities association shall create a limited qualification category for any associated person of a member who effects sales as part of a primary offering of securities not involving a public offering.**

BACKGROUND ON EVENTS

21. Spot obtained its broker-dealer and alternative trading system (ATS) licenses in 2006. These licenses were necessary for Mr. Balabon to commercialize his inventions that relate to how stocks trade. Spot never conducted any business since its inception. Its total gross sales between 2006 and 2012 were zero. Spot was deemed a "dormant" broker-dealer company by its own auditor. It basically was a shell broker-dealer license waiting for a capitalization event to effectuate its business plan. The capitalization event never occurred. This was due to the project's inability to raise enough capital to commercialize Mr. Balabon's inventions.

22. In December 2012, Mr. Balabon got into an argument on the phone with District Director Vocke of FINRA's Dallas Office over what FINRA's responsibilities were to their members. FINRA District Director Vocke got upset and hung up on Mr. Balabon. Mr. Balabon felt the tone and demeanor of this FINRA Official was threatening, and going forward this FINRA Official would pursue an effort to harm Spot and Mr. Balabon personally. Mr. Balabon emailed a complaint about FINRA District Director Vocke to FINRA CEO Ketchum. Excerpt:

> **"Miss Vocke has engaged in clear misconduct towards myself and my affiliates."**

We believe FINRA District Director Vocke was furious once she learned that Mr. Balabon went over her head to complain to FINRA CEO Ketchum. We believe from that point on, FINRA District Director Vocke set out to punish Mr. Balabon. This set the stage for what was to come.

23. In the same month, FINRA rented some offices to do their Cycle Examination of Spot. Two FINRA Examiners spent two full days with Mr. Balabon at these offices asking Mr. Balabon questions and going over computer records of Mr. Balabon's efforts to raise money for Spot Holdings. Since Spot was a dormant broker-dealer, it had no business records to review.

24. In May of 2013, as part of the same FINRA Cycle Examination, FINRA decided that it wanted to interrogate Mr. Balabon with attorneys and a court reporter present. Mr. Balabon was not represented by an attorney due to lack of finances. He had to represent himself. FINRA represented itself with its Head Attorney and the Head of Examinations from FINRA's Dallas Office. The interrogation with the court reporter lasted a full day at a FINRA-rented office in Austin. These two FINRA officials from morning to evening interrogated Mr. Balabon on his activities raising money for Spot Holdings and Mr. Balabon's personal finances with the court reporter present. There were few if any questions about Spot itself – the business entity they were regulating. Spot had no business activity since its inception. The interrogation did not go well for FINRA. Nothing useful was discovered that could be used against Spot or Mr. Balabon.

25. We believe that the news of the failed interrogation frustrated FINRA's management, particularly FINRA Associate District Director Maestri of the Dallas Office. We believe this led to FINRA Associate District Director Maestri coming up with the idea to illegally order Mr. Balabon to sell Spot Holdings securities through Spot. We also believe this illegal order was taken to and approved by FINRA District Director Vocke. We believe never in the history of the NASD and now FINRA has there been an interrogation related to the affairs of a

"dormant" broker-dealer. We don't believe FINRA has ever imposed a "made-up" illegal FINRA Rule upon a broker-dealer it regulates. This was an attempt to harm Spot and Mr. Balabon, first by using legal means to seek out Mr. Balabon's improprieties, but when they found none they resorted to unprecedented measures (interrogation) along with the fabrication of an illegal regulation.

26. In October of 2013, FINRA had an Exit Interview for the FINRA Cycle Examination for Spot. As part of every FINRA Cycle Examination, there is an Exit Interview meeting between the FINRA Member and FINRA staff to go over the findings of the examination. This interview with four FINRA representatives took place on October 31, 2013 by way of a conference call. During the call, it was explained to Mr. Balabon that he would have to discontinue selling Spot Holdings securities directly to investors from Spot Holdings and any future sales of Spot Holdings securities would have to be sold through Spot. This made Spot Holdings an investment banking customer of Spot, subject to all FINRA Rules on how investment banking clients are handled along with the exact manner their securities are distributed to the public. This meant that future investors of Spot Holdings would have to write their checks directly to Spot and then Spot would distribute the money to Spot Holdings. This order was intended to take Spot out of its dormancy and have it commence business as an investment banker, which would require it to comply with a considerable number of FINRA Rules associated with the distribution of private securities through a broker-dealer. At the time, Mr. Balabon had no idea this order was illegal.

27. In January of 2014, Mr. Balabon reached out to the Director of Investment Banking at ViewTrade Securities to see if his firm could

assist in the distribution of the Spot Holding's private securities. Mr. Balabon's email to the Director contained the following statement:

"We are required by FINRA to sell these shares through our BD."

28. In February of 2014, Mr. Balabon along with George Hessler, the CEO of Spot Holdings, attended The National Investment Banking Association Conference in Florida. At the event, Mr. Balabon announced that he was attempting to organize a selling group of broker-dealers to distribute Spot Holdings securities. This pursuit was contained in a video filmed by the Event and in literature that Mr. Balabon handed out. Unknown to Mr. Balabon, these communications made by him were a direct violation of Exchange Act.

29. In March of 2014, Mr. Balabon filed Spot Holdings Private Placement Memorandum with FINRA. The Memorandum stated in the very first paragraph in the document:

"This offering of the Units (the "Offering") is being made through Deep ATS LLC, (the "Managing Broker-Dealer")"

Spot sold $20,000 of securities of Spot Holdings to an individual investor. This was the first investor to buy shares from Spot. This stock sale occurred under the new illegal FINRA Rule that was imposed on Spot by FINRA. The new illegal FINRA Rule was crafted by FINRA with the intent to harm Spot. This increased FINRA's regulatory oversight over Mr. Balabon's selling efforts of Spot Holding's securities. We believe that Spot was the only FINRA-regulated broker-dealer in the country at the time and historically could sell private placements

without being formally approved for that business line by FINRA. Spot was singled out by FINRA to be punished under the new illegal FINRA Rule concocted by FINRA. FINRA hoped with increased regulation, Mr. Balabon would have a higher probability to make a mistake for which they could punish Spot and him.

30. In August of 2014, FINRA notified Mr. Balabon that they were going to conduct a FINRA Sales Practice Examination. The purpose of a FINRA Sales Practice Examination is to review the sales practices of a firm on how they are distributing securities. FINRA wanted to see Spot's sales practices and how Mr. Balabon was selling Spot Holdings securities through Spot. Spot had the one $20,000 sale of securities on behalf of Spot Holdings. This was a new type of examination and the first time it was imposed on Spot. Up until this time, only FINRA Cycle Examinations required under the Exchange Act were conducted. No other types of FINRA Examinations were ever necessary, due to the fact Spot had never conducted any business and remained basically a shell company with zero sales from its inception that spanned over seven years.

31. In September of 2014, FINRA demanded the following (as part of their Sales Practice Exam of Spot):

"Please provide all of the E-Mails for Sam Balabon for the entire review period."

The review period was for 12/04/2012 to 09/08/2014, a period of time Spot was dormant other than the $20,000 security sale that went through Spot. Such a request meant that FINRA wanted to inspect all of Mr. Balabon's emails – not only his business emails but also Mr. Balabon's personal emails. Mr. Balabon pointed out that any request from FINRA

for personal emails was illegal and not supported by any FINRA Rule. He told them that he would not comply.

32. In September of 2014, Mr. Balabon sent his FINRA representative in Dallas an email containing the following text:

> **"If FINRA wants me to continue selling Deep Liquidity's private placement through Deep ATS, LLC I want a letter from FINRA which states Deep ATS is allowed to sell private placements which includes private placements of other companies. I want it added as a new business activity approved for the BD."**

This letter lead to a heated phone argument with a FINRA Representative. On the call, Mr. Balabon could not get the FINRA Representative to agree to write the letter adding the business line to Spot. This was the first time Mr. Balabon realized that something was very wrong. Mr. Balabon complained by email to FINRA CEO Ketchum. FINRA CEO Ketchum did nothing. Mr. Balabon decided without any order from FINRA to stop selling Spot Holdings' securities through Spot. Mr. Balabon emailed FINRA CEO Ketchum:

> **"Deep ATS, LLC will no longer engage in the business activity of selling private placements."**

In October of 2014, Mr. Balabon emailed FINRA's Chief Technology Officer requesting him to copy all the emails of a specific list of FINRA employees involved so records could be preserved regarding internal communications within FINRA regarding the allegations contained in this Complaint. Excerpt:

> **"As a member of this organization, I request you copy the email accounts (all emails sent and received) on Monday for all the below people for the dates specified: Years 2012, 2013 and 2014 to Date" "I want you to put this data on a disk and save it in a safe place in the event you receive: A. Subpoena from a U.S. Court" "These records may contain evidence of wrongdoing and need to be immediately copied to preserve their integrity."**

33. In November of 2014, Mr. Balabon emailed FINRA CEO Ketchum a letter alerting him that a crime was committed by his staff. Excerpt:

> **I have been a "good actor" all my life. Never cheated anyone. The fact that I made a complaint against your Dallas manager and now I am under constant surveillance/harassment even though Deep ATS, LLC has been deemed dormant by its CPA is a disgrace to your organization. Don't you think there is something wrong with that? We really need to go in front of a Federal Judge or Congress and get some new input. Your organization simply runs loose and stomps on people's personal rights.**
>
> **Does your organization even know that "my inventions" are designed specifically to save investors "billions" of dollars when they trade financial instruments? Go to www.deepliquidity.com Study it. Other than harassing people, what wrong doing has your investigations/examinations ever uncovered that have saved investors' money? Bernie Madoff perhaps? How many FINRA examinations were conducted and found no**

wrongdoing with his firm? How many entrepreneurs have been denied financing because no one will market their private placements due to your organization running anyone out of business that tries to sell private placements for small business?

Cause for Relief Item One:

On October 31, 2013 FINRA committed a criminal act against Mr. Balabon, Deep ATS, LLC. and Deep Liquidity, Inc.; when FINRA staff ordered Mr. Balabon to stop selling Deep Liquidity, Inc.'s private placement directly to investors and further ordered Mr. Balabon that any future sales of Deep Liquidity's private placement would have to be sold through the broker dealer, Deep ATS, LLC. In accordance with this order, in March 2014, Deep ATS, LLC (registered broker dealer) sold unregistered securities of its parent Company (Deep Liquidity, Inc.) to a private investor.

On September 2, 2014, Mr. Balabon wrote a letter to FINRA's Dallas Office stating if FINRA wanted Deep ATS, LLC to continue selling Deep Liquidity, Inc. securities through Deep ATS, LLC then FINRA would need to provide a letter adding the selling of private placements as a new business line to Deep ATS's broker dealer license. This letter was ignored by FINRA.

On September 8, 2014, Mr. Balabon emailed Mr. Ketchum (CEO of FINRA) alerting him of the situation.

On September 18, 2014, FINRA emailed Sam Balabon stating that the Dallas Office was not aware of such an order. This indicated that the FINRA Dallas Office was ready to lie about the matter and deny that they ever made such an order. FINRA clearly made this order and it can be proved.

There is a written historical record of "bad blood" between Sam Balabon and FINRA staff leading up to October 31, 2013. FINRA staff in 2013 harassed/interrogated Sam Balabon in person for 3 full days in Austin Texas for a broker dealer that never conducted any business and was termed "dormant" by its own auditors.

FINRA "willfully" issued this order with intent to harm Sam Balabon, Deep ATS, LLC and Deep Liquidity, Inc. FINRA "willfully" sought to increase its jurisdictional powers over Sam Balabon and his affiliates by forcing Sam Balabon to adhere to all the rules and regulations associated with the distribution of unregistered securities through a broker dealer. It gave FINRA greater authority to influence how Deep Liquidity, Inc. securities were sold and represented to investors. It also forced Deep ATS, LLC out of its "dormant" status which increased the regulatory burden on Sam Balabon in maintaining the broker dealer.

FINRA only administers the rules, it cannot make rules up on the fly for "any" reason. If it does, it clearly violates Securities Exchange Act of 1934. Particularly, making rules up about the

selling of private placements is "strictly forbidden." This is supported by:

Section 15(A) (f) of the Securities Exchange Act of 1934

"Nothing in subsection (b)(6) or (b)(11) of this section shall be construed to permit a registered securities association to make rules concerning any transaction by a registered broker or dealer in a municipal security."

Section 15(A) (j) of the Securities Exchange Act of 1934

(j) REGISTRATION FOR SALES OF PRIVATE SECURITIES OFFERINGS

"A registered securities association shall create a limited qualification category for any associated person of a member who effects sales as part of a primary offering of securities not involving a public offering."

FINRA RULE 1017(5)

"Rule 1017 Application for Approval of Change in Ownership, Control, or Business Operations. (5) a material change in business operations as defined in Rule 1011(k)."

Regarding Section 15(A) (f) and (j), these parts of the law stand independent and are not conditioned or subject in any way to another provision of the law. That is what Congress intended

which results in it being under the jurisdictional powers of the U.S. Judicial System.

The ACT states clearly, *"ANY" person who "WILLFULLY" violates "ANY" provision of the Securities Exchange Act of 1934 can be fined up to $5,000,000 and/or imprisoned for not more than 20 years. It is a felony. Your Dallas Office staff "WILFULLY" violated the act when it ordered me to stop selling Deep Liquidity's unregistered securities directly to investors, but rather through Deep ATS which was not approved to sell unregistered securities under the Act.*

34. In February of 2015, Wedbush Securities communicated to Mr. Balabon that Spot's clearing agreement with Wedbush was to be terminated due to pressure from FINRA.

35. In May of 2015, FINRA removed the Dallas Regulatory Coordinator and assigned a new Regulatory Coordinator from Boca Raton, Florida. This was part of a general move of the regulations of Spot from Dallas FINRA District 6 to Florida FINRA District 7 as promised by the FINRA Dallas Director's boss, the FINRA Regional Director of the entire South. This was a lie.

36. In October of 2015, Spot filed a CMA application with FINRA to add the FINRA business line to distribute private placements through the broker-dealer. The FINRA approval process to add the distribution of private placements through a broker-dealer was fully illustrated in the long letters between FINRA and Spot that spanned over six months.

37. In May of 2016, Spot was approved to sell private placements.

38. In June of 2016, during a conference call among Mr. Balabon, the FINRA Surveillance Director of the Dallas Office, and the Boca Raton FINRA Regulatory Coordinator, the Surveillance Director stated that FINRA "suggested" but did not "order" the sale of Spot Holding's securities through Spot at the end of the FINRA Cycle Examination in October 2013. The FINRA Surveillance Director also told Mr. Balabon that further sales of Spot Holdings would have to be sold through Spot now that Spot was approved by FINRA to distribute private placements. Mr. Balabon angrily told the Surveillance Director that FINRA had no right to make such an order. Mr. Balabon stated the FINRA order was illegal and he would not comply. There is no FINRA Rule that permits FINRA to interfere with the corporate matters of affiliated companies of broker-dealers. Mr. Balabon then emailed FINRA CEO Ketchum and threatened to file a lawsuit against FINRA. FINRA made no offer to settle, and Mr. Balabon decided to shelve the lawsuit and hoped FINRA got the message to back off and quit harassing him with illegal orders.

39. In February of 2017, Mr. Balabon learned that his firm was still being regulated by the Dallas FINRA District and not the Florida FINRA District as promised by the FINRA Regional Director. Mr. Balabon emailed FINRA CEO Cook, demanding Spot be allowed to switch Districts because of the promise made by the FINRA Regional Director.

40. In April of 2017, FINRA turned down Mr. Balabon's request to switch Districts. This made Mr. Balabon very angry. This meant the regulation of his firm would be under the dominance of FINRA District Director Vocke whom Mr. Balabon had directly accused of committing a Federal Crime. That outlook was unacceptable to Mr. Balabon. Mr. Balabon gave FINRA three days to change their minds or he was going to file a lawsuit in Federal Court on the third day. Exactly 10 minutes

before Mr. Balabon's deadline on the third day, FINRA emailed Mr. Balabon granting his request to switch Districts. FINRA made the following statement:

> **"For reasons unrelated to your threat of litigation, FINRA is planning to move Spot"**

This statement is a badge of deception. It was clear why they changed their decision. FINRA lies all the time and no one cares.

The following email was sent to Associate District Director Maestri, District Director Vocke, members of FINRA's General Council, and FINRA CEO Cook seeking an explanation for breaking the law:

> **"A. I have accused Scott Maestri of being the mastermind to the crime.**
>
> **B. I have accused Erin Vocke of being the ringleader. Scott and Erin, I am accusing you both of committing a federal crime. I want to encourage both of you if you feel you are innocent of these charges that I have made against you; please email me your defenses to my claims. I will review them as a fair jurist and if I find they have merit remove one or both of you from the lawsuit."**

Neither of the accused or any member of FINRA's Management responded to Mr. Balabon's email.

Mr. Balabon's anger can be viewed in an email sent to FINRA District Director Vocke, Associate District Director Maestri, FINRA CEO Cook, and four other top FINRA Officials. Excerpt:

"Keep in mind I would not be working on this if it was not for FINRA's poor decision to initially deny the request to switch districts. Why does FINRA always have to be mean and nasty to people? Does your type of business attract humans that enjoy bullying people around? That is what is seems to me. Not all of them, certainly Erin and Scott are bullies. I have no problem calling them out on it either because it is true. They both possessed "evil" intentions against me and this hatred is why they broke the law. Simply unbelievable why people hate the way they do."

Responses to Defendants' Motion to Dismiss

Many of the defenses mentioned in Defendants' motion are defended throughout this document. Plaintiffs will make some additional comments:

Defendants state:

12(b)(6) for several independent reasons. First, FINRA and its employees have absolute regulatory immunity from claims for damages related to its regulation of the securities industry.

Defendants claim:

Defendants claim the Court lacks jurisdiction because plaintiffs have failed to exhaust their administrative remedies for allegations arising out of regulatory actions by FINRA and its employees.

