

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 85424 / March 26, 2019

ADMINISTRATIVE PROCEEDING
File No. 3-18438

In the Matter of

JASON A. WALLACE,

Respondent.

**ORDER MAKING FINDINGS AND
IMPOSING REMEDIAL SANCTIONS
PURSUANT TO SECTION 15(b) OF THE
SECURITIES EXCHANGE ACT OF 1934**

I.

On April 16, 2018, the Securities and Exchange Commission (“Commission”) issued an Order Instituting Administrative Proceedings Pursuant to Section 15(b) of the Securities Exchange Act of 1934 and Notice of Hearing against Jason A. Wallace (“Wallace” or “Respondent”).

II.

During the proceedings instituted pursuant to Section 15(b) of the Securities Exchange Act of 1934 (“Exchange Act”), Respondent submitted an Offer of Settlement (the “Offer”) which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, Respondent admits the Commission’s jurisdiction over him and the subject matter of these proceedings, and the findings contained in paragraph III.D.13 below, and consents to the entry of this Order Making Findings and Imposing Remedial Sanctions Pursuant to Section 15(b) of the Securities Exchange Act of 1934 (“Order”).

III.

On the basis of this Order and Respondent's Offer, the Commission finds¹ that:

A. SUMMARY

1. From September 2010 through January 2012, Wallace operated an entity he owned and controlled, JAW & Associates, Inc. ("JAW"), as a boiler room. During that time, Wallace, directly and through JAW cold callers whom he controlled, on behalf of two sellers solicited investors to purchase shares of four microcap issuers: Systems America, Inc. ("Systems America"), PEI Worldwide Holdings, Inc. ("PEI"), Sycamore Ventures, Inc. ("Sycamore"), and Healthient, Inc. ("Healthient"). During the relevant period, the common shares of Healthient, PEI, Sycamore, and Systems America were penny stocks. Wallace, directly and through JAW cold callers, fraudulently induced investors to buy shares by, among other things, making baseless predictions about per share price increases and not disclosing that each seller paid a commission of up to 40-50% to JAW, which Wallace distributed to the cold callers and himself in the form of commissions. Wallace purchased unwanted shares in his brokerage account at artificially high prices to create the deceptive appearance of market interest in the securities so as to induce investors to buy shares. All told, Wallace, directly and through JAW cold callers, induced over 200 buyers to purchase a cumulative total of at least 8.29 million shares, generating at least \$2.17 million in gross proceeds from which the two sellers paid commissions of over \$434,000 to JAW. From February through April 2011, Wallace engaged in unregistered offers and sales of over 83,500 Sycamore shares generating gross sales proceeds in excess of \$68,000. Lastly, Wallace and JAW, with which Wallace was associated, acted as unregistered brokers.

B. RESPONDENT

2. Wallace, age 38, resides in Huntington Beach, California. From at least September 2010 through January 2012, Wallace was the sole shareholder, officer, and director of JAW, a California corporation. Wallace has never held any securities licenses, has never been registered with the Commission in any capacity, and has never associated with a registered broker-dealer. In November 2012, in connection with the conduct alleged herein, Wallace pleaded guilty to conspiracy to commit securities fraud in violation of 18 U.S.C. § 371. *U.S. v. Wallace*, SA CR-12-211-JVS (C.D. Cal.).

C. OTHER RELEVANT ENTITIES AND INDIVIDUALS

3. JAW was a California corporation founded by Wallace in 2007 and dissolved in 2012. JAW's principal place of business was Huntington Beach, California. Wallace controlled JAW during the relevant time period. JAW has never been registered with the Commission in any capacity.

¹ The findings herein are made pursuant to Respondent's Offer and are not binding on any other person or entity in this or any other proceeding.

4. Aero Financial, Inc. (“Aero”) was incorporated in Nevada. During the relevant period, Aero’s principal place of business was in San Diego, California. Aero purported to provide promotional and other growth support services to development-stage companies.

