

5. Halcyon has been registered with the Office of the Kansas Securities Commissioner (“KSC”) as a broker-dealer since July 28, 2010, and is, therefore, subject to the Commissioner’s jurisdiction.
6. The Financial Industry Regulatory Authority (“FINRA”) is a private, non-governmental organization, formed by the industry firms and professionals that it regulates, that is registered with the United States Securities and Exchange Commission as a self-regulatory organization pursuant to the Securities Exchange Act of 1934.
7. The Respondent was registered with FINRA as a broker-dealer from October 31, 2007 to October 6, 2015, when it was expelled from FINRA membership.
8. On or about July 28, 2015, Disciplinary Proceeding No. 2012033877802 (“Disciplinary Proceeding”) was filed by FINRA’s Department of Enforcement against Halcyon and firm principals Michael T. Morris (“Morris”), CRD No. 843281, and Ronald M. Heineman (“Heineman”), CRD No. 241924.
9. On or about October 6, 2015, FINRA entered an Order Accepting Offer of Settlement (“Order”) submitted by Respondent and the above-referenced firm principals in response to the Disciplinary Proceeding. The Order immediately expelled Respondent from FINRA membership.
10. According to the terms of the Order, Respondent consented to the entry of FINRA’s findings and violations and to the imposition of sanctions contained within the Order.
11. According to the Order, FINRA’s findings include the following, *inter alia*:

Between December 2010 and May 2013, Halcyon and its principals, Morris and Heineman, engaged in serious and widespread violations of FINRA rules and federal securities laws. One or more of the firm and/or its principals (1) engaged in a scheme to

defraud investors by causing the firm to serve as a bogus placement agent to conceal a kickback of a private placement fee; (2) caused the firm to serve as a false sales agent so a now-expelled broker-dealer could charge commissions to both buyers and sellers in certain private sales of securities; (3) falsified the firm's books and records to conceal a now-barred registered representative's sales of securities in states where he was not registered; (4) and engaged in unauthorized and excessive trading (churning) in customer accounts. All of these violations were enabled by the firm's culture of non-compliance, which manifested itself in numerous supervisory violations and an inoperable anti-money laundering ("AML") program.

12. According to the Order, the violations cited by FINRA include the following, *inter alia*:
- a. Halcyon engaged in a fraudulent scheme and deceptive practices to defraud the issuing firm's shareholders and the investing public in violation of Section 10b of the Securities Exchange Act, Rules 10b-5(a) and (c) thereunder, and FINRA Rule 2010.
 - b. Halcyon failed to observe high standards of commercial honor and just and equitable principals of trade by facilitating concealment of a now-expelled brokerage firm's receipt of additional transaction fees from lateral transfer sellers, and by not disclosing its commission-sharing agreement with the same firm to the lateral transfer sellers in violation of FINRA Rule 2010.
 - c. Halcyon caused the creation and maintenance of false books and records, namely customer account statements, new account documents, trade confirmations, and commission runs, in violation of NASD Rule 3110(a) and FINRA Rules 4511 and 2010.
 - d. Due to the churning and excessive trading that occurred in two client accounts, Halcyon directly or indirectly, by use of the means or instruments of interstate commerce, or of the

mails, or of a facility of a national securities exchange: (1) employed devices, schemes, or artifices to defraud; (2) made untrue statements of a material fact or omitted to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; or (3) engaged in acts, transactions, practices, or courses of business which operated or would operate as a fraud or deceit upon any person, in connection with the purchase or sale of securities.

Therefore, the firm violated Section 10(b) of the Exchange Act, Rule 10b-5 thereunder, NASD Rule 2310, and FINRA Rules 2020, 2111, and 2010.