Plaintiffs' Response:

Any order made by a FINRA employee to a FINRA Member must rely on a FINRA Rule or it is illegal. If an FINRA employee's actions in their role as a regulator are of a personal nature or acting in such a manner that is outside the enforcement of FINRA Rules, then the activity is of a personal or business nature and outside his function as a regulator. Every FINRA order must be supported by a FINRA Rule. If the driving force behind the order is either of a personal or commercial nature, it should not be immune to lawsuits. Immunity should only be granted to the actions of FINRA employees that fall within the scope of the Exchange Act and FINRA Rules along with behavior that does not violate either of them.

Example: A police officer comes to the window of a car and demands cash from the driver without cause. The driver gives him cash. Would the driver be able to file a civil lawsuit against the police department? Absolutely, because the action by the police officer was a crime even though technically all government workers are immune to lawsuits.

Defendants state some different FINRA Rules they were trying to administer to Spot; however, none of the rules they cited have anything to do with the claims made by Plaintiffs. There are no FINRA Rules that provide a scope of which any of the claims made by Plaintiffs fall within. All claims made by Plaintiffs fall outside FINRA Rules.

FINRA's view, their employees can make any type of order to FINRA Members and it is automatically granted safe harbor within the Exchange Act regardless if the order was a criminal act or not. That is not what the law intended. The law intended to restrict the types of orders SROs could make. Provide them protection under the Exchange Act provided the SRO abided by the Exchange Act and its own Rules. The illegal acts alleged by Plaintiffs are outside the protection of the Exchange Act, and thus make it a civil matter rather than a government matter.

Defendants state:

First, Section 15A(f) provides that "[n]othing in subsection (b)(6) or (b)(11) of this section shall be construed to permit a registered securities association to make rules concerning any transaction by a registered broker or dealer in a municipal security.

Defendants claim making FINRA rules up only apply to making rules relating to municipal securities. This is just false. All new rules need to be approved by the SEC. A dealer in a municipal security is the same as saying "municipal security dealer." A municipal security broker, on the other hand, is mentioned in multiple places throughout the Exchange Act. If what Defendants say is true, then why did the authors of the Exchange Act state it incorrectly by using the term "registered broker" when in fact they meant "municipal security broker" – which has its own definition under the Exchange Act?

Defendants provided other cases that involved accusations that FINRA in its duty as a regulator stepped outside its jurisdictional powers. These are serious allegations; however, they pale in comparison to the Plaintiffs' allegations because past plaintiffs did not identify direct violations of the Exchange Act, criminal acts that occurred outside the safe harbor of the Exchange Act. It is one level of malfeasance stepping beyond powers delegated by Congress in their course of their duties in carrying out the law, which for the most part is a government matter and immune to lawsuits. It is another matter to commit a crime or direct violation of the Exchange Act that if proven true in a criminal court results in the closing of FINRA like Author Anderson. It is the stature of the offense committed that differentiates between Plaintiffs' allegations and prior cases cited by Defendants.

There is a second distinction compared to all prior allegations against FINRA. Plaintiffs allege direct criminal participation of their chief regulator, the CEO of FINRA, where the other claims were made against low-level employees. This is an important distinction, because FINRA's

chief regulator, the CEO of FINRA, directly participated in the alleged illegal action against Spot. He was alerted that his staff committed a crime and his staff continued the same behavior over a year later.

Plaintiffs believe throughout the history of FINRA and its predecessor NASD, SEC has never taken a single negative action against FINRA or NASD. We believe this has contributed to a FINRA ideology/culture in which they see themselves as "invincible."

Plaintiffs request the Court to issue a subpoena to Defendants to produce the following:

Plaintiffs seek in an Excel spreadsheet, a list of the top 200 fines FINRA made in 2016 and 2017. Each fine will include the dollar amount as well as the FINRA Member's name and net worth.

Plaintiffs seek all current and former FINRA Employees mentioned in this complaint to be given the following question:

> ***"Mr. Balabon has alleged that FINRA ordered him to sell Spot Holdings securities through Spot. Did FINRA ever suggest anything related to Mr. Balabon selling Spot Holdings, formerly Deep Liquidity through Spot, formerly Deep ATS? If so, explain."***

Plaintiffs would like these testimonials to be provided to the Court through YouTube private video links on the internet. We request the Court provide a deadline date and instruct each witness (to the events) to not discuss the matter with FINRA Management until they have submitted their video link to the Court. The integrity of the process is important to prevent any rigging by FINRA. Each video should include a talking head of each of the individuals being asked the question by a background interviewer, whom can be anyone. Plaintiffs will provide full names for any names not mentioned in this complaint.

Plaintiffs would like a testimonial from the Wedbush Securities Employee that told Mr. Balabon over the phone that FINRA pressured Wedbush Securities to terminate their clearing agreement with Spot.

Spot kept $125,000 in a deposit account with Wedbush Securities continuously to secure the clearing agreement. Plaintiffs request this testimonial to be provided to the Court through YouTube private video link on the internet.

"Mr. Balabon has alleged that FINRA pressured Wedbush Securities to close Spot's clearing account, is this true?"

Video should include a talking head and voice of interviewer, whom can be anyone. Plaintiffs will provide full name and contact information of Wedbush Securities Employee to Court.

JURISDICTION AND VENUE

41. The Court has subject matter jurisdiction over this action under 28 U.S.C. § 1331.

42. FINRA Actions Not Protected by Security Act of 1934

All claims made by Plaintiffs are direct violations of the Securities Exchange Act of 1934, which are federal crimes and thus are not afforded the protection of the Exchange Act because they were conducted outside the Exchange Act. Particularly FINRA's made up FINRA Rule governing FINRA Member affiliates is (criminal activity) because these actions were motivated by a "personal vendetta." These FINRA actions are not protected by the safe harbor of the Exchange Act, which provides FINRA Member administrative remedies afforded by the Exchange Act along with FINRA's immunity to lawsuits. Without the safe harbor of the Exchange Act, these FINRA actions can only be construed as personal or commercial in their nature which are outside the Exchange Act and are criminal conduct under the Exchange Act.

43. FINRA's Immunity to Lawsuits is Unconstitutional

We believe the Courts have erred in granting "absolute immunity" for FINRA in general. The cornerstone of "absolute immunity" relies on the Eleventh Amendment to the Constitution.

44. The Eleventh Amendment to the Constitution states:

> **The judicial power of the United States shall not be construed to extend to any suit in law or equity, commenced or**

prosecuted against one of the United States by citizens of another state, or by citizens or subjects of any foreign state.

"One of the United States" was never meant by the delegates of the Constitutional Convention of 1794 to be "One of the United States combined with One of Private Enterprise." Nowhere in the Constitutional Amendment does it suggest, anticipate, or allow such a combination. Private enterprise was well known during the 1790s. There were many large corporations in those times such as the East India Company. It was well within the means of the "Committee of Detail" that wrote the Eleventh Amendment to include private enterprise in the text of the Constitutional Amendment. The founders of our Constitution knew the inherent conflicts of interest associated with combining government with private enterprise and chose to only include "one of government" in the Constitution. It would have been obvious at the time to combine private enterprise with government if that was intended. The result of the mixed enterprises is neither government nor private enterprise. There was good reason private enterprise was not mentioned, because immunity from civil litigation was "only" to be granted to government and not private enterprise. The term "one of government" also speaks for itself; it is whole, all-inclusive, and singular. It does not mean a combination with private enterprise, which leads to all kinds of conflicts of interest.

45. The level of distinction between "one of government" and "one of government combined with one of private enterprise" far exceeds the threshold of what "one of government" meant in those times. The combined entity is not government, because the incentives of operation for private enterprise is profit and for government is public service.

It is impossible to call the combination government, when it is not. The combination is a broadening of what "one of government" is. It is an expansion of the definition of the term "government." This was not intended by our Founders.

46. FINRA is not "one of government." After the stock market crash of 1929, government in its pursuit to expand its power over the private sector interjected itself into the securities industry. This resulted in the introduction of a new legal corporate structure called Self-Regulated Organization ("SRO"), which is a combination of government and private enterprise. SROs have from the beginning claimed they are agents of the government and claim they are owed all the protections afforded by the Constitution as if they were the government. The reality is that SROs are not the government, but rather "for profit" businesses disguised as non-profits leveraging both their private and regulatory businesses to benefit their employees/retirees. SROs should no longer be able to enjoy absolute immunity from lawsuits, and should be subject to civil liability for their actions unless they shed all their private enterprises and change their corporate structure.

47. FINRA is not "one of government" and by no means meets the definition of "one of government" as per the Eleventh Amendment to the Constitution. FINRA is a combination of government/private businesses that give it an unfair advantage over its private business competitors. Granting immunity from civil litigation to an entity that is not government is unconstitutional.

48. FINRA is a non-profit Delaware Corporation that has private enterprises such as Alternative Display Facility (ADF) and a broker-dealer regulatory business that is regulated by the Securities Exchange Commission (SEC). FINRA's top 10 executives all make over $800,000 a

year, with its CEO making close to $3,000,000 a year. Comparatively, the Chairman of the SEC makes less than $200,000 a year. These high FINRA salaries invalidate any notion that these people are public servants, because no vote conducted by the public would allow such outrageous salaries. This means they are outside the control of the public and act in ways that are not in the public's interest, because the money beyond a normal public servant's salary distorts their behavior as shown in this lawsuit. Former FINRA CEO Mary Schapiro received a nearly $9,000,000 payout when she left FINRA. FINRA has 23 people on its Board of Governors. None of them are part of the government. Under Delaware corporate law, FINRA Governors have a legal duty to advance the best interests of the corporation. U.S. Government employees, on the other hand, are public servants. Their duty is to preserve public trust and obey the Constitution, laws, and ethical principles "above private gain." Under current law, FINRA is considered an agent of the government, but its employees behave like a private for-profit company. Just because the state of Delaware and the IRS allowed a non-profit designation to FINRA doesn't mean that they do not seek illegal profits while conducting their regulatory duties. If the regulatory actions of FINRA are in fact for profit, then they are not public servants under the law and immunity to lawsuits should not be granted.

49. The results of this test that ranks FINRA fines by net worth should be random and not according to highest net worth FINRA Members receiving the highest fines. Net worth should not even come into question in administering justice. Justice should not be influenced by "how much money can we get out of them," which is capitalistic poison. This makes it unconstitutional, because combining private enterprise

with government and expecting a private enterprise to behave as if they were public servants is impossible because it is contrary to man's very instincts to protect his family. Bringing in money for FINRA helps protect the retirement of FINRA employees. This cannot be disputed. If it appears there is any pattern that fines are based on the net worth of FINRA Members, then FINRA is corrupt. The results should be random in nature so justice is uniformly dispersed. Their disclosure of the information sought by Plaintiffs will make it official. Everybody needs to be treated fairly and equitably.

50. FINRA enjoys all the benefits of being a private enterprise and all the legal benefits of being government. This is unfair to Spot, because it must compete directly with FINRA for customers. FINRA uses its government powers to harm its competitors and is willing to break the law to protect its interests.

51. Once Spot commences operations, it will be competing directly with FINRA's Alternative Display Facility ("ADF") business for trading volume. If Spot succeeds, FINRA's ADF business will be negatively affected. FINRA is Spot's direct competitor. How is it possible for FINRA to be an impartial jurist in deciding matters of the law as it pertains to Spot, when it is in the financial interest of FINRA that Spot fail?

PRAYER FOR RELIEF

52. Plaintiffs request judgment in their favor and against Defendants as follows:

53. Awarding actual damages in favor of Plaintiffs against Defendants in an amount to be determined by the trier of fact.

54. Awarding punitive damages in favor of Plaintiffs and against Defendants in an amount no less than $150 million.

55. Awarding Plaintiffs their reasonable costs and attorneys' fees incurred in bringing this action.

56. For such further relief, the Court deems just and appropriate.

Dated this October 10, 2017

Spot Quote LLC & Spot Quote Holdings, Inc. & Sam Balabon

By _____

Sam Balabon

Sam Balabon
3225 Smoky Ridge
Austin TX 78730

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of (title of document) Amended Complaint was served by (method of delivery) Email on (date) 10/10/17 to:

Attorney representing all defendants

Name: Joe Knight Ewell Bickham & Brown
Fax/E-Mail jknight@ebbklaw.com
Address: 111 Congress Ave 78701

Name:
Fax/E-Mail
Address:

Name:
Fax/E-Mail
Address:

Name:
Fax/E-Mail
Address:

Name:
Fax/E-Mail
Address:

Signed Name: S. Bal

Printed Name: Sam Balabon

APPENDIX 3

EXPIRED ATS REGISTRATION

Deep ATS, LLC
Filing Date: April 20, 2006

CRD Number: 136696
SEC File No.: 8-067038

EXHIBIT A

Deep ATS, LLC ("Deep") expects to admit as subscribers to its alternative trading system broker-dealers, foreign broker-dealers and non-broker-dealer institutions. Deep expects that subscribers will include market makers, other broker/dealers and institutions wishing to execute transactions in listed and over-the-counter equity securities.

There will be no differences in the ATS functionality offered to different types of subscribers.

OS Received 11/30/2021

Deep ATS, LLC
Filing Date: April 20, 2006

CRD Number: 136696
SEC File No.: 8-067038

EXHIBIT B

Deep ATS, LLC expects to trade in all NMS Stocks, as such term is currently defined in Rule 600(b)(47) of Regulation NMS, 17 CFR 242.600(b)(47). Deep does not intend to trade securities that are not registered under Section 12(a) of the Exchange Act of 1934.

OS Received 11/30/2021

Deep ATS, LLC
Filing Date: April 20, 2006

CRD Number: 136696
SEC File No.: 8-067038

EXHIBIT C

Deep ATS does not have any legal counsel at this time.

Securities Consultant
Michael R. Schaps
MGL Consulting Corp.
1077 Grogan's Mill Road
The Woodlands, Texas 77381
Tel: 281-367-0380
Fax: 281-364-1452

Deep ATS, LLC CRD Number: 136696
Filing Date: April 20, 2006 SEC File No.: 8-067038

EXHIBIT D

Attached please find the following:

- Certificate of Organization of Deep Liquidity, LLC
- Regulations of Deep Liquidity, LLC
- Articles of Amendment, renaming Deep Liquidity, LLC to Deep ATS, LLC

Name will be "Deep ATS." Deep's quotes will be labeled "Deep" in Nasdaq Level Two.

Deep ATS, LLC
Filing Date: April 20, 2006

CRD Number: 136696
SEC File No.: 8-067038

EXHIBIT E

Deep will, clear on a fully disclosed basis, through Wedbush Morgan Securities Inc. That clearing firm will provide clearance and settlement services for Deep ATS in connection with its transactions. They will hold customer funds and securities for customer transactions not cleared on a Receive vs. Payment/Delivery vs. Payment (RVP/DVP) basis. Additionally, the clearing firm will issue statements and confirmations, maintain certain books and records as enumerated in the clearing agreement.

Deep ATS, LLC CRD Number: 136696
Filing Date: April 20, 2006 SEC File No.: 8-067038

EXHIBIT F

Manner of Operation

The System will permit approved subscribers to enter transactions on the System in order to negotiate the purchase or sale of listed and over-the counter securities.

Below is a description of the entire system. See the Subscriber Manual for additional information.

Deep ATS Summary

Deep ATS has two primary trading systems that operate independently, Deep Order Book and Deep Peer to Peer/Market Maker Direct.

Deep Order Book

This trading system accepts limit orders from subscribing liquidity providers, and displays those orders to potential liquidity takers. On a normal order, depending on the side chosen by the liquidity provider, the buy price or sell price is filled in along with the shares for each order, while the opposite side is left blank. If a liquidity provider chooses to hide his side to protect his trading interest, his shares and price will be displayed along with a false price, calculated as a mirror of the real price, but on the opposite side of the NBBO. This false price serves to balance the impact of the order into the market, not revealing which side of the trade that the liquidity provider is pursuing unless it is matched with a firm liquidity taking order.

The liquidity provider can also choose to use any of our other limit order features, but are not required to do so.

Feature list:

- Peg Outside NBBO
- Pass Through Fees
- Peg to Sweep Profit
- Price Stability
- Check NBBO

- Hide Side

A complete discussion of these features is presented in the “PROVIDING LIQUIDITY TO THE DEEP ORDER BOOK” section below.

Taking Liquidity out of Deep Order Book

If a liquidity taker sends a market order or a marketable limit order, Deep ATS will match with the single best-priced Deep Order Book order that has sufficient quantity to fill the entire order (at a price within the price limit, if designated). If no single Deep Order Book order is immediately available to completely fill the order, and the order was NOT marked Fill or Kill, Deep will hold the order until shares become available in Deep Order Book or across all market centers as a whole. The liquidity taker can cancel his order at any time during this waiting period.

Deep Peer to Peer/Deep Market Maker Direct

Deep Peer to Peer is primarily a bulletin board that displays indication of interests (IOIs) to a community of subscribers (not to the public). Even Deep’s subscribers cannot view the IOI unless they have an IOI of sufficient size in the same symbol. Once a subscriber clicks on an IOI, the trading system generates an offer priced at the midpoint of the NBBO. The offer is then sent privately to the publisher of the IOI. The offer is good for a few minutes and only can be executed if the midpoint price of the NBBO is equal to the price entered by the subscriber that made the offer.

When a subscriber enters an IOI into Deep Peer to Peer, he can designate it as “willing to accept non-midpoint offers.” This designation enters the IOI into the Deep Market Maker Direct system automatically. Deep Market Maker Direct allows subscribers to expose their IOIs to market makers in order to solicit offers that are priced inferior to the NBBO. Market makers can make offers using primarily Deep Order Book functionality to protect their offers. These offers are then sent privately to the subscriber that originated the IOI. Offers are displayed on the Deep Peer to Peer display interface. The subscriber can then select the offer and attempt to execute with it.

