

**FINANCIAL INDUSTRY REGULATORY AUTHORITY  
LETTER OF ACCEPTANCE, WAIVER, AND CONSENT  
NO. 2020066246901**

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

RE: Scott Wayne Reed (Respondent)  
Former General Securities Representative; Former General Securities Principal; Former  
General Securities Sales Supervisor  
CRD No. 3007033

Pursuant to FINRA Rule 9216, Respondent Scott Wayne Reed 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 hereby accepts and consents, 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**

Reed first became registered with a FINRA member firm in 1999. He was subsequently registered with several other FINRA member firms before becoming registered through an association with Wells Fargo Clearing Services, LLC (Wells Fargo) on April 11, 2016. At Wells Fargo, Reed was registered as a General Securities Representative, General Securities Principal and General Securities Sales Supervisor. On April 17, 2020, Wells Fargo filed a Form U5 reporting Reed's voluntary termination from the firm while under internal review regarding allegations that he "recommended and facilitated investment opportunities in investments sold away from and not offered by [Wells Fargo]." In the same Form U5 filing, Wells Fargo also reported a customer complaint alleging Reed "recommended an investment opportunity in a company not offered by [Wells Fargo]."

After Wells Fargo, Reed registered through an association with another FINRA member firm until December 26, 2020. He is not currently associated with a FINRA member firm. FINRA retains jurisdiction over Reed under Article V, Section 4 of the FINRA By-Laws. He does not have any relevant disciplinary history.

## OVERVIEW

In 2019-2020, while associated with Wells Fargo, Reed participated in private securities transactions totaling at least \$3.5 million without providing prior written notice to the firm. Accordingly, Reed violated FINRA Rules 3280 and 2010.

## FACTS AND VIOLATIVE CONDUCT

FINRA began investigating this matter after learning of the allegations reported in the April 17, 2020 Form U5 referenced above.

FINRA Rule 3280 prohibits each associated person from “participat[ing] in any manner in a private securities transaction” without first giving his or her firm written notice that “describ[es] in detail the proposed transaction,” the proposed role in the transaction, and “whether he has received or may receive selling compensation in connection with the transaction.” A violation of FINRA Rule 3280 is also a violation of FINRA Rule 2010, which requires associated persons to “observe high standards of commercial honor and just and equitable principles of trade.”

Beginning in early 2019 and continuing until his termination from Wells Fargo in April 2020, Reed solicited at least six individuals, including at least two Wells Fargo customers, to invest in securities issued by a software and web development company based in Pasadena, California. The securities were notes issued by the company to raise capital for its ongoing operations and for investors to profit from the repayments, which included a 15% rate of interest. Reed participated in at least \$3.5 million in these investments away from the firm by providing written materials about the company to investors, and by communicating with them orally, by email and text message about the company and encouraging them to invest. Reed also facilitated the transactions by, among other things, helping investors send or receive transfers of funds. In one case, Reed offered to personally guarantee half of an individual’s investment. He received selling compensation of \$191,340 from the company for his role in soliciting and facilitating the investments. Reed also personally invested over \$200,000 in the company. Reed failed to provide Wells Fargo with prior notice or obtain the firm’s advance approval for his participation in these private securities transactions. By participating in private securities transactions away from the firm, Reed violated FINRA Rules 3280 and 2010.

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

- A bar from associating with any FINRA member in all capacities

Respondent understands that if he is barred or suspended from associating with any FINRA member, he becomes 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 Securities Exchange Act of 1934. Accordingly, he 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.



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

## 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 him;
- 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 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 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 testimonial obligations or right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party.

Respondent certifies that he has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it; Respondent has agreed to the AWC's provisions voluntarily; and 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 him to submit this AWC.

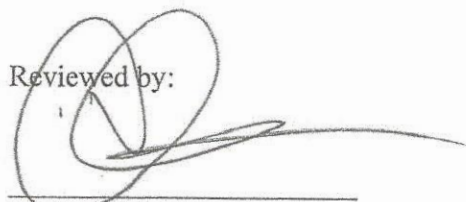
2/15/21

Date



Scott Wayne Reed  
Respondent

Reviewed by:



Alan Baskin  
Counsel for Respondent  
Baskin PLC  
6263 N. Scottsdale Road  
Suite 340  
Scottsdale, AZ 85250

Accepted by FINRA:

February 19, 2021

Date

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



Andrew Friedman  
Principal Counsel  
FINRA  
Department of Enforcement  
15200 Omega Drive  
Suite 300  
Rockville, MD 20850