

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20140421221 C **

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

RE: Jason L. Reid, Respondent
Former Registered Representative
CRD No. 5824399

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, I, Jason Reid ("Reid" or "Respondent") submit this Letter of Acceptance, Waiver and Consent ("AWC") for the purpose of proposing a settlement of the alleged rule violations described below. This AWC is submitted on the condition that, if accepted, FINRA will not bring any future actions against me alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

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

BACKGROUND

Reid is a citizen of the United Kingdom. He was associated with former FINRA member Halcyon Cabot Partners, Ltd. ("Halcyon") from November 2010 until August 11, 2014 and was registered with Halcyon as an investment banking representative from October 19, 2011 until August 11, 2014. Reid is not currently registered with a FINRA member, but remains subject to FINRA jurisdiction pursuant to Article V, Section 4 of FINRA's By-Laws.

RELEVANT DISCIPLINARY HISTORY

Reid has no disciplinary history.

OVERVIEW

In 2011, while associated with Halcyon, Reid performed investment banking and other services for a private company (the "Company"). The Company claimed it could provide medical smart cards that would drastically reduce Medicare and Medicaid fraud by tracking medications, patients, and usage for pharmacies, clinics, and doctors. Soon after Halcyon signed an investment banking agreement with the Company, Reid was appointed to the Company's Board of Directors and in January 2012, began to serve as its Chief Financial Officer ("CFO").

As part of his work for the Company, Reid created offering documents and used them to solicit investors in two private offerings, the "Seed" and "Discount Note" Rounds. The offering documents failed to discuss material risks posed by an investment in the Company and contained materially false and misleading statements regarding its future business prospects, including statements that the Company had a "signed" contract for the use of its smart card in New York State's Medicaid and Medicare programs. The Company raised approximately \$1.3 million in the two offerings.

Reid knew or should have known that the offering documents contained materially false and misleading information and failed to discuss material facts. As a result, Reid contravened Section 17(a)(2) of the Securities Act of 1933 ("Securities Act") in violation of FINRA Rule 2010.

Additionally, Reid engaged in the investment banking business before he was registered, acted as a principal without a principal registration, and engaged in sales activity without being properly registered, in violation of NASD Rules 1021 and 1031 and FINRA Rule 2010. Reid also willfully failed to report and timely report required information in his Uniform Application for Securities Industry Registration or Transfer ("Form U4"), including the existence of a \$50,659 tax lien and his current residential address, in violation of FINRA By-Laws Article V, Section 2(c), and FINRA Rules 1122 and 2010.

FACTS AND VIOLATIVE CONDUCT

1. Reid Sold Securities by Means of Materially False and Misleading Information

a. Relations Among Halcyon, Reid, and the Company

In April 2011, Halcyon, through Reid and a colleague, agreed to provide investment banking services to the Company. As part of its investment banking agreement with Halcyon, the Company was to pay Halcyon a \$10,000 retainer and 6.5% of all funds raised through securities sales, with provision for additional payments depending on the amount raised. On April 19, 2011, Reid, as Halcyon's "VP of Investment Banking," also signed a Mutual Non-Circumvent/Non-Disclosure Agreement (the "NDA") with the Company.

Throughout the summer of 2011, while associated with Halcyon, Reid conducted due diligence on the Company, assisted in the hiring of new management and legal representatives, and assisted in transforming the Company from a limited liability company into a Delaware

corporation. In October 2011, Reid was appointed to the Company's Board of Directors. In January 2012, Reid, on behalf of Halcyon, negotiated a new agreement (the "IB Agreement") pursuant to which the Company was to pay Halcyon 6.5% of all funds raised through securities sales as well as a retainer of \$25,000 per month (\$20,000 in cash and \$5,000 in stock) for Reid's services, including his acting as its CFO.

b. *Reid's Due Diligence*

As a result of the due diligence he performed during the summer of 2011, Reid obtained information that raised red flags about the Company and its management:

- In 2006, a New Jersey Superior Court had enjoined the Company's founder, KL, from making materially false and misleading statements regarding the business prospects of a predecessor to the Company and from engaging in unregistered securities sales.
- The Company had no regular, salaried employees to operate its business and no formal written agreements with service providers.
- The Company had never generated any revenue although it, or its predecessors, had existed for a number of years.
- The Company did not own the technology upon which its smart card product was based and had not finalized an agreement for use of the technology with the foreign company that owned it.