Deep ATS, LLC
Filing Date: April 20, 2006

CRD Number: 136696
SEC File No.: 8-067038

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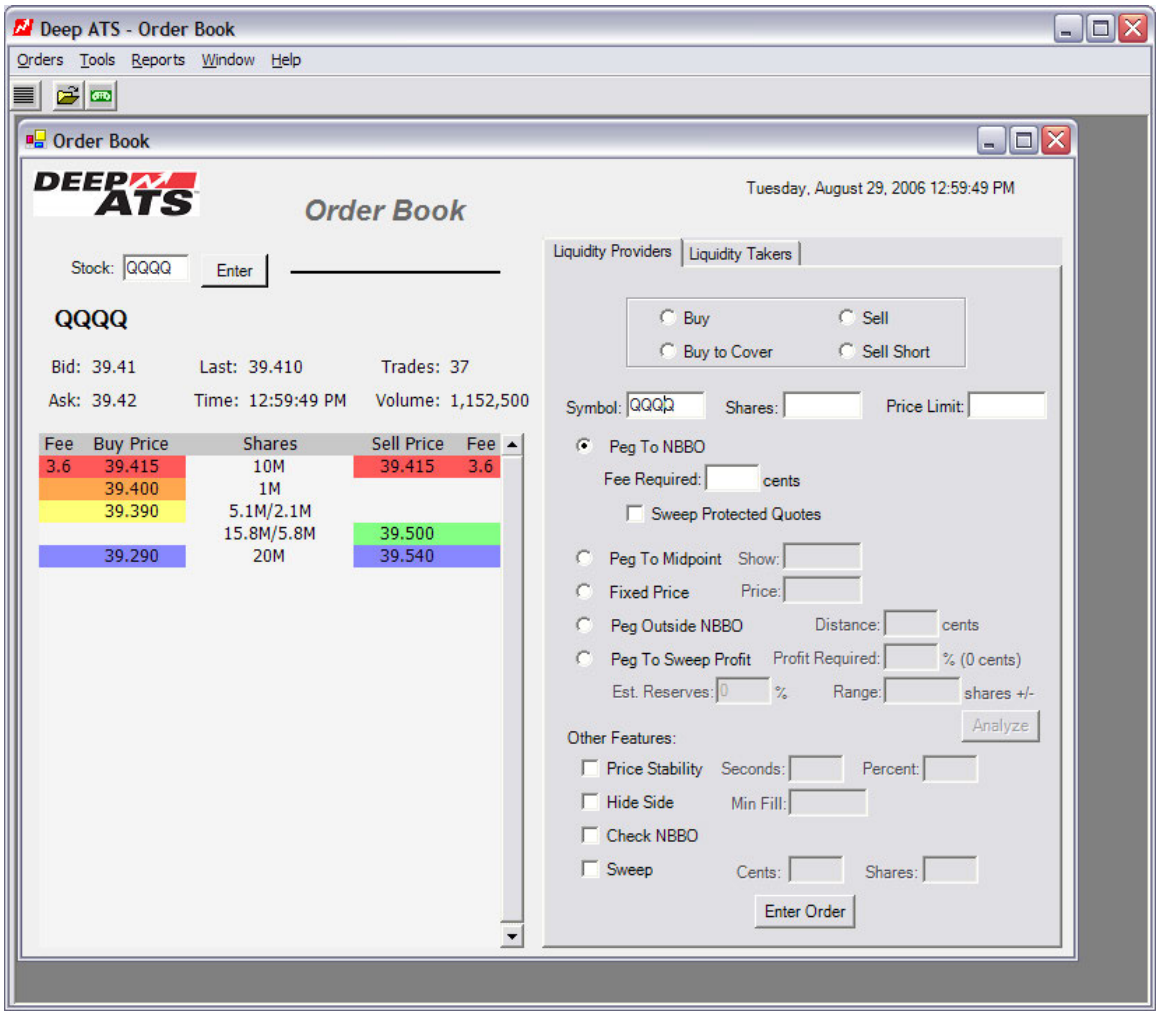
Deep ATS Details

DEEP ORDER BOOK



Deep Order Book

PROVIDING LIQUIDITY TO THE DEEP ORDER BOOK

Orders can be generated manually through the Deep ATS user interface, but industry standard protocols (such as FIX) will also be supported. Each order will be designated a liquidity provider or a liquidity taker.

Once Deep ATS receives a limit order from a liquidity provider, the order is entered and displayed in the Deep Order Book.

Deep ATS supports the following features/order types for liquidity providers:

Pegging

This type of quote is pegged to the bid or ask of the NBBO but is cancelled and re-priced when the quote becomes the only quote representing the NBBO. This type of quote follows NBBO quotes but cannot by itself become the NBBO. It can move up or down in price depending on the designated price point of the NBBO.

Peg Outside NBBO

This order type allows traders to peg their buy limit orders at any number of pennies below the bid price or peg their sell limit orders at any number of pennies above the ask price. The price of the limit order floats at the specific differential price distance away from a designated price point of the NBBO. The trading system will only execute the trade once the price distance away from the NBBO is verified at the time of the match.

By default the system initiates an intermarket sweep taking out all Reg. NMS protected quotes on behalf of the liquidity provider when trading with a liquidity taking order. In other words, the liquidity provider immediately routes liquidity taking orders to liquidity providers with better priced quotes (at least quotes that are Reg. NMS protected) while at the same time he provides a single large quote to a liquidity taker. This is a simultaneous three- (or more) party transaction. In essence part of the fill from the liquidity provider's limit order is simultaneously recycled into the market, picking off all Reg. NMS quotes. This reduces the fill count of the liquidity provider limit order and provides an instant profit on a portion of the limit order he provided to the liquidity taker.

Liquidity providers may enter a number of cents away from the NBBO he would like to further sweep. This occurs simultaneously while the liquidity taking order crossed with the liquidity providing order.

By using this depth of book feature and entering a number of cents, the liquidity provider can simultaneously conduct an intermarket sweep for all the quotes priced at different price levels between the Reg. NMS protected quote price and executed price when his quote is hit by a liquidity taker. To prevent the gaming of the system (simultaneous trading by the liquidity taker), Deep ATS has a feature called "Check NBBO," which randomly determines the exact time of execution (see below).

Minimum Fill

The liquidity provider has the option to enter a minimum number of shares that a contra order must have in order to be matched with the liquidity provider's quote. This feature prevents pinging with small orders to reveal the side of large orders.

Hide Side

This optional feature serves to eliminate the market impact of a limit order when it is entered into the market.

Each quote displayed in Deep's order book using "Hide Side Feature" will have a real price and a false price. The false price is on the opposite side and priced inverse to the prevailing inside quote of the real price.

In other words, out of the two displayed prices, one of the displayed prices represents a real price of a firm quote and the other represents a mirror false price that is on the opposite side of the NBBO, but cannot be executed.

The opposite side false price reduces market impact because market participants cannot tell the difference between the real price and the false price. Only when a firm order attempts to trade with or pick off the order is the side revealed which results in an execution or a failed trade notification.

Check NBBO

This optional feature helps to insure that an order pegged away from the market does not get swept through by another larger order hitting the market at multiple price levels. This protects the Deep ATS quote from a poor execution. If this feature is chosen, an execution will occur only if the designated pegged quote of the NBBO of the liquidity providing order is stable for a random time period after matching the orders together. Example: "Peg my buy order 10 cents below the bid, but do not execute the order if I am part of a sweep. Before you execute my order, please make sure the bid price remains stable for a random time period after you match my order with a contra." To prevent gaming of the system, the random time period is calculated using a proprietary formula dependent upon many factors.

If the pegged NBBO quote changes during the random time period, the order the order will not be executed, and the matching process will repeat until the order is filled, cancelled or the market moves. This feature makes sweeping

through a quote virtually impossible. Quotes using this feature will not be considered a Reg. NMS protected quote and they will not be disseminated throughout the national market system. The order will be displayed to direct subscribers of Deep ATS, and may be displayed through a public internet website.

Price Stability

This order type allows traders to activate their limit orders based on price deviations off prices from trailing time periods. Example: "Don't activate my limit order if the bid price has moved more than 1% from the bid price five minutes ago." Traders using this tool can enter the trailing time period in seconds and a maximum percentage price deviation away from the designated peg quote of the NBBO. The main purpose of this order type is to protect very large sitting limit orders that are pegged away from the NBBO from being picked off due to a hijacked NBBO quote.

Pass-Through Fee

This order type allows liquidity providers to set their own fee per share on what they will require from a liquidity taker to trade with their quote. The transaction is basically is the same as executing at a set price distance from the NBBO. The system will always add or subtract the price of the Pass Through Fee from the inside quote to determine a price point to meet its best execution guarantee to its customer. The system will track all the displayed liquidity at or better than this price point and will never execute a Pass-Through Fee order if there is sufficient displayed liquidity in the market to fill the liquidity taking order at an equal or better price than the price point which is calculated by subtracting the fee from the bid price in buy orders and adding the fee to the ask price for sell orders.

This order type can be pegged to bid, ask or midpoint of the NBBO.

When this type of order is pegged at the national best bid price it is always a buy order. When the order is pegged or executed at the national best offer price it is always a sell order. When the order is pegged or executed at the midpoint of the NBBO it can be a buy or sell order.

National Best Bid buy order example: Pass-Through Fee buy order for 100,000 shares of XYZ stock with a $.03 fee is placed in the order book and is pegged to the NBB which is at $10. The liquidity provider attaches a fee of $.03 to the order (this is basically the same as pricing the order at $9.97). A liquidity taker hits the 100,000 share sitting buy order with a 100,000 share sell order. The system will first check to see if there is enough displayed liquidity (100,000 shares) in the market to fill the order at $9.97 or better. If there is enough displayed liquidity in the market, the system will sweep all market centers to fill the order and if there is not enough displayed liquidity in the market to fill the order, the system will match the sell order with the 100,000 share, $.03 fee per share fee liquidity provider's buy order priced at $10.00 and simultaneously take out all Reg. NMS protected bid quotes at $10.00 on behalf of the liquidity provider (buyer). All shares sold at other market centers are deducted from liquidity provider's account. The liquidity provider (buyer) is credited $.03 per share for each share out of the 100,000 shares he bought and the liquidity taker (seller) is debited $.03 for each share out of the 100,000 shares he sold. The fee does not include Deep's brokerage commission of $.005 per share which is charged to the liquidity taker.

National Best Offer sell order example: Pass-Through Fee sell order for 100,000 shares of XYZ stock with a $.03 fee is placed in the order book and is pegged to the NBO which is at $10.01. The liquidity provider attaches a fee of $.03 to the order (this is basically the same as pricing the order at $10.04). A liquidity taker hits the 100,000 share sitting sell order with a 100,000 share buy order. The system will first check to see if there is enough displayed liquidity (100,000 shares) in the market to fill the order at $10.04 or less. If there is enough displayed liquidity in the market, the system will sweep all market centers to fill the order and if there is not enough displayed liquidity in the market to fill the order, the system will match the buy order with the 100,000 share $.03 fee per share liquidity provider's sell order priced at $10.01 and simultaneously to take out all Reg. NMS protected offer quotes at $10.01 on behalf of the liquidity provider (seller). All shares bought at other market centers are added to liquidity provider's account. The liquidity provider (seller) is credited $.03 per share for each share out of the 100,000 shares he sold and the liquidity taker (buyer) is debited $.03 for each share out of the 100,000 shares he bought. This fee does not include Deep's brokerage commission of $.005 per share which is charged to the liquidity taker.

Pegging to the Midpoint

With this order type when the fee is displayed to the market at the midpoint it is adjusted and increased to include one half of the spread and the cost of taking out the protected quotes which involves buying at the ask prices and selling at the bid prices simultaneously which results in a trading loss that equals the spread plus the access fees charge from other market centers. The total fee is charged to the liquidity taker and credited to the liquidity provider when the execution occurs. The execution occurs at the midpoint of the NBBO. This fee does not include Deep's brokerage commission of $.005 per share which is charged to the liquidity taker.

When a liquidity taker is matched with this type of quote, the trading system will simultaneously cross the liquidity taker's order with the liquidity provider's order and initiate an intermarket sweep taking out all "bid" and "ask" Reg. NMS protected quotes on behalf of the liquidity provider. The trade between the liquidity taker and liquidity provider is printed at the midpoint between the Reg. NMS protected quotes that were swept. The liquidity provider fee is debited from the liquidity taker and credited to the liquidity provider. The liquidity provider may opt to take out only the reg. NMS protected quotes on one side of the trade the fee is being charged. In this case, if the liquidity provider is offering a buy order to a liquidity taker (seller), all the reg. NMS protected "bid" quotes would be taken out on behalf of the liquidity provider (buyer). All shares sold at other market centers are deducted from liquidity provider's account. If it is a sell order all the reg. NMS protected "offer" quotes would be taken out in behalf of the liquidity provider (seller). All shares bought at other market centers are added to liquidity provider's account.

for each share out of the 100,000 shares he bought

{Note to SEC (this will not to be included in ATS filing). Pass Through Fee transaction gives the market a new tool to take out big sell orders when the market is falling. It does this by converting downward market impact into a fee exchanged between private parties. Traditional selling hurts the value of our citizens' investments such as mutual and pension funds. This provides a new way of selling that greatly reduces the downward movement of prices that are traditionally associated with selling. The fee exchanged may even increase our GNP. This order type decreases selling interest by its nature when the market is in crisis. When the market drops rapidly "stop outs" are triggered by declining prices, this only adds to more selling that fuels the fire that can damage our society. This new technology acts as water, softening quick down spikes in prices. It is like a safety net when the regular market

fails to do its job. In my opinion it is much more effective tool than the circuit breakers at the stock exchanges that are triggered by downward price movement. Keep in mind it only can be used if there is not enough displayed liquidity all the market centers combined to fill an order at a specified price.}

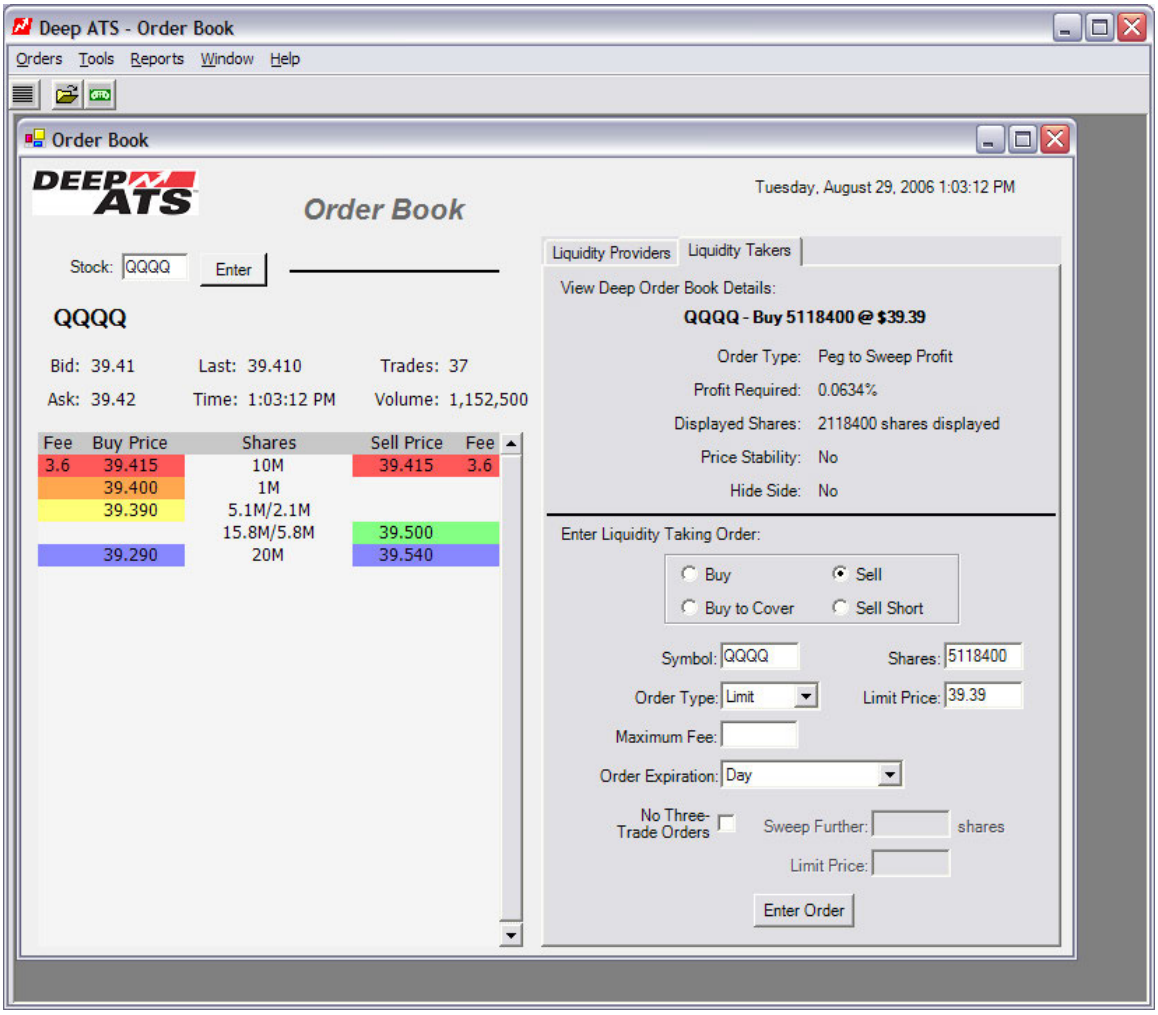
Peg to Sweep Profit

A “Peg to Sweep Profit” limit order contains a large number of shares from an individual liquidity provider which are added to the aggregate number of shares displayed in all the market centers such as Nasdaq, NYSE or ARCA. These jumbo quotes float at different price levels above or below the NBBO (National Best Bid or Offer) depending on the amount of profit that can be made by a multi-priced intermarket sweep.