- e. Halcyon failed to establish and implement an adequate AML compliance program reasonably designed to cause the detection and reporting of suspicious activity in violation of FINRA Rules 3310(a) and 2010.
- f. Halcyon failed to designate an adequately qualified person to serve as the AML Compliance Officer in violation of FINRA Rules 3310(d) and 2010.
- g. Halcyon failed to establish, maintain, and enforce (1) an adequate supervisory system reasonably designed to achieve compliance with applicable securities laws and regulations and (2) sufficient written supervisory procedures to supervise firm employees and activities in order to achieve compliance with applicable securities laws and FINRA rules. Therefore, the firm violated NASD Rule 3010 and FINRA Rule 2010.

13. Although the Respondent's expulsion from FINRA membership was a ground for the Commissioner to revoke the firm's broker-dealer registration with the State of Kansas pursuant to K.S.A. 17-12a412(d)(5)(C), Staff for the Office of the Kansas Securities Commissioner ("KSC Staff") opened a limited investigation in order to inquire further regarding the violations contained within the Order.

14. According to K.S.A. 17-12a411(d), the Commissioner and his representatives have the ability to conduct examinations and investigations on registered broker-dealers, within or without, this state as the Commissioner considers necessary or appropriate in the public interest and for the protection of investors. An audit or inspection may be made at any time and without prior notice.
15. Pursuant to K.S.A. 17-12a411(d), KSC Staff attempted to contact Halcyon regarding FINRA's registration revocation on February 26, 2016, via a letter ("Request Letter") stating that the firm must provide KSC Staff with a written response within five (5) days of the date of the Request Letter. The Request Letter was sent to the firm's last known address: 767 Third Avenue, 17th Floor, New York, New York, 10017.
16. One copy of the Request Letter was sent by regular first class mail through the U.S. Postal Service and was returned to KSC Staff on March 21, 2016, with a label dated March 5, 2016 that stated "RETURN TO SENDER UNABLE TO FORWARD". A second copy of the Request Letter was sent by certified mail and was returned to KSC Staff on March 14, 2016, with a label dated March 8, 2016 that stated "RETURN TO SENDER UNABLE TO FORWARD".
17. KSC Staff has not received a response from Halcyon to the Request Letter.
18. Revocation of Halcyon's broker-dealer registration is in the public interest.

II. CONCLUSIONS OF LAW

19. The Commissioner has jurisdiction over Respondent and this matter.
20. The Commissioner may revoke Respondent's broker-dealer registration pursuant to K.S.A. 17-12a412(b) if there is a ground for discipline and the revocation is in the public interest.

21. Respondent's expulsion from FINRA membership, after notice and opportunity for hearing, constitutes a ground for discipline pursuant to K.S.A. 17-12a412(d)(5)(C).
22. Respondent's willful failure, without cause, to comply with a request for information by the Commissioner or person designated by the Commissioner in conducting an investigation or examination pursuant to the Kansas Uniform Securities Act constitutes a ground for discipline pursuant to K.S.A. 17-12a412(d)(8).
23. Due to the fact that mail cannot be received, or forwarded, at the Respondent's last known address, stated within its most recently filed Form BD with the Central Registration Depository, Respondent violated K.A.R. 81-3-1(b)(4)(A).

III. ORDER

WHEREFORE, it is hereby Ordered, pursuant to K.S.A. 17-12a412(b), that Respondent's broker-dealer registration with the State of Kansas is revoked.

IT IS SO ORDERED BY THE COMMISSIONER.

Entered at Topeka, Kansas, this 15 day of June, 2016,



[Redacted signature area]

Joshua A. Wey
Kansas Securities Commissioner

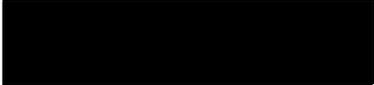
CERTIFICATE OF SERVICE

I hereby certify that on this 17th day of June, 2016, a copy of the above Final Order Imposing Administrative Sanctions was sent via certified and first class mail to the following:

Halcyon Cabot Partners, Ltd.
767 Third Avenue
17th Floor
New York, NY 1001

And via email to:

Heather Gallagher
OFFICE OF THE KANSAS
SECURITIES COMMISSIONER
109 SW 9th St., Suite 600
Topeka, KS 66612
heather.gallagher@ks.gov



Nickie Oathout
Clerk of Administrative Hearings