

**FINANCIAL INDUSTRY REGULATORY AUTHORITY  
LETTER OF ACCEPTANCE, WAIVER, AND CONSENT  
NO. 2020066825601**

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

RE: Aegis Capital Corp. (Respondent)  
Member Firm  
CRD No. 15007

Pursuant to FINRA Rule 9216, Respondent Aegis Capital Corp. submits this Letter of Acceptance, Waiver, and Consent (AWC) for the purpose of proposing a settlement of the alleged rule violations described below. This AWC is submitted on the condition that, if accepted, FINRA will not bring any future actions against Respondent alleging violations based on the same factual findings described in this AWC.

**I.**

**ACCEPTANCE AND CONSENT**

- A. Respondent accepts and consents to the following findings by FINRA without admitting or denying them:

**BACKGROUND**

Aegis Capital Corp. has been a FINRA member since July 1984. The firm is headquartered in New York, New York and engages in a general securities business. Aegis employs approximately 240 registered representatives in 20 branch offices.<sup>1</sup>

**OVERVIEW**

Between June 2017 and October 2021, Aegis did not establish, maintain, and enforce a supervisory system, including written supervisory procedures (WSPs), reasonably designed to prevent general solicitations of private placements. Accordingly, Aegis violated FINRA Rules 3110 and 2010. During that same period, Aegis sold 13 private placements claiming exemption from registration under Rule 506(b) of Regulation D, without having established a pre-existing, substantive relationship with all offerees, and therefore violated FINRA Rule 2010 for acting in contravention of Section 5 of the Securities Act of 1933. In some instances with such offerings, the firm also sent communications that violated the content standards of FINRA Rule 2210(d).

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<sup>1</sup> For more information about the firm, including prior regulatory events, visit BrokerCheck® at [www.finra.org/brokercheck](http://www.finra.org/brokercheck).

Additionally, between August 2017 and May 2025, Aegis failed to provide prompt written notice that it had terminated research coverage of an issuer, in violation of FINRA Rules 2241(f) and 2010.

For these violations, Aegis is censured and fined \$375,000.

### **FACTS AND VIOLATIVE CONDUCT**

This matter originated from a FINRA cycle examination of Aegis.

**A. Aegis failed to establish, maintain, and enforce a supervisory system, including WSPs, reasonably designed to achieve compliance with Securities Act rules regarding general solicitations of private placements and sold private placements in contravention of Section 5.**

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

Section 5 of the Securities Act of 1933 prohibits the offer or sale of securities unless either a registration statement is in effect as to such securities or the sales are exempt from registration. Section 4(a)(2) of the Securities Act exempts from registration “transactions by an issuer not involving any public offering.” Rule 506(b) of Regulation D provides a safe harbor under Section 4(a)(2) for private offerings of unregistered securities if certain conditions are met. One such condition is that the offering must not involve a general solicitation to market the securities. Rule 502(c) of Regulation D generally sets forth the forms of prohibited general solicitations. The prohibition against general solicitation under Rule 502(c) ensures that private offerings are marketed to appropriate investors, rather than being marketed broadly to those who may lack the sophistication or financial resources to evaluate and bear the risks of such investments.

A violation of FINRA Rule 3110 is also a violation of FINRA Rule 2010, which provides that member firms “shall observe high standards of commercial honor and just and equitable principles of trade” in the conduct of their business. Acting in contravention of Section 5 also violates FINRA Rule 2010.

The SEC has issued guidance that a broker-dealer, acting on behalf of an issuer, can demonstrate the absence of general solicitation under Rule 502(c) of Regulation D by establishing a pre-existing, substantive relationship with the prospective investors. A “pre-existing relationship is one . . . that was established through . . . a registered broker-

dealer . . . prior to the registered broker-dealer[’s] . . . participation in the offering.”<sup>2</sup> “A ‘substantive’ relationship is one in which the issuer (or a person acting on its behalf) has sufficient information to evaluate, and does in fact evaluate, a prospective offeree’s financial circumstances and sophistication, in determining his or her status as an accredited or sophisticated investor.”<sup>3</sup>

A broker-dealer can establish a substantive relationship with a prospective investor through a previous investment in securities offered by the issuer or through the broker-dealer. It can also do so through submission and approval of an investor qualification questionnaire that is unrelated to any specific offering and elicits adequate information for the firm to determine the financial circumstances and sophistication of the investor. The substantive relationship must be established prior to the time the broker-dealer began participating in the offering.