However, in the fall of 2011, the Company began to negotiate a contract to acquire the technology from the foreign company, and KL and other officers assured Reid that the Company had or soon would have a contract with New York State for the use of its smart cards and would, after successful completion of a short trial:

- receive \$4.8 million from New York State to fund set-up operations;
- provide its smart cards to New York Medicaid and Medicare patients for a fee of \$2 per transaction as well as a pre-payment of \$15 per card; and
- receive from New York State 20% of the fraud savings resulting from the use of the Company's smart cards.

KL also told Reid that a subsidiary of the Company, which was incorporated in Panama, would soon have a contract to provide smart card services to the Panamanian government and that the subsidiary would pay the Company \$2 million to license its system. The \$2 million payment was to come from funds the Panamanian subsidiary planned to raise from private investors.

Reid knew, or should have known, that KL was not a reliable source of information. In fact, although the Company hoped to obtain one, it did not have a written contract with New York State as described by KL, and Reid did not adequately verify KL's assertions with independent

third parties. Similarly, Reid never independently confirmed the existence of any contract between the Panamanian subsidiary and the Panamanian government or determined that the Panamanian subsidiary would be able pay \$2 million to license the Company's system.

c. Reid Prepared and Disseminated False and Misleading Offering Documents

In the fall of 2011, Reid participated in the creation of offering documents that were used in the Seed Round and, with minor adjustments, the Discount Note Round. The Seed Round offering remained open from October 2011 until around March 24, 2012, and raised around \$637,500. The Discount Note Round remained open from approximately April 21, 2012 through August 21, 2012, and raised approximately \$645,000. Pursuant to its agreements with the Company, Halcyon received, as placement agent, 6.5% of the proceeds from sales of securities in the Seed and Discount Note Rounds and, paid part of its fee to Reid.

Reid sent the Seed and Discount Note Round offering documents to potential investors in an effort to solicit them to buy the Company's securities. The offering documents contained materially false and misleading statements including the following:

- The Company "has now signed a contract with New York State for implementation of [its] system for use in combating Medicaid and Medicare prescription-based fraud."
- After asserting that New York State incurred \$4.8 billion per year in Medicaid and Medicare fraud and that its system would eliminate up to 99% of the Medicaid fraud, the offering documents claimed that the Company "will be paid a set-up fee for the first project of \$4.8M, plus \$2 per transaction (prepaid at \$15 per card), plus 20% of all fraud savings, calculated quarterly and paid annually."
- "Initial project will see system tested and signed-off in early 2012."
- "On successful trial sign-off, [the Company] will receive \$4.8M set-up fee from New York State (already approved and set aside), with Medicaid roll-out starting immediately afterwards at a rate of 500,000 lives per month and a rate of \$15 per life."
- "After 4.5M Medicaid lives are covered, the Company immediately moves on to 9M Medicare lives on the same basis."
- "Fraud savings start to be calculated on a quarterly basis, for annual payment."
- "After successful completion of a short trial the Company will receive a \$4.8M set-up fee from New York State, after which the Company will equip 93% of all Medicaid lives, at a rate of 500,000 lives per month, to a total of 4.5M lives by March 2013."
- Immediately after the Medicaid roll-out, "the same solution will be rolled out for Medicare lives, a total of 9M, at the same 500,000 lives monthly, to be completed by September 2014."

- “Panamanian company will license system for use in Panama to combat social security fraud, with initial payment of at least \$2M made to” the Company.
- “Probable sale of Company within 18-24 months.”
- The Discount Note Round would “take the Company to strong and repeating revenues, generating hundreds of millions of dollars of profit starting in 2012.”
- In the Discount Note Round offering documents, “receipt of the set-up fee of \$4.8M will secure the repayment” of the notes sold.

The offering documents also included financial projections that the Company would earn revenue of \$61.5 million for 2012, \$141.3 million for 2013, and \$213.3 million for 2014. The projections forecast net income of \$43.9 million for 2012, \$109.6 million for 2013, and \$175.5 million for 2014. Reid reinforced the impression that the Company would soon be profitable in communications with potential investors. For example, in a May 4, 2012 email to a potential investor, Reid stated that the Company had a contract with New York State that will “create tremendous revenue and profit generation starting later this year.”

In addition, the offering documents omitted material information. They failed to discuss the New Jersey Superior Court injunction against KL, the relationship between the Company and the foreign company that owned the technology upon which its product was based, or the specific risks involved in investing in the Company.

As Reid knew or should have known, the Company did not have a contract to receive a \$4.8 million “set up fee” or one to implement its system in New York’s Medicare or Medicaid programs. Nor was there any reasonable basis: a) to project that the company would enjoy robust growth in earnings and revenue; b) to believe that the Company would receive \$2 million from its Panamanian subsidiary; or c) to believe that a sale of the Company was “probable within 18-24 months.”