When a liquidity taker is matched with this type of quote, the trading system will simultaneously cross the liquidity taker’s order with the liquidity provider’s order for the total size offered in the Deep Book and initiate an intermarket sweep taking out all NMS protected quotes on the same side of the order on behalf of the liquidity provider. The trade between the liquidity taker and liquidity provider is printed above or below the NBBO depending on what side the order is and at the same time the liquidity provider trades with the protected quotes are also printed.

This allows the liquidity provider to speculate on the amount of hidden liquidity in a security at multiple price levels surrounding the NBBO.

TAKING LIQUIDITY OUT OF THE DEEP ORDER BOOK



Orders can be generated manually through the Deep ATS user interface, but industry standard protocols (such as FIX) will also be supported. All liquidity taking orders accepted at Deep ATS will be marked AON - All or None.

Deep ATS will accept the following order types for taking liquidity out of the Deep Order Book. All marketable limit orders that are received at Deep ATS are required to be matched on an All or None (AON) basis and if they cannot be

instantly matched, they then become non-displayed limit orders until they are cancelled or filled.

Optional order types are as follows:

FOK = Fill or Kill

GTC = Good Until Cancelled

DAY = Expires at Close of Market

Marketable Limit Orders (priced at the NBBO)

The following steps are taken when Deep ATS receives a Marketable Limit Order (priced at the NBBO):

A. The order is received at Deep ATS containing Symbol, Price and Shares, automatically assigned an All or None order type.
B. Deep checks to see if it can immediately fill the order from active quotes in the Deep Order Book priced at the NBBO.
C. If unable to fill, Deep checks Deep ATS quotes with “Check NBBO.” If one is available, the timer begins and an execution occurs if the pegged quote of the NBBO remains stable for a random time period.
D. While the timer is trying to reach the random assigned time period, if another quote becomes available, it is executed first.
E. Deep may match multiple limit orders with one Marketable Limit Order at the NBBO providing there are enough shares to fill the entire order.
F. In the event that a Check NBBO quote and a regular quote put together can meet the all or none requirement, Deep will attempt to match your order with the Verify the NBBO Stability quote; if successful, Deep will simultaneously match with the remaining needed shares represented in the regular quote to fill your order.
G. If the price of the Marketable Limit Order becomes superior to the designated NBBO quote then the order becomes a Marketable Limit Order (priced inferior to the NBBO). See below.

Marketable Limit Orders (priced inferior to the NBBO)

A marketable limit order (priced inferior to the NBBO) is any liquidity taking limit order that at the time it is received at Deep ATS is priced outside and inferior to the NBBO.

The following are steps taken when Deep ATS receives a Marketable Limit Order (priced inferior to the NBBO):

A. The order is received at Deep ATS containing Symbol, Price and Shares, automatically assigned an All or None order type.
B. Deep checks to see if it can immediately fill the order from the shares represented in its book at the NBBO.
C. If unable to fill with Deep ATS shares, Deep scans all market centers to determine how many shares are available at all different price levels within the customer's limit price.
D. If there are enough shares to fill the order combined between all market centers and the Deep NBBO quotes, then Deep performs an intermarket sweep and fills the order.
E. If the order is still unfilled, Deep will match the order to the best priced individual Deep Limit Order (pegged away from the NBBO) that contains sufficient shares, and will fill the marketable limit order at the price of the Deep Limit Order.
F. Upon execution, to comply with Reg. NMS, Deep will simultaneously conduct an intermarket sweep for all Reg. NMS protected quotes. In addition, Deep will sweep additional liquidity outside the NBBO, between the NBBO and the execution price, if the Deep Limit Order is so marked. Note: All of the shares obtained in the intermarket sweep are credited to the liquidity provider that placed the Deep Limit Order. In essence the liquidity provider is able to make instant profit by flipping some of the shares of his total fill.
G. If the order is still unfilled, Deep continues to scan markets and keeps a live running total of available shares within the customer's limit price. If at any time sufficient shares are available, Deep will conduct an intermarket sweep to fill the order. Deep also continues to scan the Deep Order Book and will fill the order if the shares become available within a single Deep Limit Order priced inferior to the NBBO or possibly multiple limit orders priced at the NBBO.

Two or More Marketable Limit Orders:

If two or more active Deep limit orders meet the requirements of an incoming limit order, Deep will first determine which limit order has the best price. If the limit orders have the same price, then order entry time is used to determine priority. Deep will only match one order at a time.

If two or more marketable limit orders are received and priced the same and initially neither order is able to be filled, both orders will wait in line in the order they were received. Deep will work only one marketable limit order at a time. After the first marketable limit order is filled, Deep will work on filling the second marketable limit order.

Deep's Commitment to its Liquidity Takers:

Deep will only execute a liquidity taking order with a Deep ATS limit order pegged away from the NBBO if there are not enough shares displayed in all market centers combined including Deep Order Book at and between the limit price of the liquidity taking order and the NBBO. "Check NBBO" and pegged to NBBO pegged depth of book Deep ATS quotes will not be counted in this calculation. All other Deep ATS quotes will be counted.

Once Deep has identified a combination of quotes that contain enough shares to fill the liquidity taking order at an equal or better price than the customer's limit price, Deep will perform a simultaneous intermarket sweep to all market centers containing the targeted quotes. In fast moving markets, Deep can not guarantee the results of an intermarket sweep, but will make every effort to obtain those shares displayed in various market centers to fill the order.

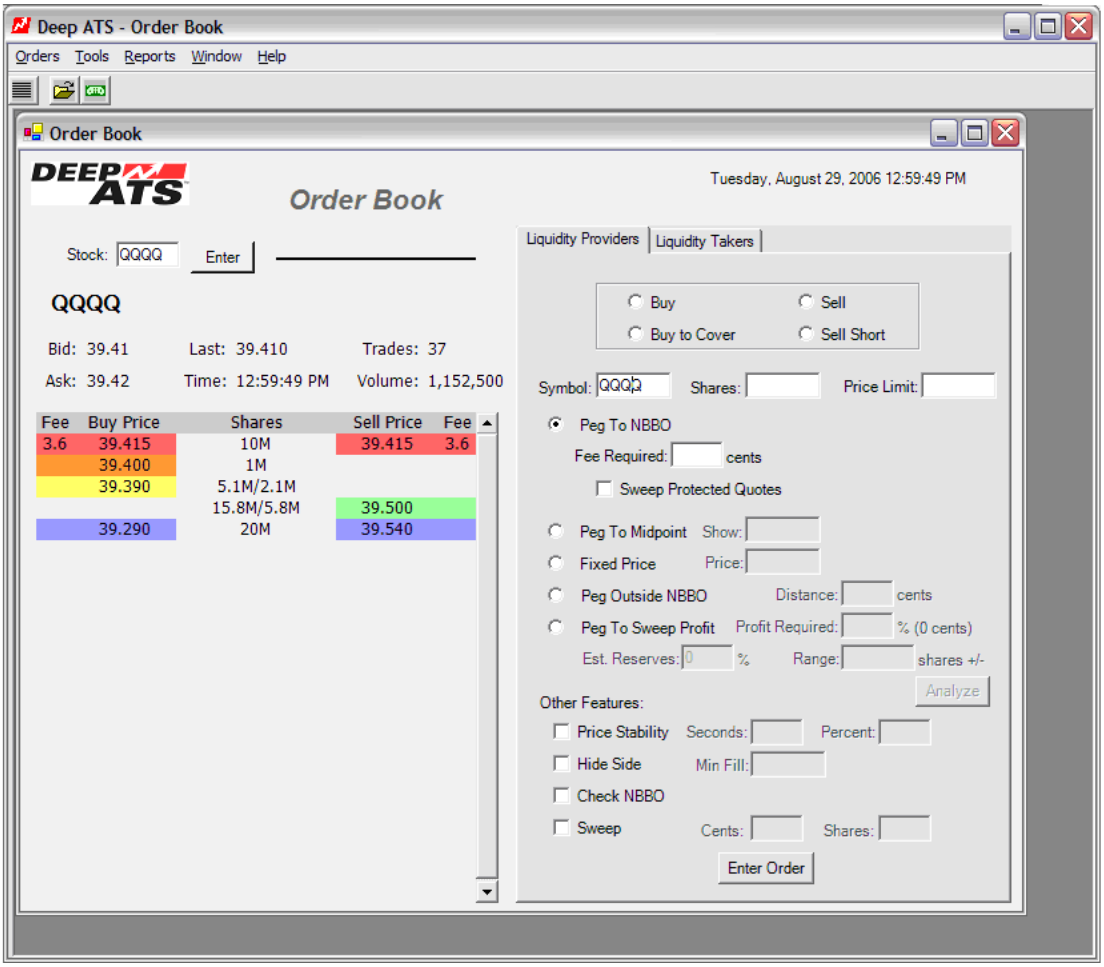
The reason behind excluding "pegged to the NBBO, depth of book Deep ATS quotes" from intermarket sweeps is because Deep feels that its future market makers would prefer not to have these quotes picked off during a sweep. Liquidity takers will agree beforehand in their subscriber agreements to this.

The reason behind excluding, "Check NBBO" type of Deep ATS quotes is because Deep must check the NBBO for up to 4 seconds before executing this type of quote.

Intermarket sweeps will be conducted in a fraction of a second, which will make matching this type of order during a sweep unfeasible.

Deep Order Book Example

The screen below is an example of the Deep Order Book for QQQQ at a moment in time. At this moment, the bid price for QQQQ was $39.41 and the ask price was $39.42. The Deep Order Book held 5 different orders (orders A through E), each representing different Deep functionality.



Order Description:

- Order A – This is an order to sell 10M shares with a price that was Pegged To NBBO, Fee Required of 3 cents, Sweep Protected Quotes set to True, and Hide Side set to True. Those were the parameters of the order, but the way the Order Book displays the order is a little different. First, even though the user chose to peg to the NBBO, the system displays (and executes) at the midpoint of the NBBO, resulting in a price of $39.415 at this point in time. This price is a better execution point than the bid price for the Liquidity Taker, and it truly hides his side when the trade prints, thus not leaking any information. However, this midpoint price results in a worse price for the Liquidity Provider by exactly half of the spread between the bid and ask. To compensate the Liquidity Provider for this difference, the system adjusts his fee by adding half of the spread to his fee, resulting in a fee of 3.5 cents at the current time. Also, the Liquidity Provider swept the Protected Quotes which further hides the side of the transaction Sweep Protected Quotes is a feature where the system examines the liquidity at the bid and ask, calculates the cost to sweep an equal number of shares from both sides, and then adds that cost to the displayed fee. At the current time, there are 205K protected shares at the bid, and 525K protected shares at the ask. To completely sweep the 525K shares at the ask, the system must obtain 525K from the bid side. Trading with the 205K shares at the bid costs 1 cent per share, resulting in a cost of $2,050. Trading the remaining 320K shares at 1 cent below the bid costs 2 cents per share, resulting in a cost of $6,400. This total cost of $8,450 is divided by the size of the order, 10M shares, for a per share fee increase of .0845 cents. This fee is added to the 3.5 cents for a rounded total fee of 3.6 cents. Please remember that just as the pegged price changes as the NBBO changes, so the fee changes as the spread and displayed liquidity change. The final feature of this order is Hide Side, which results in a sell order being displayed on the opposite side of the Order Book, with the same midpoint price and adjusted fee.
- Order B – This is an order to buy 1M shares at a fixed price of 39.40. This orders price does not float, but the Order Book is sorted with the best prices at the top, so its vertical position in the Order Book will change as the NBBO changes.
- Order C – This is an order to buy 3M shares designated as “Peg to Sweep.” The customer chose Profit Required of 0.0634% (about 2.5 cents), Estimated Reserves of 100% and no Share Range. This order configuration means that the system will review all displayed liquidity, add the estimated reserves, and determine the most efficient price and share quantity to achieve a profit of 2.5 cents on a bought share quantity of 3M shares. Given the market at this point in time, the system dynamically

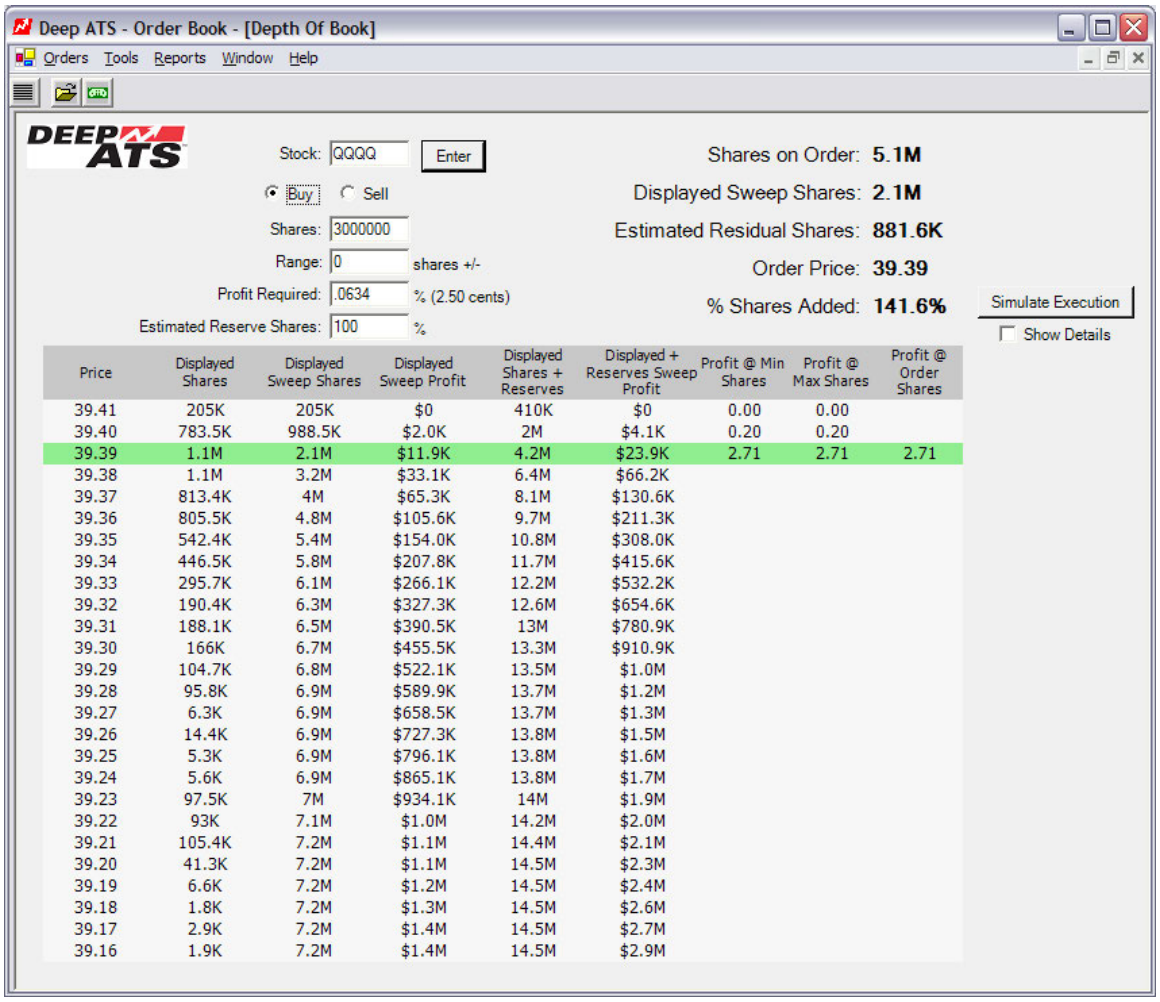
priced the order to buy 5.1M shares at $39.39. A detailed description of the method to compute this price and shares is below. For Peg to Sweep orders, the system populates the share column with 2 values in the format Total Shares/Displayed Shares. For this order, it means that the order is for a total of 5.1M shares, and that there are 2.1M shares displayed in the market at $39.39 or better.

- Order D – This is an order to sell 10M shares designated as "Peg to Sweep." The customer chose Profit Required of 0.25% (approximately 9.86 cents), Estimated Reserves of 100% and no Share Range. This order configuration means that the system will review all displayed liquidity, add the estimated reserves, and determine the most efficient price and share quantity to achieve a profit of 9.86 cents on a purchased share quantity of 10M. Given the market at this point in time, the system dynamically priced the order to buy 15.8M shares at $39.50. The shares are displayed as 15.8M/5.8M meaning that the order is for 15.8M shares and that 5.8M shares are displayed at $39.50 and better.
- Order E – This is a "Peg Outside NBBO" order to buy 20M shares with a price pegged 12 cents below the bid, which results in a price of $39.29 given the bid price of $39.41. This customer chose to Hide Side, so the system displays a dummy order to sell at 12 cents above the ask price, or $39.54. It is not evident in the order display grid, but this order has two other features enabled which will affect the execution of the order. First, the customer chose to protect his liquidity by selecting the Check NBBO option. When this feature is selected, just before executing with a liquidity taking order, the system waits a few moments to verify that the liquidity taker is not sweeping the market and adversely impacting our customer. To prevent gaming of the system, the exact amount of time before checking the NBBO will be determined by a proprietary algorithm and will vary randomly over time depending on the stock. Second, for Peg Outside NBBO orders, since the trade is executed above or below the NBBO, Reg. NMS requires the system to take out all protected quotes in other market centers, by immediately trading a portion of the new position. In addition, the customer can check the Sweep box to flip more or perhaps all of the position. When the customer designates the number of cents beyond the NBBO to sweep, the system sweeps those price levels in all market centers, including reserves. For this order, the customer chose to sweep the full 12 cents, meaning the system will attempt to liquidate all or a portion of the shares by selling to buy orders priced from $39.41 down to the order price of $39.29.

