

**UNITED STATES OF AMERICA**  
**Before the**  
**SECURITIES AND EXCHANGE COMMISSION**

**SECURITIES ACT OF 1933**  
**Release No. 11004 / November 2, 2021**

**SECURITIES EXCHANGE ACT OF 1934**  
**Release No. 93503 / November 2, 2021**

**ADMINISTRATIVE PROCEEDING**  
**File No. 3-20644**

**In the Matter of**

**MICHAEL MARGIOTTA,**

**Respondent.**

**ORDER INSTITUTING CEASE-AND-  
DESIST PROCEEDINGS PURSUANT TO  
SECTION 8A OF THE SECURITIES ACT  
OF 1933 AND SECTION 21C OF THE  
SECURITIES EXCHANGE ACT OF 1934,  
MAKING FINDINGS, AND IMPOSING A  
CEASE-AND-DESIST ORDER**

**I.**

The Securities and Exchange Commission (“Commission”) deems it appropriate that cease-and-desist proceedings be, and hereby are, instituted pursuant to Section 8A of the Securities Act of 1933 (“Securities Act”) and Section 21C of the Securities Exchange Act of 1934 (“Exchange Act”), against Michael Margiotta (“Margiotta” or “Respondent”).

**II.**

In anticipation of the institution of these proceedings, Respondent has 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, and without admitting or denying the findings herein, except as to the Commission’s jurisdiction over him and the subject matter of these proceedings, which are admitted, and except as provided herein in Section V, Respondent consents to the entry of this Order Instituting Cease-and-Desist Proceedings Pursuant to Section 8A of the Securities Act and Section 21C of the Exchange Act, Making Findings, and Imposing a Cease-and-Desist Order (“Order”), as set forth below.

### III.

On the basis of this Order and Respondent's Offer, the Commission finds<sup>1</sup> that:

#### **Summary**

1. These proceedings arise out of materially false and misleading statements made by Respondent Michael Margiotta in connection with his offer and sale of securities in Patient Identification Platform, Inc. ("Patient iP"), a company in which he owned a majority of shares, and controlled as its founder, Chairman, and Chief Executive Officer. Patient iP was a health data company that sought to aggregate and analyze patient data for clinical trials. In the course of soliciting investors to invest in Patient iP securities, many of whom were healthcare professionals, Margiotta knowingly made materially false and misleading statements about the status of acquisition discussions with a large clinical research organization (the "CRO") and other large healthcare companies. In total, Margiotta raised approximately \$1,146,000 from 16 investors based on his materially false and misleading statements, including \$765,039 from the sale of his personal shares.

2. As a result of this conduct, Margiotta violated Section 17(a) of the Securities Act and Section 10(b) of the Exchange Act and Rule 10b-5 thereunder.

#### **Respondent**

3. Michael Margiotta, age 50, resides in Rochester, New York. He founded Untangled Healthcare Innovations, which he later rebranded as Patient iP, in approximately September 2014. Patient iP is a Delaware corporation and is not registered with the Commission. Margiotta offered and sold debt and equity securities in Patient iP to investors between approximately 2014 and September 2018. During this period, he controlled Patient iP, serving as its Chairman and Chief Executive Officer.

#### **Facts**

4. Patient iP developed software aimed at increasing efficiency of clinical trials by, among other things, allowing for integration with electronic medical records systems, and aggregating and analyzing patient data. Patient iP issued convertible notes and common stock to investors, and in a few instances, options to employees or "advisory board" members. Margiotta did not disseminate a formal offering or private placement memorandum when soliciting investments in Patient iP. Instead, he provided investors with a written Executive Summary that described the company's business at a high level, and he solicited investors through group or individual emails, phone calls, text messages, and during face-to-face meetings. Many of the

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

investors that Margiotta solicited were healthcare professionals, including doctors, from upstate New York.