5. James Price (“Price”), age 61, resides in Belleair Bluffs, Florida. Price owned Aero during the relevant period and was the company’s Chief Executive Officer and Board Chairman. As a result, Price often received shares of the development-stage companies that were working with Aero. Additionally, Price was the sole officer and director of Sycamore from November 8, 2010 through at least January 18, 2011.

6. William Alverson (“Alverson”), age 54, resides in Jupiter, Florida. During the relevant time period, Alverson was Chairman of the Board of Healthient. In January 2015, Alverson pleaded guilty to violating 15 U.S.C. §§ 77e and 77x and 18 U.S.C. § 2 by engaging in unregistered sales of Healthient securities.

7. Brian Kingsfield (“Kingsfield”), age 49, was a business associate of Alverson, Price, and Wallace. Kingsfield was a penny stock promoter who frequently solicited buyers for securities owned by Price. In 2015, Kingsfield pleaded guilty to conspiracy to commit securities fraud in violation of 18 U.S.C. § 371. *U.S. v. Kingsfield*, SA CR 15-00014 JVS (C.D. Cal.). He is currently serving a one-year prison term.

8. Healthient, now known as Curative Biosciences, Inc., is a Nevada corporation. During the relevant time period, its principal place of business was in Florida, and the company purportedly engaged in the business of developing and marketing snack food products. During the relevant time period, Healthient’s common stock was quoted on the OTC Bulletin Board under the symbol “SNAX.”

9. PEI was incorporated in Nevada. During the relevant time period, its principal place of business was in Texas. The company purportedly engaged in the business of producing, selling, and distributing building materials. PEI’s common stock was quoted on OTC Link operated by OTC Markets Group Inc. (“OTC Link”) under the symbol “PEIW.”

10. Sycamore was incorporated in Delaware. It was formed using a defunct publicly traded company’s name, Committee on Uniform Security Identification Procedures (“CUSIP”) number, and ticker symbol. Sycamore’s common stock was quoted during the relevant time period on OTC Link under the symbol “SYVN,” even though Sycamore was a private company.

11. Systems America, now known as Cloudeeva, Inc., was incorporated in Florida. During the relevant period, it had its principal place of business in California. Systems America was a cloud services and information technology (“IT”) company that purportedly provided IT staffing services to clients and third-party vendors in the United States. During the relevant time period, Systems America’s common stock was quoted on OTC Link under the symbol “SYAI.”

D. ENTRY OF THE INJUNCTION

12. On September 27, 2016, the Commission filed a complaint in the United States District Court for the Central District of California against Wallace concerning the same conduct described below. *SEC v. Jason A. Wallace*, Civil Action Number 8:16-cv-01788.

13. On December 15, 2017, the court entered a final judgment by default against Wallace, permanently enjoining him from future violations of Sections 5 and 17(a) of the Securities Act of 1933 (“Securities Act”) and Sections 9(a)(2), 10(b), and 15(a) of the Exchange Act and Rule 10b-5 thereunder.

14. Wallace has not acknowledged any wrongdoing or offered any assurances against future violations of the securities laws.

E. WALLACE CONTROLLED JAW AND OPERATED IT AS A BOILER ROOM

15. From its founding until its dissolution in 2012, Wallace operated JAW as a boiler room. Wallace and his JAW cold callers, whom he hired and trained, acted as sellers’ agents and used high-pressure sales tactics to solicit buyers for the arranged sale of certain unregistered securities.

16. At all relevant times, Wallace was in charge of JAW’s finances, including maintaining JAW’s bank account and filing JAW’s tax returns.

17. At all relevant times, Wallace was responsible for hiring, training, and supervising a team of JAW cold callers. He also paid their compensation with a portion of the sales commissions that JAW received.

18. Wallace also developed and maintained “customer lists” comprised of the names and telephone numbers of potential investors whom his cold callers targeted for sales pitches.