Deep ATS, LLC
Filing Date: April 20, 2006

CRD Number: 136696
SEC File No.: 8-067038

Peg to Sweep Analysis Screen



Price	Displayed Shares	Displayed Sweep Shares	Displayed Sweep Profit	Displayed Shares + Reserves	Displayed + Reserves Sweep Profit	Profit @ Min Shares	Profit @ Max Shares	Profit @ Order Shares
39.41	205K	205K	$0	410K	$0	0.00	0.00	
39.40	783.5K	988.5K	$2.0K	2M	$4.1K	0.20	0.20	
39.39	1.1M	2.1M	$11.9K	4.2M	$23.9K	2.71	2.71	2.71
39.38	1.1M	3.2M	$33.1K	6.4M	$66.2K			
39.37	813.4K	4M	$65.3K	8.1M	$130.6K			
39.36	805.5K	4.8M	$105.6K	9.7M	$211.3K			
39.35	542.4K	5.4M	$154.0K	10.8M	$308.0K			
39.34	446.5K	5.8M	$207.8K	11.7M	$415.6K			
39.33	295.7K	6.1M	$266.1K	12.2M	$532.2K			
39.32	190.4K	6.3M	$327.3K	12.6M	$654.6K			
39.31	188.1K	6.5M	$390.5K	13M	$780.9K			
39.30	166K	6.7M	$455.5K	13.3M	$910.9K			
39.29	104.7K	6.8M	$522.1K	13.5M	$1.0M			
39.28	95.8K	6.9M	$589.9K	13.7M	$1.2M			
39.27	6.3K	6.9M	$658.5K	13.7M	$1.3M			
39.26	14.4K	6.9M	$727.3K	13.8M	$1.5M			
39.25	5.3K	6.9M	$796.1K	13.8M	$1.6M			
39.24	5.6K	6.9M	$865.1K	13.8M	$1.7M			
39.23	97.5K	7M	$934.1K	14M	$1.9M			
39.22	93K	7.1M	$1.0M	14.2M	$2.0M			
39.21	105.4K	7.2M	$1.1M	14.4M	$2.1M			
39.20	41.3K	7.2M	$1.1M	14.5M	$2.3M			
39.19	6.6K	7.2M	$1.2M	14.5M	$2.4M			
39.18	1.8K	7.2M	$1.3M	14.5M	$2.6M			
39.17	2.9K	7.2M	$1.4M	14.5M	$2.7M			
39.16	1.9K	7.2M	$1.4M	14.5M	$2.9M			

The above screen can be used by the customer to experiment with the different options of Deep's Peg to Sweep order. The data currently displayed is a snapshot of Order E, demonstrating how the price and shares were calculated.

At the top of the screen, there are multiple data entry fields all used in placing a Peg to Sweep Profit order into the Deep Order Book.

- Symbol – Symbol to be analyzed
- Enter – Clicking this button starts the data feed for the entered symbol
- Buy/Sell – Toggles between the bid data and the ask data

- Shares – The number of shares on the order. This number is used in combination with the Range entered to dynamically generate an optimal share quantity for the order.
- Range – Optional field. Used in combination with the Shares to generate an optimal share quantity for the order. The Range number is subtracted from the Shares to determine the minimum of the range, and added to the Shares to determine the maximum of the range. If the range is zero or otherwise not large enough, then the system may not be able to create an optimal price/shares combination for the order.
- Profit Required – The profit required is entered as a percent of the current price of the stock. Using the current price of the stock, the system also displays the number of cents of profit. The system uses this profit along with the share range to determine the optimal price level.
- Estimated Reserve Shares – This number is entered as a percent of the current displayed liquidity, and represents the customer's estimate of the reserve shares hidden throughout the market. It is used in the price/shares calculation to create the optimal order. The system will be able to price the order more attractively with higher estimated reserves, but the higher estimates expose the customer to more risk. To mitigate the risk, the customer can estimate a very small reserve, but the order may not have the price and shares to attract a liquidity taker.

In addition to these order fields, the system also utilizes full depth of book data feeds from the different markets. As quotes are changing at all price levels in these different markets, the system is constantly aggregating the displayed shares at each level. This aggregated market data is combined with the order entry fields to dynamically populate the grid at the bottom of the screen. As the prices and shares throughout the market change, the grid will continuously refresh with the new data values. This grid is useful for visualizing all liquidity displayed in the market, and for testing different parameters of the Peg to Sweep order.

- Price – Price level for the stock. The first row in the grid will contain the best price (NBBO), whether the order type is buy or sell.
- Displayed Shares – The aggregated shares displayed by all market centers and market makers for the given price level.
- Displayed Sweep Shares – The total shares available for sweep at the given price and better.

- Displayed Sweep Profit – The cash profit that can be generated by sweeping the displayed shares. This profit assumes that customer obtained the shares at the given price, and is flipping them by trading with the better priced orders. In doing so, each share traded at a better price would generate a profit. This number is the total for sweeping all of the displayed sweep shares.
- Displayed Shares + Reserves – The estimated reserve shares (using the Estimated Reserve percent entered by the customer) added to the displayed shares for the given price level
- Displayed + Reserves Sweep Profit – The cash profit that can be generated by sweeping the displayed shares and estimated reserves.
- Profit @ Min Shares – The profit in cents per share that would be obtained on each of the retained shares, if the customer were able to sweep the better priced orders by committing the minimum number of shares. Calculated by dividing the Displayed + Reserves Sweep Profit by the minimum share obligation. The system compares this profit per retained share to the cents generated by the Profit Required percentage to find the optimal price level. When the Range is zero, then the Min Shares and Max Shares generate the same profit.
- Profit @ Max Shares – The profit in cents per share that would be obtained on each of the retained shares, if the customer were to commit the maximum number of shares in order to sweep the better priced orders. Calculated by dividing the Displayed + Reserves Sweep Profit by the maximum share obligation (max shares minus displayed shares). The system compares this profit per retained share to the cents generated by the Profit Required percentage to find the optimal price level. When the Range is zero, then the Min Shares and Max Shares generate the same profit.
- Profit @ Order Shares – Once the system calculates the optimal price/shares combination, this field shows the target profit that will be generated on the retained shares. If this profit matches the Profit Required, then the order is truly optimal. However, if the share range is zero or too narrow such that the order can not be fully optimized, then this profit will exceed the target profit required.

Notice that one row in this data grid is colored green. That row represents the best price that still achieves the designated Profit Required. To arrive at this conclusion, the system examines each price level starting with the NBBO and moving out from the NBBO in penny increments until the Profit @ Min Shares is greater than the value of Profit Required (expressed in pennies). Since the target profit of .0634% equates to 2.5 cents, the system chose $39.39 as the

price level, since the Profit @ Min Shares of $39.39 was 2.71 cents. This price is the best price where the 2.5 cent profit can be achieved.

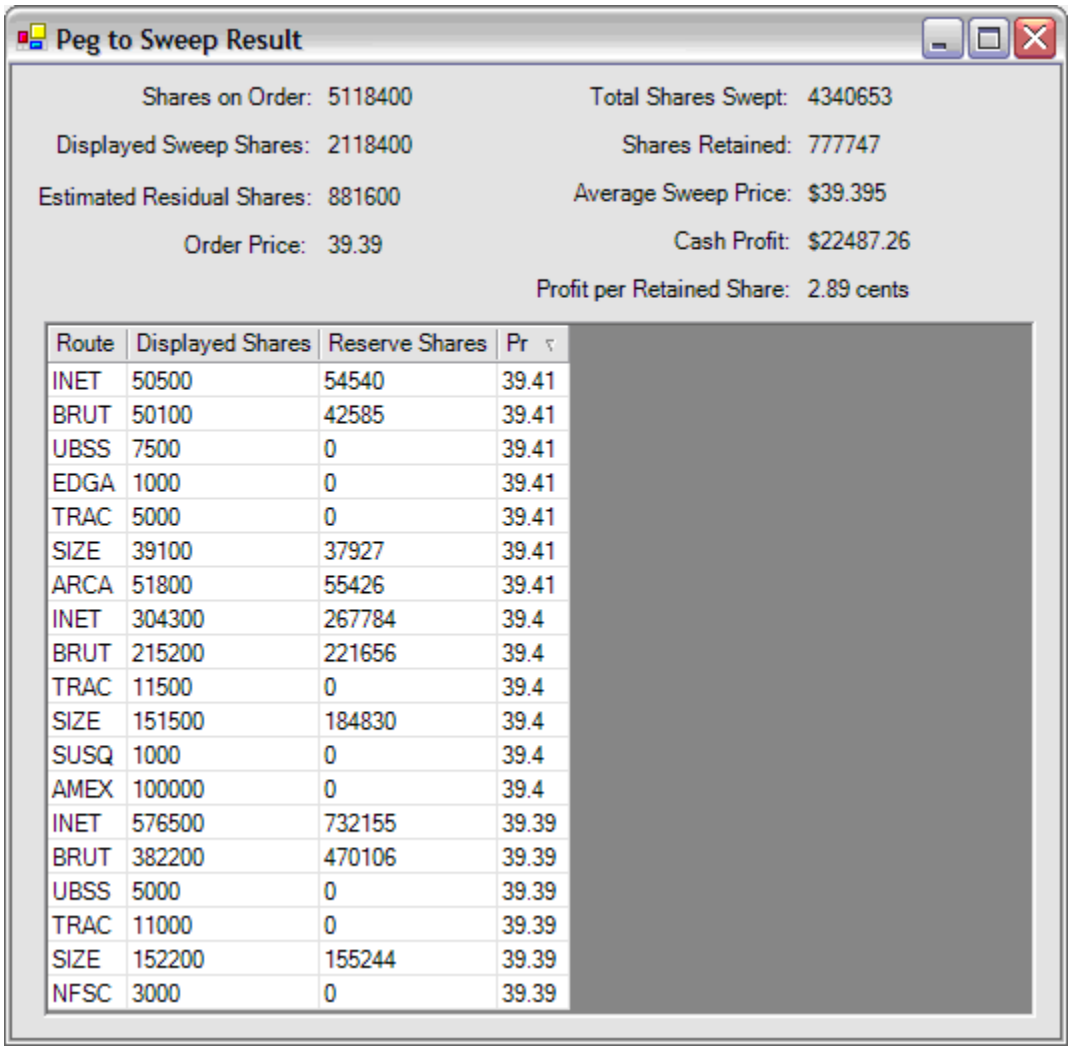
Now that the price has been determined, the system can optimize the share quantity within the range specified to make the order more attractive to a liquidity taker. In this example though, no share range was entered. Thus, the system accepts the exact quantity of 3M shares, and adds it to the exact displayed shares of 2,118,400 for a total of 5,118,400 shares priced at $39.39.

To summarize, the Deep Order Book displays an order for 5,118,400 shares of QQQQ priced at $39.39. If a liquidity taker were to execute with this order, the process would be as follows:

- The liquidity taker agrees to sell 5,118,400 shares for $39.39 to our customer.
- The system uses these shares to sweep all markets, selling 2,118,400 shares to the displayed buy orders which are priced $39.39 or better, and uncovering another 2,118,400 shares of hidden buying liquidity.
- Since the shares swept surpassed the minimum threshold of 2,118,400 shares, the 4,236,800 shares obtained in the sweep are assigned to the liquidity providing customer instead of the liquidity taker.
- The liquidity provider then buys the full share quantity from the liquidity taker at $39.39, resulting in a net long position of 881,600 shares for the liquidity provider.
- These trades generate a net cash profit of $23,870 for the liquidity provider, which amounts to a 2.71 cent profit per retained share.

One note about this process: If the liquidity in the market fluctuates such that the sweep fails to obtain all of the displayed liquidity (2,118,400 shares), then the liquidity provider may end up with a larger position than expected. This risk is inherent in this type of transaction and should be accommodated by adjustments in the Profit Required or Estimated Reserves.

This summary demonstrated how the dynamic price and shares work together to produce an optimal order for the designated share range, profit required and estimated reserves. But in a real execution, the reserves will be more or less than estimated. The following screen is a simulated execution of this order using random estimates for the hidden reserves to demonstrate a possible outcome.



Route	Displayed Shares	Reserve Shares	Pr
INET	50500	54540	39.41
BRUT	50100	42585	39.41
UBSS	7500	0	39.41
EDGA	1000	0	39.41
TRAC	5000	0	39.41
SIZE	39100	37927	39.41
ARCA	51800	55426	39.41
INET	304300	267784	39.4
BRUT	215200	221656	39.4
TRAC	11500	0	39.4
SIZE	151500	184830	39.4
SUSQ	1000	0	39.4
AMEX	100000	0	39.4
INET	576500	732155	39.39
BRUT	382200	470106	39.39
UBSS	5000	0	39.39
TRAC	11000	0	39.39
SIZE	152200	155244	39.39
NFSC	3000	0	39.39

The above screen shows the end result of a simulated execution of a Peg to Sweep order. The fields named Shares on Order, Displayed Sweep Shares, Shares At Risk, Estimated Residual Shares, Order Price are simply the non-rounded values from the order displayed on the previous screen.

- Total Shares Swept – Calculated by summing up the Displayed and Reserve shares found in all markets.
- Shares Retained – The number of shares retained by the liquidity provider. Calculated as the difference between Shares on Order and Total Shares Swept.
- Average Sweep Price – The average execution price of all shares swept.

- Cash Profit – The profit generated by buying at $39.39 and sweeping the better priced orders in other market centers.
- Profit per Retained Share – Calculated by dividing Cash Profit by Shares Retained. To be compared with the Profit Required entered as part of the order.

The grid at the bottom of the screen displays the different markets that were swept and the results of that sweep.

- Route – The market center or market maker displaying liquidity.
- Displayed Shares – The displayed share quantity in the market.
- Reserve Shares – The reserves uncovered while sweeping the market
- Average Price – The average execution price of sweeping the market.

As you can see in this example, given the displayed liquidity at different price levels, the system generated an optimal order of 5,118,400 shares @ $39.39, with a maximum exposure of 3M shares, an estimated residual share quantity of 881,600 which would generate a 2.71 cent profit per retained share. In this simulated execution, the system actually uncovered more reserves than estimated, resulting in a residual share quantity of 777,747. The higher profit achieved on the added shares swept combined with the lower residual shares results in a higher than required profit of 2.89 cents per share.

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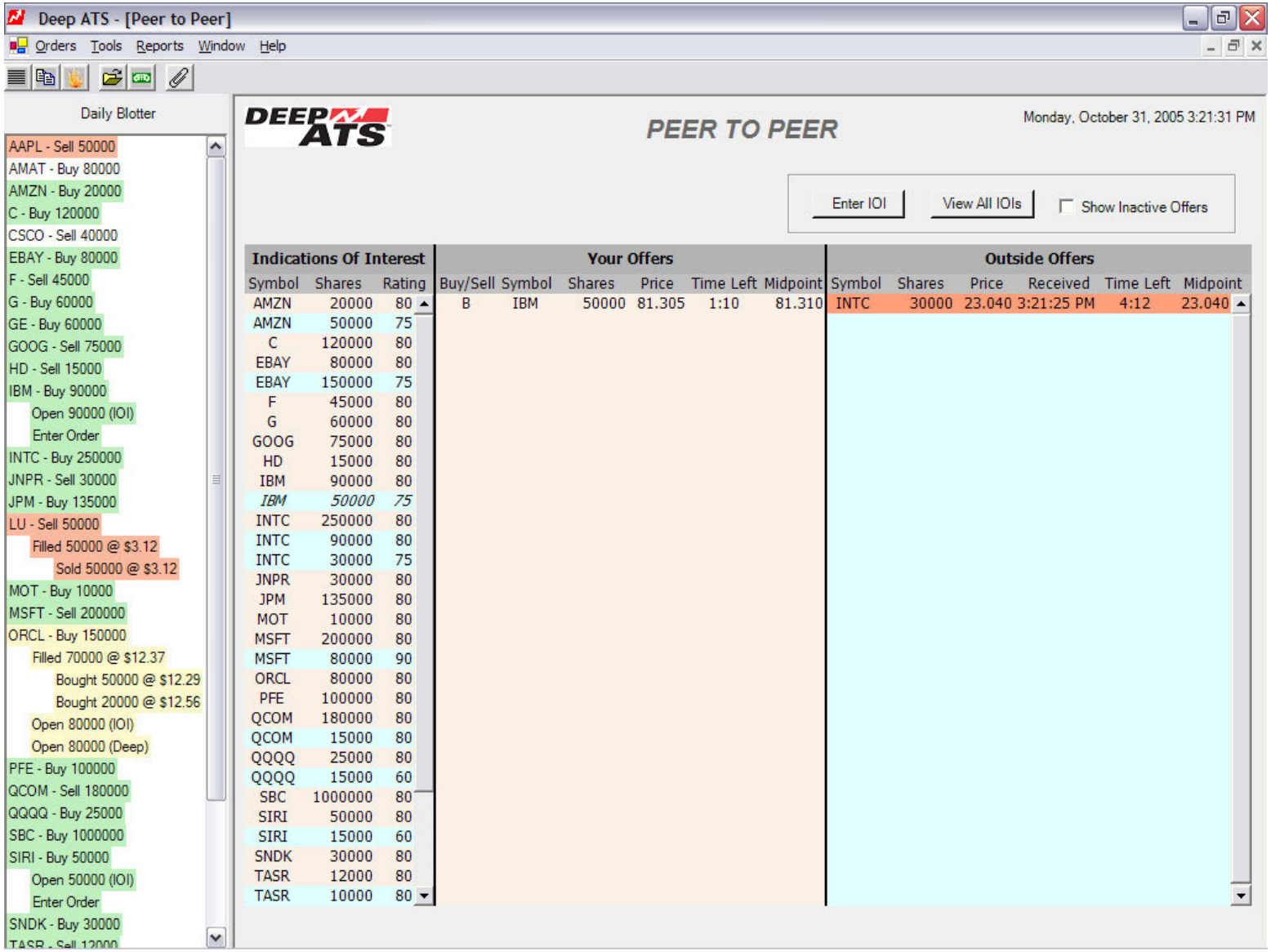

OS Received 11/30/2021

DEEP PEER TO PEER

How it works:

Indication of interests (IOIs) showing the symbol and number of shares are sent to the Deep server and entered into a dark order book. The Deep server does not know if an IOI is a buy or a sell.