*Margiotta's False and Misleading Statements to Investors*

5. In late March 2017, Margiotta knowingly made false and misleading statements to investors about acquisition interest in Patient iP. For example, Margiotta falsely told prospective investors that the CRO was “very very interested in buying Patient iP,” represented that executives from the CRO “unanimously agreed that they [saw] value in [] acquiring [Patient iP],” and said that it would be “ideal . . . [to] acquire” Patient iP “within the next 12 months,” and said he expected a term sheet from the CRO within the same time period. *In fact*, the CRO had not made any of these statements to Margiotta, and Margiotta vastly overstated the CRO’s acquisition interest. In reality, an initial, small-scale pilot program in which the CRO would evaluate Patient iP’s technology had just gotten underway. Multiple investors that received these misleading statements subsequently purchased \$280,000 worth of Patient iP stock.

6. In May 2017, Margiotta sent an investor update falsely representing that “[four] major global players” were “interested in starting acquisition discussions.” *In fact*, Margiotta had again misrepresented the status of acquisition discussions, to the extent there were any, and potential acquirers had not expressed interest to Margiotta in “starting acquisition discussions.” Multiple investors subsequently purchased an additional approximately \$211,000 worth of Patient iP stock, some of which consisted of Margiotta’s personal shares.

7. In face-to-face conversations and on telephone calls in March 2018, Margiotta falsely told one investor that multiple third-party companies were highly interested in acquiring Patient iP and that a sale of the company was a certainty. Margiotta specifically raised the CRO as a likely acquirer, representing that this company had been on the verge of acquiring Patient iP earlier, and that it would soon restart the acquisition process. Margiotta further told this investor that he would see 6 to 8 times his return on investment. *In fact*, Patient iP was not close to being acquired at this time, there were no meaningful acquisition discussions with any third party, and the CRO had never been on the verge of acquiring Patient iP. Following these false statements to the investor, he purchased \$555,000 worth of Margiotta’s personal shares in Patient iP.

8. In June 2018, when soliciting the same investor to purchase additional shares, Margiotta knowingly made a number of false and misleading statements via text message. Margiotta falsely told this investor that the CRO was “doing do [sic] diligence right now,” and later that this CRO was “restarting their acquisition and due diligence in October [2018].” *In fact*, the CRO was not doing due diligence in connection with any acquisition at this time and had no plans to restart any acquisition process.

9. Despite this lack of interest from the CRO, a few weeks later, Margiotta told this investor that he was “99.9%” confident in a “successful exit,” adding it was “just a matter of how much, not if.” At this time, there was no reasonable basis for this statement. In September 2018, this investor purchased another \$100,000 worth of Margiotta’s personal shares in Patient iP.

10. In total, Margiotta raised approximately \$1,146,000 based on the materially false and misleading statements discussed above. Of that amount, \$765,039.55 reflects sales by Margiotta of his personal shares in Patient iP.

### **Violations**

11. As a result of the conduct described above, Margiotta violated Section 17(a) of the Securities Act, Section 10(b) of the Exchange Act, and Rule 10b-5 thereunder, which prohibit fraudulent conduct in the offer or sale of securities and in connection with the purchase or sale of securities.

### **Disgorgement and Civil Penalties**

The disgorgement and prejudgment interest ordered in paragraph IV.B is consistent with equitable principles and does not exceed Respondent's net profits from his violations and will be distributed to harmed investors, if feasible. The Commission will hold funds paid pursuant to paragraph IV.B in an account at the United States Treasury pending a decision whether the Commission in its discretion will seek to distribute funds. If a distribution is determined feasible and the Commission makes a distribution, upon approval of the distribution final accounting by the Commission, any amounts remaining that are infeasible to return to investors, and any amounts returned to the Commission in the future that are infeasible to return to investors, may be transferred to the general fund of the U.S. Treasury, subject to Section 21F(g)(3) of the Exchange Act.