F. WALLACE UNDERTOOK TO ACT, AND HAVE JAW ACT, AS SELLER’S AGENT FOR PRICE AND ALVERSON IN THE FRAUDULENT SCHEME

19. Prior to 2010, Wallace and JAW cold callers acted as seller’s agents in soliciting buyers of private placements.

20. In 2010, Kingsfield approached Wallace about expanding JAW into a new line of business: promoting and selling penny stocks on the open market. At that time, Kingsfield was promoting and selling penny stocks for Price.

21. Price owned a large number of penny stocks and wanted to expand his sales operation beyond Kingsfield. Price wanted to partner with an established boiler room operator with tested customer lists, but he did not want to work with any registered brokers or

their associated persons. Price sought someone who was experienced in generating demand and closing sales but was not subject to regulatory scrutiny.

22. Wallace satisfied Price's criteria. Kingsfield recruited Wallace to create a false market for Price's penny stocks by making fraudulent misrepresentations to prospective buyers and placing buy orders through Wallace's own brokerage account for the purpose of artificially inflating the volume and share price so as to induce buyers to purchase. Beginning in September 2010, Wallace and his boiler room, JAW, solicited buyers for Price's shares of PEI, Sycamore, and Systems America.

23. Kingsfield later recruited Wallace and his boiler room to solicit buyers for Alverson's Healthient shares.

24. Wallace's job was to use his boiler room to coordinate trades between investors and Price or Alverson.

G. WALLACE AND JAW ACTED AS UNREGISTERED BROKERS

25. Wallace orally received a sales pitch from Kingsfield, Price, or Alverson that detailed how many shares Price or Alverson wanted to sell and at what share price. Wallace wrote down the sales pitch and gave it to his cold callers, but he did not expect the cold callers to follow the scripts verbatim. Wallace closely monitored the cold callers when they delivered sales pitches via telephone to potential buyers. In real time, Wallace directed the cold callers to adjust the sales pitches to fit the needs and interests of the potential investors who were on the calls. Wallace even stepped in and delivered adapted sales pitches when he thought different sales tactics were needed to persuade potential investors to buy. As a result, Wallace had ultimate authority over the content of the sales pitches that his cold callers delivered to potential investors.

26. Wallace and JAW's cold callers directed investors to place buy limit orders with the investors' broker-dealers. The size and the amount of the buy limit orders that Wallace and the cold callers told investors to place were dictated by Price or Alverson based on how many of his shares he wanted to sell and at what price. Wallace arranged for the investors to place buy limit orders, and Price and Alverson placed matching sell limit orders. The corresponding limit orders were executed, and Price and Alverson sold their shares to the buyers solicited by Wallace's boiler room.

27. When an investor was persuaded to buy, Wallace texted or called Kingsfield, Price, or Alverson to confirm how many shares Price or Alverson wanted to sell and for how much. Wallace or a cold caller then went back to the potential investor and instructed him or her to place a buy limit order for the exact number of shares that Price or Alverson wanted to sell at precisely the price he wanted to receive. To make the investor more comfortable with the transactions, he or she was directed to use his or her own broker-dealer to place the buy limit order. Wallace or a cold caller also urged the investor not to listen if the broker-dealer tried to dissuade him or her from placing the buy limit order. Wallace then alerted Kingsfield, Price, or Alverson that an investor was placing the requested buy limit order. Price

or Alverson placed a corresponding sell limit order and “caught” the investor’s buy limit order. A trade was then executed between Price or Alverson and the investor solicited by Wallace’s boiler room.

28. Price and Alverson each paid JAW a commission of up to 40-50% on coordinated trades, which Wallace split with the cold callers and, at times, Kingsfield.

29. Between September 2010 and January 2012, Wallace and his boiler room induced unsuspecting investors to purchase at least 1.56 million shares of Healthient, at least 6.23 million shares of Sycamore, and at least 494,267 shares of Systems America, as well as a number of PEI shares, in coordinated trades with Price and Alverson. Price and Alverson earned at least \$2.17 million on these sales and paid at least \$869,774 in commissions, of which, after being split with Kingsfield, JAW received at least \$434,887 in commissions.