In order to view other IOIs, a user must enter an IOI of his own for that particular symbol. Based on IOIs' minimum fill requirements, users placing larger IOIs can see smaller IOIs but users placing smaller IOIs cannot see larger IOIs. Users placing IOIs are rated on responsiveness from 0 to 100 similar to Ebay ratings.

Once a contra IOI has been identified, the user clicks on the IOI to make an offer and enters shares, side of trade and the time limit of the offer. The price of the offer is automatically filled in at the live midpoint price. The user can also opt to peg their offer to live midpoint prices.

Once an offer is entered, it is encrypted and sent to the Deep server to be routed to the contra party. Side of the offer is not sent. The contra party can accept, decline or counter the "blind" outside offer. If the contra party accepts, a match between the two orders is created and stored in both client applications until the current midpoint price equals the offer price. Once the prices are equal, the two parties automatically share the side of their orders. If they are contra, the match is sent to the Deep server for execution. If both orders are on same side, then the failed trade is archived on both client applications but not communicated to the Deep server. Users can cancel offers and matches at any time before an execution occurs.

To ensure that no party gains an advantage, the side of trade of all participants is kept private until disclosure is required. The side of trade is never revealed in IOIs. Even when an offer is made and accepted, the side of trade is withheld until the order price crosses the midpoint price. Only then do both parties reveal their trading side, and discover whether the trade can be executed. If the midpoint fails to cross, or one party cancels, the side of trade is not disclosed to the other party.

The system is very different from prior trading systems. Deep's main server does not know what is occurring on its remote client applications. Client applications communicate directly with one another and only communicate to the Deep server for entering blind IOIs, creating communication channels with other users and executing orders. All other information including side of trade of IOIs, failed same side trades and failed offers remain private on client applications and is not shared with the Deep server. In fact, the Deep server has three functions only:

A. Acts as a dark order book of blind IOIs.

B. Acts as a communications hub where encrypted messages are routed between traders.

C. Acts as an execution facility when two parties agree to trade.

It is truly a peer to peer system, with the significant features of the trading system occurring at each client application privately and not shared with the central server. Even Deep employees who operate the trading system will not possess any trading interest of its subscribers.

The system can be set to continuously advertise single IOIs or the entire blotter to the market automatically. It allows for different settings such as auto-offer acceptance, auto-make offer and auto-midpoint peg.

The system can be used regularly, passively or aggressively. Regular use involves uploading IOIs into the IOI order book and making offers individually to other blind IOIs in the system. Passive use involves simply uploading IOIs and waiting for firm blind offers to come in. Aggressive use is provided by two automated features that can accelerate the process:

A. Automatic Offer Acceptance – This feature automatically accepts all offers that meet the minimum fill requirement. Essentially, all IOIs are converted into blind midpoint priced firm orders.

B. Automatic Offer - This feature quickly searches the IOI order book for all contra IOIs that have the auto accept feature turned on and then attempts to execute with each of these contra IOIs until the desired shares are filled. If shares remain to be filled, the system will work systematically with each remaining potential contra IOI by making offers to each in turn for the offer time limit set by the user. To aid in a quick execution, the user may also opt to peg his offers to the live midpoint price.

The system is very robust and can be productive with as few as two users.

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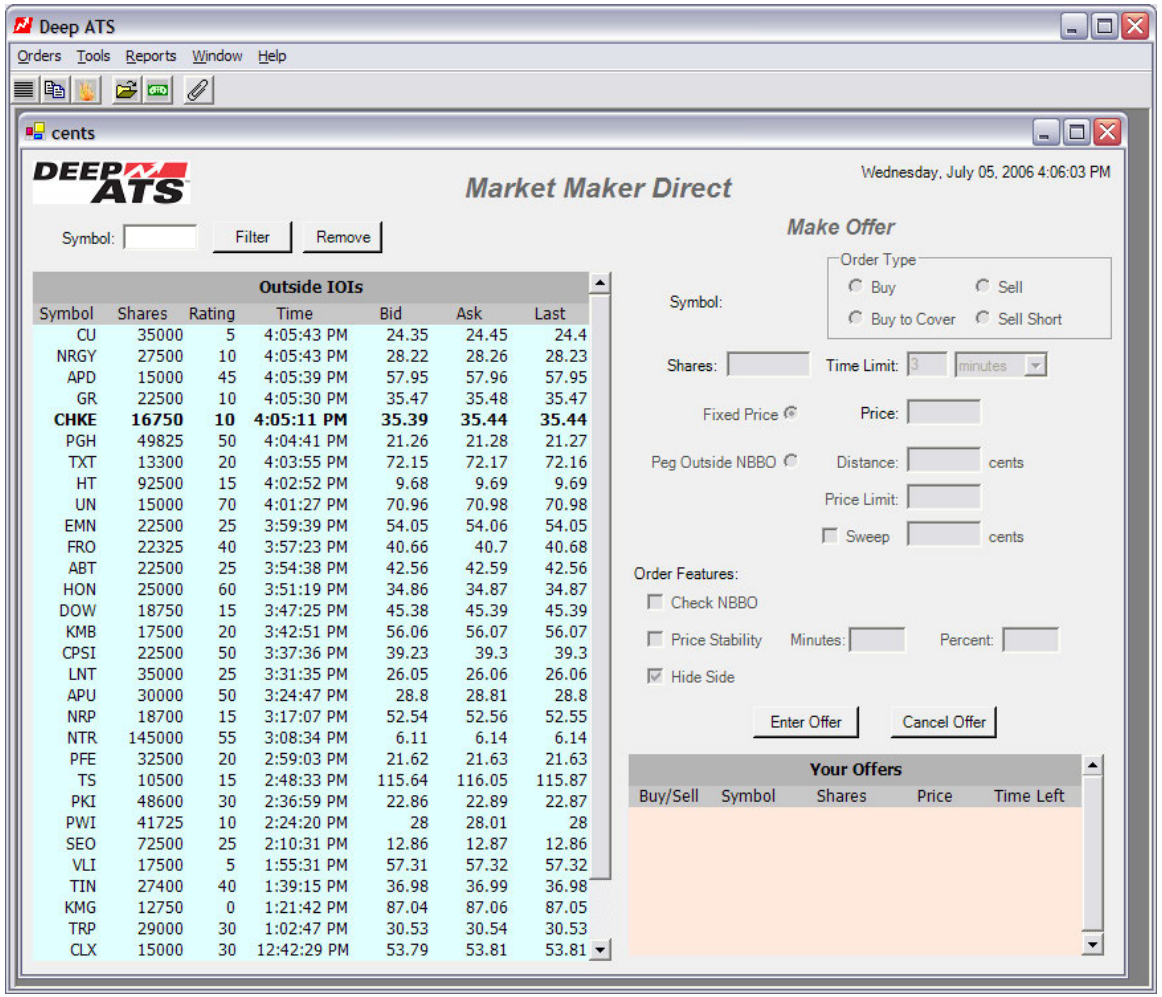

Deep Market Maker Direct

Current institutional blotter crossing systems (Posit and Liquidnet) are able to execute less than 5% of their subscriber's blotters (daily to do list of trades) that are entered into them. These trading systems do not provide a solution for the remaining 95%. Deep allows institutional traders the ability to work these unfilled orders by converting them to blind (buy or sell not disclosed) IOIs and then send them to a crowd of Deep market makers. Deep Market Makers then send offers directly to institutional buyers or sellers through the Deep Peer to Peer interface. Deep Market Makers protect their offers by using the features offered in the Deep Order Book. Offers are made with strict time limitations (i.e., 1-3 minutes). IOIs can sit in this system though out the day because orders are only IOIs. Firm orders are only made for very brief periods of time during the time of the offer by the market maker. Institutions are under no obligation to accept any of the offers.

There is one additional feature in the "Make Offer" dialog box that is not contained in the Order Book order entry.

Check NBBO

This order type allows market makers to control how liquidity takers will access their limit order. This feature protects limit orders from automated sweeps and can be used in conjunction with the pegging feature to protect buy limit orders from falling markets. Example: "Don't let anyone access my limit order unless they wait a random time period before their liquidity taking order is executed. Once the liquidity taking order is entered, the liquidity taker's Deep client application will generate a random time period and wait until this assigned time period elapses. Once the assigned time period has elapsed, the liquidity taker's client application will check the Deep Order Book to see if the desired quote is still available before sending the liquidity taking limit order to the Deep Order Book for execution. If it is not available, the Deep client application will continually repeat the process by reassigning new random time periods and checking the availability of the targeted limit order until the liquidity taking order is filled or cancelled. The random time period is calculated using a proprietary formula designed to prevent gaming of the system. The liquidity taking order

never leaves the client application unless an execution is assured. This feature protects the liquidity provider, but it also protects liquidity taker from disclosing any trading interest.

Intended Fee Schedule

Deep Order Book

$.005 per share commission for taking liquidity

Deep Peer to Peer

$.005 per share commission for both taking and providing liquidity

Deep Market Maker Direct

$.01 per share commission for taking liquidity

$.005 per share rebate for placing liquidity

These are base rates; discounts to these rates may be negotiated with subscribers individually.

Procedures Governing Entry of Orders

Only subscribers that have executed a subscriber agreement with Deep ATS will be permitted to enter orders into the System. Please see Subscriber Manual for additional information.

System Access

Subscribers will be able access the System using a protected user name and password via the internet or through a private network connection. Also, subscribers will be able to integrate their proprietary systems with Deep ATS through use of industry standard protocols (such as FIX).

Execution, Reporting, Clearance and Settlement

The System will transmit execution and clearance information to its clearing firm for execution and clearance on a daily basis.

All transactions that are required to be reported to ACT and OATS will be reported directly by the System.

Subscriber Compliance

Subscribers are required to execute subscriber agreements with Deep ATS and the Company will provide user with a subscriber manual and training in the use of the system. The Company's designated principal will be responsible for reviewing transactions to determine compliance with the subscriber manual. He will indicate his review and approval by initialing each weekly transaction blotter and any system generated exception reports. The System will have built in established parameters to preclude unacceptable practices such as over buying.

Subscriber Manual

Please see the attached Subscriber Manual which will be provided when a subscriber's agreement is signed and will also be available to all subscribers on line.

EXHIBIT G

System Capacity

The firm will apply industry standard capacity estimates to establish a baseline level of concurrent user capabilities. This process involves measuring the impact of the different individual units of work that the servers must perform (such as "Initial Login," "Subscribe to Symbol," "Enter Liquidity Providing Order," etc.). The next step is modeling the average behavior of different user-types (such as "Browser Only", "Peer to Peer Heavy", "Market Maker Heavy," etc.) over a given time period. The last step is to calculate the concurrent number of different user-types at any point in time. The average and peak hardware capacity is determined by combining these different numbers. Subsequently, we will confirm these estimates using stress testing techniques and response time benchmarks to ensure that our initial customer rollout meets demand.

Deep will use trend analysis on weekly system usage statistics to estimate future capacity requirements. Additionally, before any new customer begins using the system, the firm will conduct an estimated volume study to ensure that capacity limits are not breached with the new transactions. Should the current or future capacity estimates exceed 50% of the current supported capacity, system hardware upgrades will be performed, and new benchmarks will be established.

As currently configured when operating at maximum capacity the system can accommodate 200 users. If Deep experiences the usage and volume during the first year that is projected, the first capacity increase will occur at the end of one year. At that point the system will be expanded to accommodate 500 users. However, capacity increases can be implemented in less time and in a matter of a few days if the need should arise, as system hardware is readily available in the United States and Deep employs or has access through its affiliates, personnel with the expertise to install the appropriate hardware and software.

While there is literally no limit to the number of subscribers the system can handle as capacity is expanded to meet future demand increases, Deep estimates that up to 2,500 subscribers may ultimately use the system.

System Security

The network of users of the system is connected on a secure and anonymous communication structure. This is achieved by using the industry accepted public key infrastructure (PKI) using an RSA encryption algorithm. PKI using RSA is a well established patent free method of

exchanging data that is heavily used by banks and other financial institutions for critical sensitive transactions.

The basis of PKI are the mathematically generated keys given to all users that are used to encrypt, sign and target a packet of data to a recipient without having to secretly exchange a password. Each user is given both a public and a private key. In order for one user to send data to another user, the user simply encrypts the sender's private key in conjunction with the recipient's public key. Public keys are necessary and thus all users can freely have access to public keys with no security risk. The private key on the other hand, is kept secure by each user and is never disclosed nor needed by the recipient of the encrypted data.

The RSA method of encryption is a mathematical algorithm. Parties attempting to break this encryption must identify factors of extremely large numbers.

With current technology, the estimated time to break any given key used by the exchanged data is at least 10,000 years of CPU calculations. While there have been advances in efficiency of factoring numbers as well as faster CPUs, creating larger keys is the simple solution. Currently the network uses 1024 bit keys which is an accepted industry key length.

Once a user is logged into the system, an open socket connection with main trading system server is opened. Through these socket communications, messages are sent to the main trading system. These messages contain two parts, the first part is readable by the main trading system. This part contains the public key ID of the user that the message is directed to. This allows the main trading system to route the message to the appropriate user. The second part of the message contains an encrypted message that is unreadable by the main trading system for all communications except execution requests. These encrypted messages can only be decrypted and read by the recipients of the messages.

The main trading system has no ability to read or interpret the data being passed from user to user, because it does not possess decryption keys. Only when a user requests an execution the main trading system is given the decryption key. Two users must have accepted to trade a number of shares for a given symbol at a given price in order for a decryption key to be shared with the main trading system. This does not include trades that fail because they are on the same side. When a same side trade failure occurs, no information is passed to the main trading system. Only the two users of the failed trade are aware of the failed trade.

The encryption protocol that is used to exchange data is published. The encryption math is straight forward and can be independently verified. In addition, there are 3rd party tools that will allow the user to monitor the data that is being transferred to the main trading system's server in order to verify that nothing is being transmitted that would disclose sensitive trading information. These tools are known as "packet sniffers" and will log all data entering and exiting a PC. "Ethereal" and "Iris Network Traffic Analyzer" software are commonly used to accomplish this.

In terms of hardware security, our servers will be hosted at Savvis Data Center in Weehawken, NJ. The physical security levels of the Internet Data Centers indicate that SAVVIS has spared no expense to protect the integrity of the internal systems and our customer data. The following is a list of security measures used:

- On premise security guards
- Building exterior - no signage, cameras, false entrances, vehicle blockades, parking lot design, bulletproof glass/walls
- Biometric systems which include palm scanners
- Security cameras with digital recorders, Pan-tilt-zoom (PTZ) capabilities
- Portals and Man traps, only a single person authenticated at one time.

In addition to these measures to keep customer data safe from abuse by outside parties, Deep ATS has established guidelines to monitor the safety of our customer's data from abuse by our employees. During employee initiation on their first day of work, employees are instructed as to the sensitivity and privacy of customer data, and advised of the penalties for misuse of that information. Confidentiality agreements are required as a condition of employment, and these agreements specify that customer information is to be protected during employment and for a period of two (2) years after terminating employment. These standards are reinforced at our mandatory employee compliance training to be conducted annually at a minimum for the duration of employment.

Our customer data is not only protected by these conduct guidelines, but also by other measures as well. Employee computer workstations are required to be password protected at the operating system level and the BIOS level, and to be locked or powered off when the employee is away from his desk. Password selection and change frequency must conform to our Password Policy guidelines, distributed during employee initiation. Regarding employee communications with outside persons, we will monitor employee email and IM chat session conversations to the fullest extent to prevent employee infractions.

Access to servers where critical data resides is only provided to a limited group of individuals, personally approved jointly by the company's President and Chief Technology Officer. In addition, we have measures on those servers to log all user sessions, including not only the time and duration of access, but also the content of information accessed during the session. This information will be retained for a minimum period of two (2) years and will be scanned for any

access irregularities, but also will be made available to any internal investigation or regulatory agency inquiry.

To ensure that our system security meets the highest standards, we will officially review our security configuration and operating procedures at least quarterly, and even more often as hardware or software upgrades are implemented. In addition, an outside security firm will be contracted to perform an independent audit of our complete hardware and software architecture. This audit will be conducted annually at a minimum, but also prior to each new software release or hardware upgrade.

Contingency Planning

The primary site for the system will be the Savvis Data Center in Weehawken, NJ and the secondary site will be the Savvis Data Center in St. Louis, MO, both of which are state-of-the-art facilities. Both locations will have access to backup network connectivity and redundant data feeds. The databases at each location will be synchronized in real time, such that the secondary site would be up and running immediately in case of hardware or network failure.

To ensure that our contingency plan meets the highest standards of our customers, we will officially review our contingency plan at least quarterly, and more often if material changes to the physical architecture are implemented. In addition, Savvis will conduct disaster simulations to test the contingency procedure prior to the initial rollout, and at least annually thereafter.

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EXHIBIT H

Deep has executed a fully disclosed clearing agreement with Wedbush Morgan Securities Inc. The clearing firm will provide clearance and settlement services for Deep in connection with its transactions. They will hold customer funds and securities for customer transactions not cleared on an RVP/DVP basis. Additionally, the clearing firm will issue statements and confirmations, and maintain certain books and records as enumerated in the clearing agreement, a copy of which is attached.

Wedbush Morgan Securities Inc. is a member of the NYSE and of the NASD and is subject to the full provisions of SEC Rule 15c3-3 (the Customer Protection Rule). As such it is responsible for handling, safekeeping, and segregating customer funds and securities in accordance with SEC and SRO rules and regulations and is examined regularly to ensure that such rules and regulations are being followed.

The following information is quoted from Wedbush Morgan Securities website. (http://www.wedbush.com/inside/corp_info.asp).