As a result of the foregoing, Reid contravened Section 17(a)(2) of the Securities Act in violation of FINRA Rule 2010.

2. Reid Acted as a Principal and Engaged in Investment Banking and Securities Business without Proper Registration

On April 19, 2011, before he was registered in any capacity, Reid signed the NDA as Halcyon’s “VP of Investment Banking.” In or around December 2011 or January 2012, Reid negotiated the IB Agreement on behalf of Halcyon. In signing the NDA and negotiating the IB Agreement, Reid acted in the capacity of a principal even though he did not have a principal registration.

Throughout the summer and early fall of 2011, Reid engaged in investment banking on behalf of Halcyon by conducting due diligence on the Company even though he was not registered in any capacity. From in or about October 2011 through on or about August 23, 2012, Reid engaged in

sales of the Company's securities and earned commissions from the sales, even though he was registered only as an investment banker, a registration that does not allow the holder to engage in sales activity. By virtue of the foregoing Reid violated NASD Rules 1021 and 1031 and FINRA Rule 2010.

3. Reid Willfully Failed to Report Information on His Form U4

Around July 2012, Reid's visa expired and he left the United States. Reid has not yet returned to the U. S., but never amended his Form U4 to reflect a new residential address outside the U.S. Additionally, Reid became aware of a \$50,659 tax lien, filed by the Internal Revenue Service, no later than April 2014. He never amended his Form U4 to report it.

In or around October 2011, Reid was appointed to the Company's Board of Directors. In January 2012, with the signing of the IB Agreement, Reid became the Company's CFO. Reid should have amended his Form U4 within 30 days to report these outside business activities, but did not. He first reported these activities on April 18, 2012, six months after he was appointed to the Board and three months after he became CFO.

As a result, Reid willfully omitted to state in his Form U4 material information that he was required to report, in violation of FINRA By-Laws Article V, Section 2(c), and FINRA Rules 1122 and 2010.

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

A bar from associating with any FINRA member in any capacity.

I understand that if I am barred or suspended from associating with any FINRA member, I become subject to a statutory disqualification as that term is defined in Article III, Section 4 of FINRA's By-Laws, incorporating Section 3(a)(39) of the Exchange Act. Accordingly, I may not be associated with any FINRA member in any capacity, including clerical or ministerial functions, during the period of the bar or suspension (see FINRA Rules 8310 and 8311).

I understand that this settlement includes a finding that I willfully omitted to state a material fact on a Form U4, and that under Section 3(a)(39)(F) of the Exchange Act and Article III, Section 4 of FINRA's By-Laws, this omission makes me subject to a statutory disqualification with respect to association with a member.

The sanctions imposed herein shall be effective on a date set by FINRA staff. A bar or expulsion shall become effective upon approval or acceptance of this AWC.

II.

WAIVER OF PROCEDURAL RIGHTS

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

- A. To have a Complaint issued specifying the allegations against me;
- 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, I specifically and voluntarily waive any right to claim bias or prejudgment of the Chief Legal Officer, the NAC, or any member of the NAC, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including acceptance or rejection of this AWC.

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

III.

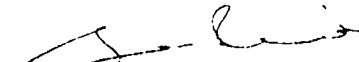
OTHER MATTERS

I understand that:

- A. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by the NAC, a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs ("ODA"), pursuant to FINRA Rule 9216;
- B. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against me; and
- C. If accepted:
 - 1. this AWC will become part of my permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against me;
 - 2. this AWC will be made available through FINRA's public disclosure program in accordance with FINRA Rule 8313;
 - 3. FINRA may make a public announcement concerning this agreement and the subject matter thereof in accordance with FINRA Rule 8313; and
 - 4. I 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. I 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 my: (i) testimonial obligations; or (ii) right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party.

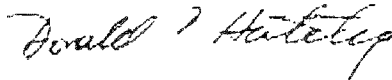
I certify that I have read and understand all of the provisions of this AWC and have been given a full opportunity to ask questions about it; that I have agreed to its provisions voluntarily; and that no offer, threat, inducement, or promise of any kind, other than the terms set forth herein and the prospect of avoiding the issuance of a Complaint, has been made to induce me to submit it.

11/2/2015
Date (mm/dd/yyyy)



Jason L. Reid

Reviewed by:

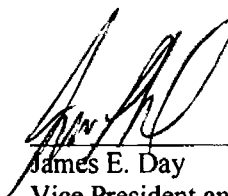


Donald P. Hateley, Esq.
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Accepted by FINRA:

11/5/15
Date

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



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