30. To maintain the appearance of a real market and minimize the downward pressure on the stock price, Wallace took steps to prevent investors from independently selling their Healthient, PEI, Sycamore, and Systems America securities into the market. Wallace and JAW cold callers directed investors not to sell unless they went through Wallace and the boiler room to find the best buyer at the best price. This was to ensure that Wallace and the boiler room had an opportunity to talk the investors out of selling or at least find someone else to buy the shares. Wallace, along with Kingsfield and Price, monitored the over-the-counter markets in real time and looked for bids and asks in the penny stocks they were promoting. When there was an order out to sell one of the penny stocks they were promoting, Wallace worked to find the seller. When he did not recognize the seller based on the number of shares being sold and the market maker, Wallace and the cold callers called the investors they had solicited until they found the investor who was selling. They would then try to talk the investor out of selling or find a replacement investor whom they could convince to purchase the shares at a price recommended by them and using the same methods described herein.

31. While acting as seller’s agent and soliciting buyers for Price’s and Alverson’s shares, neither Wallace nor JAW was registered with the Commission as a broker, and Wallace was not associated with a registered broker-dealer.

32. Therefore, Wallace and JAW acted as unregistered brokers.

H. WALLACE AND JAW MADE MATERIALLY FALSE STATEMENTS AND OMISSIONS

33. Wallace and the JAW cold callers misrepresented who hired them to promote the penny stocks. With respect to each security, Wallace and the cold callers falsely told prospective investors that “the company” — meaning the issuer — was paying for the stock promotion. In truth, Price and Alverson hired Wallace and his boiler room, and the securities promoted were Price’s and Alverson’s own shares. Wallace and the cold callers never disclosed to potential investors Price’s and Alverson’s identities, their roles in the sales campaigns, or that they were the sources of the shares that were available to purchase.

34. Wallace and the JAW cold callers directed investors to place buy limit orders for certain quantities of the penny stocks at certain prices. In doing so, Wallace and the cold callers omitted material facts about the purpose and operation of the buy limit orders. For example, Wallace and the cold callers never disclosed that they were setting the size and price of the buy limit orders based on how many shares Price and Alverson wanted to sell at what price. Wallace and the cold callers also did not disclose that Wallace was coordinating with Price and Alverson to place corresponding sell limit orders to ensure that the trades were executed. In addition to not disclosing that Wallace was acting as seller's agent, Wallace and the cold callers did not tell investors when they were directing them to place buy limit orders that those buy limit orders would result in executed trades that would pay a 40-50% commission to JAW. As a result, investors were unaware that the sales commissions were a direct and substantial percentage of the buy limit orders that Wallace and the cold callers were instructing investors to place.

35. Wallace and the cold callers also made false statements about the nature of the sales campaign. Wallace and the cold callers affirmatively told potential investors that the telephone sales pitches were only the initial phase and that a "viral" email marketing campaign would follow once the securities reached certain selling prices. Potential investors were led to believe that the penny stocks would be worth more after the "viral" email marketing campaign started. In fact, no "viral" email marketing campaign was undertaken or even contemplated.

36. Additionally, Wallace and the cold callers made false price predictions to induce potential investors to purchase the penny stocks. For example:

- On or about January 11, 2011, a cold caller induced an investor to buy Systems America stock at \$2.45 per share by promising that the price would rise to \$9 per share.
- A cold caller induced an investor to purchase Sycamore securities on or about January 25, 2011, at \$0.30 a share by promising that the stock's price would reach \$2-3 per share.
- On or about July 27, 2011, Wallace promised one potential investor that "the [Sycamore] stock will go up in value with every single trade."
- On or about July 27, 2011, Wallace promised a prospective investor that Sycamore's share price would increase from \$0.06 per share to \$5.00 per share in one year.
- On or about August 15, 2011, a cold caller induced an investor to purchase Healthient shares for \$0.17 per share by promising that the price would reach \$5.00 per share.