> Wedbush Morgan Securities Inc. ("Wedbush") is pleased to provide protection for each of its clients and for the clients of its correspondents. In the unlikely event that assets in client accounts are not fully recovered, each client is protected up to $25,500,000.**
>
> Securities Investor Protection Corporation ("SIPC") provides protection up to $500,000, of which a maximum of $100,000 applies to cash credit balances.
>
> In addition to the coverage provided by SIPC, Wedbush has purchased from Lloyd's of London an excess SIPC bond that provides additional coverage for up to $25,000,000 in cash and securities for each client, subject to an aggregate loss limit of $100,000,000.
>
> **The excess SIPC bond, together with SIPC coverage, provides protection for cash credit balances for each client to a maximum of $1,000,000.**
>
> Clients may purchase additional protection for their accounts by contacting their Investment Executive, who can provide information and pricing.
>
> ** This protection will replace clients' cash and/or securities that are otherwise unrecoverable. It does not cover clients from losses resulting from the decline in the market value of securities in their accounts.

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EXHIBIT I

Ownership

Deep ATS, LLC, a Texas limited liability company and NASD Member, is a 100% owned subsidiary of Deep Liquidity, Inc., a Delaware Corporation. Deep Liquidity, Inc. is 100% Owned by Sam D. Balabon CRD No. 2731194. Mr. Balabon is the designated Series 24 licensed Principal of Deep ATS, LLC.

APPENDIX 4

LAWSUIT DRAFT AGAINST FINRA

DEEP ATS LLC,
SAM BALABON and SPOT QUOTE HOLDINGS, INC.
3225 Smoky Ridge Road
Austin, Texas 78730
Phone: (512) 585- 4589
Email: deepliquidity@gmail.com

IN THE UNITED STATES DISTRIC COURT

FOR THE DISTRICT OF MARYLAND

DEEP ATS, LLC, SAM BALABON AND SPOT QUOTE HOLDINGS, INC. **PLAINTIFFS** **vs.** **LISA ROBINSON, KASEY BOWEN, JENNIFER DANBY, LEYNA GORO, ALEXANDER ELLENBERG, WAITHIRA KAMAU, ALEC STANLEY and FINANCIAL INDUSTRY REGULATORY AUTHORITY, INC.** **DEFENDANTS**	**CASE NO.:** **COMPLAINT FOR DAMAGES** **1. BREACH OF FIDICUARY DUTY** **2. FRAUD** **3. VIOLATION OF FIFTH AMENDMENT** **DEMAND FOR JURY TRIAL**

Plaintiffs bring this Original Complaint against the above-named Defendants and in support thereof alleges the following: (hereinafter "Plaintiffs")

PARTIES

1. Plaintiffs Deep ATS, LLC (ATS) and Spot Quote Holdings, Inc. are corporations whom principal place of business is Austin, Texas. Sam Balabon is an individual private party.
2. Defendants, Lisa Robinson, Kasey Bowen, Jennifer Danby, Leyna Gora, Lucy Palmieri, Alexander Ellenberg, Waithira Kamau, Alec Stanley are individual private parties employed by FINRA, Financial Industry Regulatory Authority (FINRA) is a private, not-for profit Delaware corporation.
3. Plaintiffs are informed and believes, and thereon alleges, that the Defendants at all times herein mentioned were acting within the course and scope of their employment with FINRA and had the authority to grant or deny license applications.

JURISDICTION AND VENUE

4. This action arises under the Constitution and the laws of the United States and is brought pursuant to Title 42 U.S.C. § 1983, 29 U.S.C. § 794(a), and 42 U.S.C. § 112131. Jurisdiction is conferred on this Court pursuant to 42 U.S.C. § 1983, and 28 U.S.C. § § 1331 and 1343.
5. Venue is proper in this judicial district, pursuant to District of Washington, DC 28 U.S.C. § 1391(b). Defendants resides and /or transacts business in the Washington, DC and is within the jurisdiction of this Court for purposes of service of process.
6. Jurisdiction and venue are proper in this Court because FINRA is headquartered in Washington, DC.

STATEMENT OF FACTS

7. On or about November 5, 2019, plaintiff ATS applied for an application for broker dealer membership to FINRA.
8. The Application to FINRA was for approval to conduct certain business activities which consist of : a) operate an alternate trading system; b) private placements of securities; c) trading securities for own account; and d) underwriter or selling group participant (corporate securities other than mutual funds).
9. The Application by ATS held that the Firm would need to raise approximately $50 million in financing and once financed, would plan to enter a clearing arrangement as it does not plan to hold customer funds or securities.
10. ATS informed FINRA that Spot Quote Holdings, Inc. ("SQH") wholly owns the Applicant and Sam Balabon (CRD#) 2731194) is the majority owner and control person of SQH responsible for managing their operations and generating its revenue.
11. ATS Applicant proposes to register Ramesh Puranik (CRD# 5032629) as the Chief Executive Officer ("CEO"), Anti-Money Laundering Compliance Officer ("AMLCO") and General Securities Principal ("GSP") responsible for the supervision of the ATS and proprietary trading activities and Chief Compliance Officer ("CCO"), Financial and Operations Principal ("FinOp"), and second GSP with responsibility for supervising the private placement of securities and underwriting activities ("Investment Banking" or "IB").with responsibility for supervising the private placement of securities and underwriting activities ("Investment Banking" or "IB").
12. ATS did not intend to retain any additional registered representatives currently. They may choose to do so later.
13. ATS proposal for the application consisted of operating one (1) office during the first 12 months of operation, which is located on the property owned by Mr. Balabon. They would open additional offices possibly as the needs permitted.
14. ATS paid a $7,000.00 fee application fee to FINRA to obtain membership.
15. The Application was accepted for review by FINRA on December 6, 2019.

16. FINRA asked for the first extension by phone on June 4, 2020.
17. FINRA requested the second extension on July 17, 2020 by email.
18. On the second extension, the Plaintiff reasonably believed that the application would be approved.
19. On September 21, 2020, ATS received a letter denying their new member application for securities.
20. FINRA alleged in their letter that the Applicant does not meet each of the standards of the Rule 1014(a).
21. Further, FINRA stated that the staff determined that the Applicant did not meet the standards in Rule 1014(a) (1), (2), (4), (10) and (13).
22. The denial by FINRA was based on the investors protection considerations and is reasonably designed to address the standards for admission of Rule 1014.
23. The denial of FINRA was based on misleading, and false information and their failure to adequately communicate what was needed for the application
24. One example is an email from Kasey Bowen, Principal Examiner for FINRA whereby she recommended that ATS get an extension. The prior extension would expire on July 20, 2020.
25. In this same email, there was a request for various information for the application with a deadline to have this information in by August 16, 2020.
26. ATS responded to the email with the required information requested on July 3, 2020 which was before the due date of August 16, 2020.
27. There was nothing from FINRA at any point and time that indicated that the ATS had not complied with the rules.
28. With each step of the process for the application, ATS was diligent and complied with all request that were made about the applications.
29. ATS has used due diligence throughout the application process with FINRA.
30. Upon the receipt of the correspondence dated September 21, 2020 which was the denial of the application for ATS.

31. There was no mention of the $7000.00 fee that had been applied for the application process.

32. ATS is seeking damages for the breach of fiduciary duty, fraud, and violation of Fifth Amendment Constitutional rights.

. .

FIRST CAUSE OF ACTION

BREACH OF FIDICUIARY DUTY

33. The allegations of each of the preceding paragraphs are realleged and incorporated herein by reference.

34. At all times herein mentioned, the Financial Industry Regulatory Authority, Rule 1013 and Rule 1014 was in full force and effect and binding on the Defendants. These statutes required Defendants to review the new application for membership in accordance with the Rule 1014.

35. Defendant FINRA, working within the scope of duties s, caused Plaintiff to repose trust and confidence in Defendant in connection with Plaintiff's investment in securing securities.

36. Defendant voluntarily accepted a fiduciary role with respect to Plaintiff, including the duty to act with the utmost good faith, loyalty, and in the best interests of Plaintiff.

37. FINRA and ATS has a special relationship of trust and confidence exists between the parties.

38. FINRA has an implied duty of good faith and fair dealing with those that seek FINRA membership.

39. FINRA had the duty of good faith means that a party may not act to injure or destroy the other party's right to receive the benefits of the contracts.

40. FINRA had a duty of fair dealing requires that each party act honestly and behave as a reasonable businessperson.

41. FINRA was purposefully dishonest in business practices.

42. FINRA in their denial letter failed to inform ATS that their application needed additional information to be completed.
43. FINRA had made two requests for an extension and during that time, they never informed the ATS that the application did not fulfill the requirements because it did not have a feasible business model.
44. FINRA did not live up to the duties of loyalty, candor, and disclosure.
45. FINRA breach its duty to ATS.
46. In this case, FINRA had an obligation to abide by their policy about the extension.
47. Instead, they breach their fiduciary duty by denying the ATS application after the extension had pass without disclosing that they had not complied with Rule 1014.
48. They failed to act as a reasonably SRO agency would have acted under the same or similar circumstances.
49. As a direct result, Plaintiff was harmed.
50. Defendants' conduct was a substantial factor in causing Plaintiff's harm.
51. Wherefore, Plaintiff seeks relief.

SECOND CAUSE OF ACTION

FRAUD

52. The allegations of each of the preceding paragraphs are realleged and incorporated herein by reference.
53. At all times herein mentioned, the Financial Industry Regulatory Authority, Rule 1013 and Rule 1014 was in full force and effect and binding on the Defendants. These statutes required Defendants to review the new application for membership in accordance with the Rule 1014.
54. Defendant represented to the Plaintiff that there would be an extension about the application process. In exchange for the delay, the Defendant assured the Plaintiff's that everything was fine with the application.

55. One of the reasons for the denial is that the ATS had not satisfied the application requirements of Rule 1014. This is in fact false and misleading.
56. For example FIRNA made a request for additional information with a deadline of August 16, 2020.
57. ATS response timely to Kasey Bowen with the required information on July 3, 2020.
58. A second extension was granted by FINRA for additional 30 days. The Defendant represented that the Plaintiff application was fine.
59. The Defendant intentionally misrepresented the truth for both extensions because they denied the application.
60. The denial of the application was based on false and misleading information.
61. ATS application was complete and accurate and in accordance with Rule 1014.
62. ATS application had a viable business model which had detailed information of the operation, detailed information regarding the source of funding.
63. ATS provided supplemental information to the facts of the funding when requested on July 3, 2020.
64. The Plaintiff supplied all necessary information in compliance with Rule 1014.
65. However, FINRA denied ATS's application for new membership which was in total contrast to the Rule 1014.
66. The Plaintiff relied on the Defendant to execute the rules of 1014 in a reasonable manner.
67. In reliance on that promise, Plaintiff expended considerable time and expense about the Application for new membership on behalf of the Defendants.
68. The Defendants misrepresentation was either known to be false when made or was asserted without knowledge that it was true.
69. The Defendants intended the representation to be acted upon in which the Plaintiff did by responding to all their request.
70. Defendants committed fraud by failing to disclose or concealing facts regarding the application process that would have allowed the Plaintiff 's application to be approved but

instead it was denied.

71. The Defendant's actions cause the Plaintiff damages.

72. As a direct and proximate result of the Defendant, ATS has suffered actual damages more than the minimum jurisdictional limit of this Court, for the basis of this claim.

III. THIRD CAUSE OF ACTION

VIOLATION OF CONSTITUTIONAL RIGHT TO DUE PROCESS

FIFTH AMENDEMENT

73. The allegations of each of the preceding paragraphs are realleged and incorporated herein by reference.

74. The Defendant's application and enforcement of the application for new members in accordance with Rule 1014 violated the Plaintiff's due process rights as guaranteed by the Fifth Amendment of the U.S. Constitution.

75. The Defendant in applying the rules did so in an irrational and unreasonable manner, imposing unjustifiable restrictions on the exercise of protected constitutional rights. Because the action of the Defendant is irrational and unreasonable, its application violates the due process guarantee of the Fifth Amendment to the United States Constitution.

76. FINRA denied the ATS application because they stated that there was inconsistency in the application.

77. There were no conflicting statement or inconsistency by ATS. All responses of ATS were truthful, reasonable, and complied with the requirement of Rule 1014.

78. FINRA violated due process by making wrongful speculation of facts that were not substantive and had no relevance to ATS's application.

79. FINRA did not have a right to deny ATS application without providing them notice as to what was needed to make the changes.

80. Instead, FINRA violated Rule 1014 which stated:

The Department shall serve a written decision on the membership application within 30 days After the conclusion of the membership interview or after the filing of additional information. (FINRA RULE 1014 (3)(1))

81. FINRA failed to follow the rule because their decision was more than 30 days after the interview which was a violation of ATS rights.
82. Also, FINRA failed to follow Rule 1014 (3) for the Failure to Service Decision which imposed upon them the obligation to file their decision within 180 days after the applications.
83. FINRA consistent failure to follow the rules and lack of notice to ATS regarding this issue violated ATS's right of due process of law.
84. FINRA based their denial on a previous business of one of the parties to ATS which has no relevance to ATS present application.
85. FINRA's speculation about a past business is another example of the violation of ATS's due process in that their application should stand on its on merit and not be associated with any past companies.
86. FINRA had the option of restricting the investments. Yet, they chose to deny the application in its entirety which was a violation of the ATS's constitutional rights.
87. FINRA 's actions constituted a custom, practice, and policy of deliberate indifference to Plaintiff' constitutional rights secured by the Due Process Clause of the Fifth Amendment.
88. FINRA's actions were intentional, malicious, willful, wanton, obdurate, and in gross and reckless disregard of Plaintiff's constitutional rights.
89. Plaintiff respectfully requests this Court to award reasonable and appropriate compensatory damages.

PRAYER FOR RELIEF

(As to All Causes of Action)

1. For general damages, according to the proof of each cause of action for which such damages are available.

2. For special damages, according to proof on each cause of action for which such damages are available.

3. For Exemplary damages, according to proof on each cause of action for which such damages are available.

4. For compensatory damages, including emotional distress damages, according to proof of each cause of action for which such damages are available.

5. For declaratory and injunctive relief as appropriate.

6. For prejudgment interest and post-judgment interest according to the law.

7. For cost of suit incurred in this action.

8. For such other and further relief and the Court deems proper and just.

Respectfully Submitted,

Sam Balabon
Deep ATS, LLC

DATED: October 22, 2020

---------- Forwarded message ---------
From: **Sam Balabon** <deepliquidity@gmail.com>
Date: Thu, Jan 28, 2021 at 9:03 PM
Subject: Request to Immediately Intervene in Dispute with FINRA
To: <chairmanoffice@sec.gov>, <CommissionerPeirce@sec.gov>, <CommissionerRoisman@sec.gov>, <Commissionercrenshaw@sec.gov>
Cc: <Redfearnb@sec.gov>, Gattis, Loyd <Loyd.Gattis@finra.org>, Manning, Michael <Michael.Manning@finra.org>, <nac.casefilings@finra.org>, Ramesh Puranik <rameshpuranik09@gmail.com>, Crawford, Jennifer <Jennifer.Crawford@finra.org>, Galloway, Michelle <Michelle.Galloway@finra.org>, pat patel <spatel1@si.rr.com>, Colby, Robert <robert.colby@finra.org>, <Robert.Cook@finra.org>, <Tesh.Cromwell@finra.org>

Dear SEC Commission,

I request the Commission to intervene and grant a broker dealer license at FINRA immediately regarding a FINRA broker dealer application that FINRA has denied. This broker dealer application which contains permission to launch an ATS utilizing a new form of market structure is pending an appeal with a hearing date of February 11th 2021. I believe the market structure that I developed over years is in the "national interest of our country." All the people cc'd on this email are related to the hearing that will decide if FINRAs decision to deny my firm's broker dealer license will stand.

I have attached a book about this technology that due to its superior market structure (if widely implemented) would considerably reduce market volatility and make the GameStop debacle much more difficult to occur.

Reason, high frequency trader liquidity providers such as Citadel and Virtu along with a few others control much of the liquidity that enters and exits the stock exchanges. These firms have a monopoly because they can beat "ALL" retail traffic to the stock exchanges when there are buy or sell signals generated by market data. Essentially, these firms trade ahead of average trading participants as a rule. At first glance, WHO CARES, ok so these firms have an advantage. Don't kid yourself, there are real unintended consequences allowing these firms to have faster systems than average traders. Very simply... why should the average guy attempt to play market maker when their access to the market is so flawed, they have no chance to compete with the faster systems of the HFT firms for profitable trades.

What is the problem for a stock like GameStop? Answer, their market is too thin. It does not take that much buy volume to push up the price. Not enough liquidity stands in the way to burn through in order to get to the next price point. Solution: Open up the market so anyone can compete equally as a market maker not just a few firms which will bring more sitting liquidity into the market which reduces volatility.

My inventions allow all people to compete to enter and take liquidity from the market equally. The market structure is so potent that it could increase sitting liquidity in the market by 10-fold. The technology contained in the FINRA BD application forces market participants to

push more liquidity into the market in order to move prices quickly. My inventions are a massive market stabilizer.

Why... the technology is based on a new market structure, a market structure that prices all sizes of orders coming into the market in real time. The more liquidity the market requires beyond the inside quote is converted into a premium price outside the inside quote derived by market forces. Also speed is totally taken out of the equation. Algorithms with this technology do not determine in and out strategies. They determine risk associated with executing larger orders at prices outside the inside quote. The market should be converted from a bulletin board trading free for all market to a controlled system where market makers simply underwrite risk rather than predatory strategies that leverage speed at the direct cost of other slower market participants. This market phenomenon scares off slower market participants from making markets which are key to the market's success.

Don't take my word for it, have your best minds study the attached book. I also CC'd Brett Redfearn https://www.sec.gov/biography/brett-redfearn I believe he will validate that my market perceptions and what my market structure could do for the market is correct.