Between June 2017 and October 2021, Aegis failed to establish a supervisory system that was reasonably designed to achieve compliance with Securities Act rules governing private placement offerings made pursuant to Rule 506(b) of Regulation D. Although the firm’s WSPs prohibited general solicitation of private placements, the WSPs did not inform representatives and supervisors what constituted general solicitation or general advertising, or how a representative could avoid engaging in these prohibited activities. The firm also did not have a system or procedures to verify whether offerees who received private placement solicitations had pre-existing, substantive relationships with the firm, and the firm did not designate supervisors responsible for ensuring that representatives had the requisite relationships prior to soliciting offerees.

During this period, Aegis also participated in the sale and marketing of 13 private placement offerings, each claiming exemption from registration under Rule 506(b) of Regulation D. With respect to some of these offerings, the firm sent mass emails marketing the offerings to hundreds of recipients. The firm also sold securities in the 13 offerings, totaling approximately \$48 million, to approximately 400 customers with whom it could not demonstrate that it had a substantive relationship prior to its participation in the offerings and could not otherwise demonstrate the absence of a general solicitation, in contravention of Section 5.

In October 2021, Aegis revised its supervisory systems and written procedures with respect to soliciting private placements.

By lacking a supervisory system reasonably designed to avoid engaging in general solicitations of private placements, Aegis violated FINRA Rules 3110 and 2010. Additionally, by selling unregistered private placements not subject to an exemption from registration, Aegis violated FINRA Rule 2010 by acting in contravention of Section 5 of the Securities Act of 1933.

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<sup>2</sup> SEC Compliance and Disclosure Interpretations, Question 256.29, dated Aug. 6, 2015, *available at* <https://www.sec.gov/corpfin/securities-act-rules>.

<sup>3</sup> *See id.*, Question 256.31.

**B. Aegis sent communications to prospective investors that failed to meet FINRA's content standards.**

FINRA Rule 2210 sets forth content standards for member communications, including "retail communications," which is defined as "any written (including electronic) communication that is distributed or made available to more than 25 retail investors within any 30 calendar-day period." FINRA Rule 2210(d)(1)(A) requires that all member communications be based on principles of fair dealing and good faith, be fair and balanced, and provide a sound basis for evaluating the facts in regard to any particular security, industry, or service. No member may omit any material fact or qualification if the omission, in light of the context of the material presented, would cause the communication to be misleading. FINRA Rule 2210(d)(1)(B) states that no member may make any false, exaggerated, unwarranted, promissory, or misleading statement or claim in any communication or publish, circulate or distribute any communication that the member knows or has reason to know contains any untrue statement of a material fact or is otherwise false or misleading. FINRA's content standards protect investors by ensuring that they receive accurate and balanced information.

A violation of FINRA Rule 2210 also constitutes a violation of FINRA Rule 2010.

In April 2010, FINRA issued Regulatory Notice 10-22 which reminded members that FINRA's content standards apply to communications about private placements. It stated, "[s]ales literature concerning a private placement that a BD distributes will generally be deemed to constitute a communication by the BD with the public, whether or not the BD assisted in its preparation."

Between July 2020 and October 2021, Aegis representatives sent at least eight retail communications relating to private placements to prospective investors which did not meet the content requirements of FINRA Rule 2210. The communications failed to meet FINRA's content standards by omitting key risks of the offering, thereby failing to provide a fair and balanced presentation; or making exaggerated and unwarranted claims. For example, one investor presentation implied that the valuations for a company were similar to more established companies, which was unwarranted and potentially misleading. Additional retail communications sent by the firm to potential investors highlighted positive aspects of the investment opportunity but failed to balance that information with discussion of risks, including that the investment was speculative, illiquid, and that investors could lose their entire investment.

Therefore, Aegis violated FINRA Rules 2210(d) and 2010.

**C. Aegis failed to provide prompt written notice to customers that it had terminated research coverage of an issuer.**

FINRA Rule 2241(f) requires a member to promptly notify customers if it intends to terminate research coverage of a subject company. Such notification "must be made using the member's ordinary means to disseminate research reports on the subject

company to its various customers” and “be accompanied by a final research report, comparable in scope and detail to prior research reports, and include a final recommendation or rating. If impracticable to provide a final research report, recommendation, or rating, the member must disclose to its customers the reason for terminating coverage.” The rule addresses in part situations in which a member may discontinue coverage of a subject company without changing its ratings of such company, even though a ratings change may be warranted.