37. These price predictions were false when Wallace and the JAW cold callers made them. The forecasted share prices did not reflect how much the penny stocks were worth or how they reasonably could be expected to perform in the future. Indeed, neither Wallace nor

anyone else undertook an analysis of the issuers' financial performance or operations. Instead, Wallace directed the cold callers to project price increases that would induce buyers to purchase Price's and Alverson's shares at the sought-after prices. Whether an increase in share price was significant enough to induce a purchase was the only metric used in making the price predictions. In fact, Wallace knew that the share prices of Healthient, PEI, Sycamore, and Systems America would collapse when his boiler room stopped promoting the securities and he stopped propping up their prices with manipulative trades.

38. In addition to making false price predictions, Wallace and the cold callers at times falsely promised risk-free investments: one investor was assured on or about January 20, 2011 that he would be reimbursed fully if he sustained any investing losses on Systems America stock. This was false. Wallace and the cold callers never intended to reimburse any investment losses, and had no expectation that anyone else would either. Price, Kingsfield, Wallace, and the cold callers knew that investment losses were inevitable once the fraudulent sales campaign ended, and the fraudulent sales campaign lasted only as long as it took to sell Price's Systems America shares for maximum profit.

39. In addition to making misstatements to induce potential investors to purchase the penny stocks, Wallace and the JAW cold callers made false statements to stop the investors from selling the Healthient, PEI, Sycamore, and Systems America securities that they already owned. The price predictions and occasional no-risk guarantees were repeated to convince investors to hold or re-purchase their shares. The investors were assured that Wallace and the cold callers would tell the investors the right time to sell. Wallace and the cold callers only made this promise to ensure that the investors would hold onto their shares, thereby avoiding the depressive effect that selling activity would have on the per share price which would have called into question Wallace's and JAW cold callers' representations about projected price increases and impeded their ability to sell more shares. Wallace and the cold callers never intended to tell the investors the right time to sell so that they would avoid losses.

40. The omissions referenced in paragraphs H.33 and H.34 also made those statements which were made, as detailed in paragraphs H.33-39, materially misleading. Having access to the omitted information would have enabled investors to put those statements which were made in context and to realize the statements which were made were false. For example, a reasonable investor would find the source and magnitude of commissions material to the decision of whether or not to purchase because they would raise questions about: (1) the soundness and validity of the price predictions if an individual shareholder was so keen to sell his shares notwithstanding the assured gains that he was willing to forego 40-50% of his proceeds; (2) why a commission of that magnitude was necessary to induce the cold callers to engage in selling activities; and (3) what the payment of 40-50% commissions as an inducement to cold callers to engage in soliciting buyers indicated about the illiquidity of the market and the difficulty the buyers might encounter in trying to sell their shares.

41. Wallace knew, or was reckless in not knowing, that the misrepresentations detailed in paragraphs H.33-39 were materially false and misleading.

I. WALLACE PLACED TRADES TO ARTIFICIALLY INFLATE TRADING VOLUME AND SHARE PRICE TO INDUCE INVESTORS TO BUY

42. At the inception of their working relationship, Kingsfield directed Wallace to open his own personal brokerage account so that Wallace could trade in Healthient, PEI, Sycamore, and Systems America to create volume in the penny stocks and prop up their share prices.

43. Wallace opened a brokerage account through which he bought and sold small amounts of the stocks with his own money. At times, Wallace engaged in this trading at the request of Kingsfield or Price. More often, however, Wallace undertook the trading at his own initiative when he thought the stocks needed the appearance of market demand and some price support.

44. There was no legitimate purpose for Wallace's trading. Wallace engaged in it to increase the securities' trading volume and prop up their share prices — a practice that Kingsfield and Wallace referred to as “painting” and “lifting” the stocks — to induce investors to purchase the Healthient, PEI, Sycamore and Systems America securities. Wallace considered the stock purchases and any investment losses he inevitably sustained on them a cost of doing business because the trading supported his boiler room operation.