But, please reach out to FINRA and have them grant the license and stop this hearing on the 11th of February. The only reason they turned the BD application down in the first place is due to them seeking revenge for me sueing them in federal court. I am putting a real solution before the Commission on the table. I challenge the Commission to check out my solution and act..... IF WHAT I SAY IS TRUE!!!

Sincerely,

Sam Balabon
CEO
Deep ATS LLC
3225 Smoky Ridge Road
Austin TX 78730
5125854589

P.S. I also attached other inventions of mine simply to demonstrate I am a real and not a fake.

---------- Forwarded message ---------
From: **Sam Balabon** <deepliquidity@gmail.com>
Date: Wed, Feb 3, 2021 at 4:21 PM
Subject: Re: Request to Immediately Intervene in Dispute with FINRA
To: <chairmanoffice@sec.gov>, <CommissionerPeirce@sec.gov>, <CommissionerRoisman@sec.gov>, <Commissionercrenshaw@sec.gov>
Cc: <Redfearnb@sec.gov>, Gattis, Loyd <Loyd.Gattis@finra.org>, Manning, Michael <Michael.Manning@finra.org>, <nac.casefilings@finra.org>, Ramesh Puranik <rameshpuranik09@gmail.com>, Crawford, Jennifer <Jennifer.Crawford@finra.org>, Galloway, Michelle <Michelle.Galloway@finra.org>, pat patel <spatel1@si.rr.com>, Colby, Robert <robert.colby@finra.org>, <Robert.Cook@finra.org>, <Tesh.Cromwell@finra.org>, Robinson, Alissa <Alissa.Robinson@finra.org>

Dear SEC Commission,

This letter is a continuation of my letter dated January 28th, 2021.

The purpose of this letter is to discuss another topic that harms the market and volunteer my efforts to help put together a zoom meeting that consists of many of my friends in the space (see below). I propose hosting a Zoom event for the SEC/FINRA on the GameStop debacle. Perhaps schedule the event for February 17th at 1 pm EST. The itinerary of the conference will be each participant will have five minutes to present what they think are solutions to the GameStop debacle and general ideas how to improve the market. After the 5 minute presentations, questions from the other participants will be allowed. If I can get a commitment from at least one of the SEC Commissioners to participate on the call, I think I can get at least 5 people out of 14 to participate. These are important people. The only way I can get them on board is promising them an interesting audience. I need SEC support and I will invite FINRA as well. Also at the end of the speakers, SEC and FINRA can have 5 minutes to speak if they like. Please have your staff reach out to me and let me make this happen as my public service contribution.

Here is my rolodex. I believe most will participate in my event if I ask them, again providing there is an important audience from their prospective to speak to. All these people know me well:

Bret Redfern https://www.sec.gov/biography/brett-redfearn Together we pitched Bear Stearns management in person to invest in my company's trading system. He did get his management to agree to invest if I was able to put together a consortium of big banks. I was able to put together a consortium Bear Stearns, Lehman Brothers, Merrill Lynch and Credit Suisse. Each agreed to invest if the group could be formed. Having obtained each of their commitments, I attempted to set a meeting where they all could meet and negotiate terms. I failed to make that happen and it all fell apart.

Manoj Narang https://battleofthequants.com/manoj-narang-2 Manoj, he considered the CEO position of my Company until he realized he would have to raise capital for the company. He was on 60 minutes talking about HFTs.

James J Angel https://gufaculty360.georgetown.edu/s/contact/00336000014RfZjAAK/james-

angel When I first met him he said I solved the "institutional trading problem." He visited the U.S. Patent and Trademark office advocating that they grant a patent to me. We also pitched the Georgetown Endowment to invest in my company. He has visited over 70 stock exchanges worldwide.

George Hessler https://www.linkedin.com/in/george-hessler-69a987/ He was the company's CEO for three years. He is a Harvard alumni and well known public speaker on market structure.

Greg Tusar https://www.linkedin.com/in/greg-tusar-a7b419/ He hosted a meeting at Goldman Sacs that had at least 12 people in the room which I pitched to. Could not get them to make an offer.

Larry Tabb https://www.tabbgroup.com/larry-tabb Meet with him multiple times.

Jonathan Kellner https://www.linkedin.com/in/jonathan-kellner/ He looked at becoming CEO of the company at one time. We pitched the business to Instinet.

Joe Saluzzi http://www.themistrading.com/new-gallery He is someone that I khow and is a considerable Wall Street rebel. Written many pieces on market structure.

Joe Rosen https://www.amazon.com/Handbook-Electronic-Trading-Joe-Rosen/dp/0981464602 He was a consultant to the company. He sat up a meeting with a billionaire for the company and has written multiple books on electronic trading.

Christopher Nagy https://www.linkedin.com/in/1christophernagy/ We pitched Ameritrade management on the idea, the people we pitched to did not get it and that was the end of it.

Gary Stone https://www.linkedin.com/in/garystone33/ He is the market structure guy at Bloomberg, met with him multiple times, simply could not get them to invest in the company.

Andrew Silverman https://www.linkedin.com/in/andrew-silverman-133b0618/ He is co-head of electronic trading at Morgan Stanley.

Tim Draper https://en.wikipedia.org/wiki/Tim_Draper I met with him and his brother. Could not convince them to invest. He is a billionaire and one of the original investors of Coinbase.

Robert A. Schwartz https://zicklin.baruch.cuny.edu/faculty-research/centers-institutes/robert-a-schwartz-center-for-trading-and-financial-markets-research/ I have known Robert for many years. He even has a school named after him called, "Robert A. Schwartz Center for Trading and Financial Markets Research."

Above are recent statistics of just a few of the major brokers and their payments the brokers receive from internalizers/wholesalers for order flow. If you just add up the payments for a full year it adds up to around $1.2 billion dollars. Internalizers pay retail brokers this as their cost of

goods purchased. You can say they at least make 50% profit against their costs. That gets us to a figure of $1.8 billions. WHERE DO THESE PROFITS COME FROM??? There is only one place this $1.8 billion dollars could come from… OUT OF THE HIDE OF PARTIES THAT ATTEMPT TO MAKE MARKETS AS MARKET MAKERS. In general the only way a profitable trade can occur; it must come from a party that had an unprofitable trade. This is considered an informed party trading with an uninformed party. Basically, an internalizer receives order flow from brokers which lets say 40 percent of the orders have edge (profitable to trade against) in them and 40 percent are toxic (unprofitable to trade against) and 20% neutral. The internalizer with their own account executes with the orders that have edge and send all the toxic buy/sell orders to the exchanges for execution. There at the exchanges they are matched off against limit orders that maintain the bid/ask inside quote. This phenomenon literally sucks the life out of the sitting liquidity at the inside quote. It is truly unbelievable that the SEC allows this practice. It is horrible for the liquidity providers of the market. Why should they have to pay internalizers indirectly as a cost of doing business. Or another way of looking at it. Internalizers profits are an indirect cost that the market makers of the exchanges must bear which reduce their capacity to provide sitting liquidity to the exchanges. Why in the world does SEC even allow a third party to cherry pick orders before they hit the exchanges is beyond me. Probably the the reason is many forms of frontrunning/first look practices are from the past grandfathered in so to speak. .

Regarding GameStop, because of this phenomenon, results in less volume represented at the ask price of the inside bid/ask quote. Most of the buy/sell market order traffic coming from internalizers is toxic which causes financial loss to the market maker. If internalizing was outlawed, at least 25% more liquidity would defend the inside quote. So with GameStock that would mean it will take 25% more capital to push through the inside quote that it does today. That 25% could be a very low estimate. So you could say that the market is a little crooked.

The SEC truly needs to stop allowing brokers to extract ANY money from a limit order other than a commission fee. All orders need to flow into the market untouched in order for supply and demand of a stock market to form efficiently. The SEC must also stop the exchanges from selling extremely expensive low latency/depth of book products to HFTs. Average traders MUST have equal access to the market which currently they do not. All traders must have equal access to market data and market execution or you are going to get more GameStop type market occurrences.

Having a fair-trading system is best for the health of the economy in general. The GameStop phenomenon exposes the weakness of the market. The real weakness is the downside of the market. If average traders cannot post buy orders fairly in the market, average traders simply will not participate in making markets in a crashing market, which lead to greater downward spikes like with the oil market last year.

In general, allowing the filtering of retail trading traffic for profitable trades creates toxic exhaust that is poison to the health of the market. Also when the market is in crisis all the liquidity providers algorithms work in tangent selling. What is needed is to get the average trader involved in market making. This will allow informed and uninformed/average traders to compete on the same playing field. Having uninformed/average traders making markets is

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tremendously healthy because you have sitting liquidity that is somewhat separate from the influence of the algorithms used by the HFTs that generally act in tangent.

Please reach out to me, if any of you Commissioners will participate in my proposed Zoom Meeting. Once I have at least one of you participating, I will go to work and make this event really happen. I will commit to getting at least 5 on the list to participate in order to simply schedule the event.

Sincerely,

Sam Balabon
CEO
Deep ATS LLC
3225 Smoky Ridge Road
Austin TX 78730
5125854589

---------- Forwarded message ---------
From: **Sam Balabon** <deepliquidity@gmail.com>
Date: Wed, Mar 24, 2021 at 12:14 PM
Subject: Our Broken Market Structure
To: <chairmanoffice@sec.gov>, <CommissionerPeirce@sec.gov>, <CommissionerRoisman@sec.gov>, <Commissionercrenshaw@sec.gov>, <gensler@mit.edu>
Cc: <Robert.Cook@finra.org>, <FSCDems@mail.house.gov>

Dear SEC Commission,

This letter is a continuation of my letter dated February 3, 2021 and January 28 letters.

Here is all you need to know about the internallizers to get them out of business. Their presence harms the market. Internallizers make money by arbitraging the size of an order presented to them against the size offered at the inside quote. The internalizers like the regulators to think that they possess secret sauce on how they make money. There is a simple formula that the SEC can deploy and it can be proven in court that teaches size arbitrage.

SEC should subpoena the following records of internalizers. They will oppose handing over this info with every excuse in the book. I can assure you they have the information.

First off SEC needs to ask:

Step 1

Request a database of all orders interalized and all orders forwarded off to the stock exchanges for trade executions. Database should include exact time/date order was received to the “microsecond,” the aggregated size (all market centers ATSs/Stock Exchanges) represented at the inside quote at the exact time each order is received by the internalizer. Buy orders match off against the offer price and sell orders match off against the bid price.

Step 2

For each stock traded, what is the average size of the order relative to the size offered at the inside quote at the exact time the order is presented to an internalizer regardless if they internalized the order or sent it to an exchange for execution.

Step 3

Separate the trades that are internalized from the trades that are sent off to exchanges for execution.

Step 4

Obtain an average ratio of the size of the orders relative to the size offered at the inside quote for each stock in both groups at the exact time orders are received by the internalizer.

Step 5

Compare the ratios and average them out for all stocks.

Step 6

Determine the percentage slippage on orders sent to the exchanges compared to the orders internalized. This will show the real cost to customers when their order is sent to the exchanges.

As a general rule, profitable trades for internalizes are trades generally smaller than what is available at the inside quote. Unprofitable trades are trades that move the market and are larger than the size offered at the inside quote. I know this well, because my patented inventions equalize executions for all sizes of orders.

Bulletin board style markets (what we have today) have a structural flaw that can be gamed. Small orders benefit at the expense of large orders and this difference can be arbitraged. Internalizers arbitrage the size of the order presented to them against the size offered at the inside quote. It is that simple. Keep in mind, each toxic order that costs the internalizer to fill is dumped into the exchanges. The cost of filling these orders

fall on the backs of the market makers which makes our markets thinner and more volatile. This phenomenon makes it more expensive to provide liquidity to the market and thus the result; less liquidity in the market at any given time. We need a market structure that supports the advertising of liquidity itself, not the other way around which supports the smallest of orders which distorts supply and demand and subjects the market to steep drops when there is selling. No one is incented to defend the bid prices of the inside quote which results in thin buy liquidity defending the very integrity of the market itself.

Sincerely,

Sam Balabon CEO
Deep ATS LLC
3225 Smoky Ridge Road Austin, TX 78730
512-585-4589

---------- Forwarded message ---------
From: **Sam Balabon** <deepliquidity@gmail.com>
Date: Thu, Jun 3, 2021 at 2:16 PM
Subject: Re: FINRA
To: <FSCDems@mail.house.gov>, <chairmanoffice@sec.gov>
Cc: <Robert.Cook@finra.org>, Colby, Robert <robert.colby@finra.org>, <comments@whitehouse.gov>

here is a picture of me. so you can see the person behind the letter. I am 57 years old.
sam

On Thu, Jun 3, 2021 at 1:37 PM Sam Balabon <deepliquidity@gmail.com> wrote:
Dear Honorable Miss Maxine Waters and SEC Chairman,

In continuation of my last email.

Let me introduce myself again, I am the brains that designed a market structure or you could call it a trading platform of sorts that is designed to input live market data from all the markets and allows traders to input buy and sell orders and make trades. What is unique, the system allows market makers to insert market data into their orders which creates something new. With my trading platform all orders can receive a unique bid and offer coming into the market based on risk determined by the market making community. I raised over $3M from over 40 investors over the years. Had a Harvard MBA as CEO for a while. Even had the head of the trading at SEC Brett Redfearn hustling it for a while. You could say I invented the next generation of trading of financial instruments where markets are created and traded on demand, order by order.

There is a big problem with such a system, it sucks all the life out of everything associated with electronic trading. It is like Google against advertising agencies on searches. Simply cannot get a more disruptive business model.

In this journey I have found myself in bed with Finra. Wow, what an organization! Note: I am currently in a dispute with them over a broker license they refuse to grant.

The reason for this letter, I want to alert you and the SEC chairman about FINRA. Both of you have the greatest power to effect change in this space.

I am only going to address a few points in this letter.

1. Finra's examinations discriminate against the races. Races with lower aggregate IQs will do poorer on the exams. This benefits Asians because they have the highest aggregate IQs. I see FINRA exams as IQ tests. Why? The material that must be memorized is about 90% diluted or 10% of it is relevant info for working in the space. Please request copies of these exams. Seeing is believing. Interesting to note, these exams are FINRA's main foothold in the industry. Their lock on it so to speak. All the financial firms require them. Finra owns the exams, they see them as proprietary property. What needs to happen is new SROs should be able to have their own series 7 exam not just Finra. Not possible for any new SRO to come into the market unless it can "share" the exam system with Finra.

2. This is just small compared to the gorilla in the room. Finra's right to impose its judgement in the form of fines and voiding out broker dealer licenses. This is totally out of hand. I would say the ratio between investor protection compared to the loss of economic activity which would occur if Finra was not a factor is about 97% to 98%. Or another way of looking at it. If investors complain to Finra after losing money, Finra attacks the broker dealer and if the broker dealer fights back at all, Finra runs them out of business citing its standards being breached. Finra standards are so broad, they can be interpreted anyway Finra wants them to be. What can be done about this? Give the brokers some new tools to fight back. Very simply, allow anything to do with fines and penalties to be appealed directly to the courts. Stop all actions against dealers until these disputes are adjudicated. Stop forcing broker dealers from sending every dispute to the SEC. SEC staff see Finra as a deputy in the fight against crime and will not side against them directly. Result: What happens, if a broker raises $10M and collects $1.0M fee and the deal goes bad, Finra makes the firm cover the $10M although the broker was just the middleman. No brokers will engage in such commerce or very few of them. Why pursue 5-10% commissions when you have to under 100 percent of the transactions. That is why there are very few raises by brokers for small companies. Finra staff are simply not qualified to make such judgements regarding fines and punishment against brokers. Finra does not even require their staff to pass the same exams that they require people in the field to pass. So the people that are judging are literally dumber than the people being judged. Crazy. That is fine if the rules are clear which they are not. All rules are discretionary according to Finra for the most part.

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3. Get rid of the NAC National Adjudicatory Council. Its Finra, not an independant jurest. It is a delay tactic by Finra for more time to draw out the process (making weeks worth of work into years of waiting for Finra to decide). It is also a time that allows Finra to prepare their arguments for the next step which is the SEC review. I just finished a broker application with Finra which they denied. Just the process and Finra delaying everything as much as they could has taken almost 2 years. For just for a broker license!! Unbelievable!!!

I don't expect either of you to do anything about this. I get it, nothing in it for anyone that goes against Finra. No upside. I will say this. I have heard talk about increased taxation coming on the economic vehicle called the corporation. Perhaps if you are going to take away from that vehicle, perhaps give something back to it and allow brokers to sell investments in small companies without the heavy hand of Finra pointing a gun to their heads each time they sell a share of a small company. There is demand, unfortunately due to the broken system, this demand is going into short squeezes and crypto not U.S. small companies in need of capital. It is good for the country, allowing the floodgates of small offerings represented by brokers to commence.

I cc'd the CEO and his attorney at Finra. I believe in transparency. They need to know people are not happy with them. Finra staff hates my guts for going after them. I have been effectively banned from the industry on meritless issues. Finra does what it wants for the people it rules. They need to be defanged.

One way is to allow new SROS to share in the Finras exam series, take away Finra's access to brokers' balance sheets. I also attached my original complaint against Finra if you feel like diving into the mud of Finra's unlawfulness and learn more about Finra's ways. This lawsuit went to the federal appellate court where the judges threw it out on a technicality. Never got any judicial opinion.

I took on the industry, man against system, even though I am psychic and have tremendous mental abilities (I can literally build and test complicated inventions in my mind), changing Wall Street was greater than my abilities. I see Robert Cook like Richard Grasso of the old NYSE, overpaid (multi million dollar salaries) and the leader of the old Finra system (1960s) and will fight to keep Finra's power with all his productive energy. I happened to bump into Finra in my quest to reform electronic equity trading. Hopefully my unique insights on Finra can be helpful that will lead to change.

All the best to both of you.

Sincerely,

Sam Balabon
3225 Smoky Ridge Road
Austin TX 78730
5125854589

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