A violation of FINRA Rule 2241(f) also constitutes a violation of FINRA Rule 2010.

Between August 2017 and January 2020, and again between October 2020 and May 2025, Aegis did not notify, or promptly notify, customers that it intended to terminate research coverage of Company A. Aegis first initiated research coverage of Company A in November 2016, publishing a report containing a “buy” rating. Aegis then published six additional reports on Company A between November 2016 and August 2017, each also containing a “buy” rating. In August 2017, the Aegis research analyst covering Company A left the firm, and Aegis did not issue research coverage of Company A for two and a half years, without providing notice of termination of coverage and either issuing a final research report or disclosing the reason for terminating coverage. Aegis re-launched coverage of Company A by publishing a research report in January 2020, and then published five additional reports between January 2020 and October 2020, all of which also contained a “buy” rating. Aegis stopped publishing research reports concerning Company A in October 2020. However, Aegis did not notify customers that it had terminated coverage until May 1, 2025—over four and a half years after its last report—and only after FINRA had raised the stop in coverage with the firm. The May 1, 2025 notification was not accompanied by a final research report with a final recommendation or rating. Company A’s share price declined between Aegis’s publication of its last research report in October 2020 and its May 2025 notice of termination of coverage.

Therefore, Aegis violated FINRA Rules 2241(f) and 2010.

B. Respondent also consents to the imposition of the following sanctions:

- a censure and
- a \$375,000 fine.

Respondent agrees to pay the monetary sanction upon notice that this AWC has been accepted and that such payment is due and payable. Respondent has submitted an Election of Payment form showing the method by which it proposes to pay the fine imposed.

Respondent specifically and voluntarily waives any right to claim an inability to pay, now or at any time after the execution of this AWC, the monetary sanction imposed in this matter.

The sanctions imposed in this AWC shall be effective on a date set by FINRA.

## II.

### WAIVER OF PROCEDURAL RIGHTS

Respondent specifically and voluntarily waives the following rights granted under FINRA's Code of Procedure:

- A. To have a complaint issued specifying the allegations against it;
- B. To be notified of the complaint and have the opportunity to answer the allegations in writing;
- C. To defend against the allegations in a disciplinary hearing before a hearing panel, to have a written record of the hearing made, and to have a written decision issued; and
- D. To appeal any such decision to the National Adjudicatory Council (NAC) and then to the U.S. Securities and Exchange Commission and a U.S. Court of Appeals.

Further, Respondent specifically and voluntarily waives any right to claim bias or prejudice of the Chief Legal Officer, the NAC, or any member of the NAC, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including its acceptance or rejection.

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

## III.

### OTHER MATTERS

Respondent understands that:

- A. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by the NAC, a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs (ODA), pursuant to FINRA Rule 9216;
- B. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against Respondent; and

C. If accepted:

1. this AWC will become part of Respondent's permanent disciplinary record and may be considered in any future action brought by FINRA or any other regulator against Respondent;
2. this AWC will be made available through FINRA's public disclosure program in accordance with FINRA Rule 8313;
3. FINRA may make a public announcement concerning this agreement and its subject matter in accordance with FINRA Rule 8313; and
4. Respondent may not take any action or make or permit to be made any public statement, including in regulatory filings or otherwise, denying, directly or indirectly, any finding in this AWC or create the impression that the AWC is without factual basis. Respondent may not take any position in any proceeding brought by or on behalf of FINRA, or to which FINRA is a party, that is inconsistent with any part of this AWC. Nothing in this provision affects Respondent's right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party. Nothing in this provision affects Respondent's testimonial obligations in any litigation or other legal proceedings.

D. Respondent may attach a corrective action statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. Respondent understands that it may not deny the charges or make any statement that is inconsistent with the AWC in this statement. This statement does not constitute factual or legal findings by FINRA, nor does it reflect the views of FINRA.

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

1/20/2026  
Date

Robert Feinman  
Aegis Capital Corp.  
Respondent

Print Name: Robert Feinman

Title: Chief Compliance Officer

Reviewed by:

Michael H. Ference  
Michael H. Ference  
Counsel for Respondent  
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Accepted by FINRA:

1/29/2026  
Date

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

Carolyn Isaac  
Carolyn Isaac  
Senior Counsel  
FINRA  
Department of Enforcement  
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