45. On numerous occasions, Wallace placed buy limit orders for 100-200 shares of the penny stocks. Wallace's buy limit orders resulted in 208 executed trades in these securities.

46. The vast majority of Wallace's 208 executed trades were at prices higher than the securities' last reported trades. For example:

- Wallace had nine executed trades in PEI securities, and seven of those were executed at a higher price than the last reported trade.
- Wallace had 61 executed trades in Healthient securities, and 56 of those were executed at a higher price than the last reported trade.
- Wallace had 56 executed trades in Systems America securities, and 51 of those were executed at a higher price than the last reported trade.
- Wallace had 81 executed trades in Sycamore securities, and 80 of those were executed at a higher price than the last reported trade.

47. Indeed, Wallace's executed trades set the highest price for the trading day 99 different times.

48. Wallace's executed trades created the appearance of an active market for the securities of Healthient, PEI, Sycamore, and Systems America and artificially inflated their share prices for the purpose of inducing investors to buy.

J. WALLACE AND JAW MADE UNREGISTERED OFFERS AND SALES OF SECURITIES

49. Wallace and his boiler room made unregistered offers and sales of Sycamore securities, or in the alternative, were necessary participants and played a substantial factor in the unregistered offer and sale of Sycamore securities.

50. In February 2011, Price and Aero purchased 663,702 Sycamore shares in private transactions. Price engaged Wallace and his boiler room to resell the shares through telephone sales pitches to potential investors.

51. From February 2011 through April 18, 2011, Wallace and his boiler room offered and sold at least 83,550 Sycamore shares to investors, with gross sales totaling at least \$68,586.

52. All of those offers and sales were unregistered because no registration statement was ever filed or in effect with the Commission and thus purchasers in those unregistered transactions were deprived of the information that should have been set forth in a registration statement.

K. VIOLATIONS

53. As a result of the conduct described above, Wallace violated Securities Act Sections 5(a) and (c) and 17(a), and Exchange Act Sections 9(a)(2), 10(b), and 15(a)(1) and Rule 10b-5, thereunder.

54. As a result of the conduct described above, Wallace aided and abetted JAW's violations of Securities Act Section 17(a) and aided and abetted, and was liable as control person under Exchange Act Section 20(a), for JAW's violations of Exchange Act Sections 10(b) and 15(a) and Rule 10b-5 thereunder.

55. As a result of the conduct described above, Wallace aided and abetted Kingsfield's violations of Securities Act Section 17(a)(2) and (3) and Exchange Act Section 10(b) and Rule 10b-5(b) and (c) thereunder.

IV.

In view of the foregoing, the Commission deems it appropriate and in the public interest to impose the sanctions agreed to in Respondent Wallace's Offer.

Accordingly, it is hereby ORDERED, pursuant to Section 15(b) of the Exchange Act, that Respondent Wallace be, and hereby is:

1. barred from association with any broker, dealer, investment adviser, municipal securities dealer, municipal advisor, transfer agent, or nationally recognized statistical rating organization; and
2. barred from participating in any offering of a penny stock, including: acting as a promoter, finder, consultant, agent or other person who engages in activities with a broker, dealer or issuer for purposes of the issuance or trading in any penny stock, or inducing or attempting to induce the purchase or sale of any penny stock.

Any reapplication for association by the Respondent will be subject to the applicable laws and regulations governing the reentry process, and reentry may be conditioned upon a number of factors, including, but not limited to, the satisfaction of any or all of the following: (a) any disgorgement ordered against the Respondent, whether or not the Commission has fully or partially waived payment of such disgorgement; (b) any arbitration award related to the conduct that served as the basis for the Commission order; (c) any self-regulatory organization arbitration award to a customer, whether or not related to the conduct that served as the basis for the Commission order; and (d) any restitution order by a self-regulatory organization, whether or not related to the conduct that served as the basis for the Commission order.

For the Commission, by its Secretary, pursuant to delegated authority.

Vanessa A. Countryman
Acting Secretary