## **IV.**

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

Accordingly, it is hereby ORDERED that:

A. Pursuant to Section 8A of the Securities Act and Section 21C of the Exchange Act, Respondent Margiotta cease and desist from committing or causing any violations and any future violations of Section 17(a) of the Securities Act and Section 10(b) of the Exchange Act and Rule 10b-5 thereunder.

B. Margiotta shall, within 7 days of the entry of this Order, pay disgorgement of \$765,039.55, a civil monetary penalty in the amount of \$500,000, and prejudgment interest of \$92,561.67 to the Securities and Exchange Commission. The Commission will hold funds paid pursuant to this paragraph in an account at the United States Treasury pending a decision whether the Commission, in its discretion, will seek to distribute funds or, transfer them to the general fund of the United States Treasury, subject to Section 21F(g)(3). The Commission may distribute civil money penalties collected in this proceeding if, in its discretion, the Commission orders the establishment of a Fair Fund pursuant to 15 U.S.C. § 7246, Section 308(a) of the Sarbanes-Oxley Act of 2002. If timely payment of disgorgement and prejudgment interest is not made, additional

interest shall accrue pursuant to SEC Rule of Practice 600. If timely payment of the civil penalty is not made, additional interest shall accrue pursuant to 31 U.S.C. §3717

Payment must be made in one of the following ways:

- (1) Respondent may transmit payment electronically to the Commission, which will provide detailed ACH transfer/Fedwire instructions upon request;
- (2) Respondent may make direct payment from a bank account via Pay.gov through the SEC website at <http://www.sec.gov/about/offices/ofm.htm>; or
- (3) Respondent may pay by certified check, bank cashier's check, or United States postal money order, made payable to the Securities and Exchange Commission and hand-delivered or mailed to:

Enterprise Services Center  
Accounts Receivable Branch  
HQ Bldg., Room 181, AMZ-341  
6500 South MacArthur Boulevard  
Oklahoma City, OK 73169

Payments by check or money order must be accompanied by a cover letter identifying Margiotta as a Respondent in these proceedings, and the file number of these proceedings; a copy of the cover letter and check or money order must be sent to Lara Shalov Mehraban, Division of Enforcement, Securities and Exchange Commission, 200 Vesey Street, Suite 400, New York, NY 10281.

C. Regardless of whether the Commission in its discretion orders the creation of a Fair Fund for the penalties ordered in this proceeding, amounts ordered to be paid as civil money penalties pursuant to this Order shall be treated as penalties paid to the government for all purposes, including all tax purposes. To preserve the deterrent effect of the civil penalty, Respondent agrees that in any Related Investor Action, he shall not argue that he is entitled to, nor shall he benefit by, offset or reduction of any award of compensatory damages by the amount of any part of Respondent's payment of a civil penalty in this action ("Penalty Offset"). If the court in any Related Investor Action grants such a Penalty Offset, Respondent agrees that he shall, within 30 days after entry of a final order granting the Penalty Offset, notify the Commission's counsel in this action and pay the amount of the Penalty Offset to the Securities and Exchange Commission. Such a payment shall not be deemed an additional civil penalty and shall not be deemed to change the amount of the civil penalty imposed in this proceeding. For purposes of this paragraph, a "Related Investor Action" means a private damages action brought against Respondent by or on behalf of one or more investors based on substantially the same facts as alleged in the Order instituted by the Commission in this proceeding.

V.

It is further Ordered that, solely for purposes of exceptions to discharge set forth in Section 523 of the Bankruptcy Code, 11 U.S.C. §523, the findings in this Order are true and admitted by Respondent, and further, any debt for disgorgement, prejudgment interest, civil penalty or other amounts due by Respondent under this Order or any other judgment, order, consent order, decree or settlement agreement entered in connection with this proceeding, is a debt for the violation by Respondent of the federal securities laws or any regulation or order issued under such laws, as set forth in Section 523(a)(19) of the Bankruptcy Code, 11 U.S.C. §523(a)(19).

By the Commission.

Vanessa A. Countryman  
Secretary