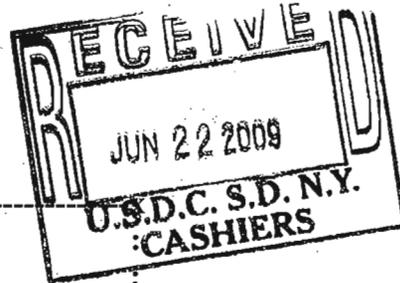


09 CV 5707

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UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF NEW YORK



SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

- against -

GARY S. BECKER,  
GREGORY S. SCHAEFER,  
DILLON SCOTT SECURITIES, INC.

Defendants.

COMPLAINT

09 Civ. ( )

Plaintiff Securities and Exchange Commission (the "Commission"), for its Complaint against Defendants Gary S. Becker, Gregory S. Schaefer, and Dillon Scott Securities, Inc., alleges as follows:

SUMMARY

1. From 2001 through July 2007, Defendants Becker and Schaefer conducted an offering fraud through the registered broker-dealer they controlled, Defendant Dillon Scott, and its parent company, Gold Rush Technologies, Inc., which they also controlled. Defendants raised approximately \$1.3 million in three fraudulent, unregistered offerings of Gold Rush securities. They sold these securities to at least 29 investors, at least ten of whom are sixty years

or older, and eleven of whom were brokerage customers of Dillon Scott at the time they purchased the securities. None of the securities offerings was registered with the Commission.

2. Defendants misrepresented to investors in the offering memoranda they distributed, and orally, that their investments in Gold Rush would be used to form a broker-dealer and to expand the broker-dealer's operations. Schaefer and Becker, who controlled Gold Rush's finances, knew or recklessly disregarded that these claims were false, and that they would use the majority of the money raised to enrich themselves and others, which is precisely what they did over the course of this period.

3. In addition, from May 2002 through the present, Becker and Schaefer controlled Dillon Scott, and knowingly and substantially assisted Dillon Scott in violating numerous regulatory provisions governing broker-dealers. For example, Dillon Scott, with the knowing and substantial assistance from Becker and Schaefer, (1) did not disclose Becker's control of the firm in its regulatory filings, and (2) did not register Becker and another salesperson with the appropriate regulatory authority.

### **VIOLATIONS**

4. By virtue of the conduct alleged herein, Becker, Schaefer, and Dillon Scott, directly or indirectly, singly or in concert, have engaged in transactions, acts, practices, and courses of business that constitute violations of Sections 17(a) of the Securities Act of 1933 ("Securities Act") [15 U.S.C. § 77q(a)], Section 10(b) of the Securities Exchange Act of 1934 (the "Exchange Act") [15 U.S.C. § 78j(b)] and Rule 10b-5 [17 C.F.R. § 240.10b-5].

5. Becker, Schaefer, and Dillon Scott, directly or indirectly, singly or in concert, have engaged in transactions, acts, practices, and courses of business that constitute violations of Sections 5(a) and 5(c) of the Securities Act, 15 U.S.C. §§ 77 e(a) and 77e(c).

6. Dillon Scott, directly or indirectly, singly or in concert, has engaged in transactions, acts, practices, and courses of business that constitute violations of Sections 15(b)(7), 15(c)(1), and 17(a)(1) of the Exchange Act [15 U.S.C. §§ 78o(b)(7), 78o(c)(1), and 78q(a)(1)] and Rules 10b-3, 15b3-1, 15b7-1, and 17a-3(a)(12) [17 C.F.R. §§ 240.10b-3, 240.15b3-1, 240.15b7-1, and 240.17a-3(a)(12)].

7. Pursuant to Section 20(e) of the Exchange Act [15 U.S.C. § 78t(e)], Becker and Schaefer are liable as aiders and abettors of Dillon Scott's violations of Sections 15(b)(7), 15(c)(1), and 17(a)(1) of the Exchange Act [15 U.S.C. §§ 78o(b)(7), 78o(c)(1), and 78q(a)(1)] and Rules 10b-3, 15b7-1, 15b3-1, and 17a-3(a)(12) [17 C.F.R. §§ 240.10b-3, 240.15b7-1, 240.15b3-1, and 240.17a-3(a)(12)].

#### **JURISDICTION AND VENUE**

8. This Court has jurisdiction over this action, pursuant to Section 20(b) and 22(a), of the Securities Act [15 U.S.C. §§ 77t(b) and 77v(a)] and Sections 21(e) and 27 of the Exchange Act [15 U.S.C. §§ 78u(e) and 78aa.]

9. Venue is proper in the Southern District of New York pursuant to Section 22(a) of the Securities Act [15 U.S.C. § 77v(a)] and Section 27 of the Exchange Act [15 U.S.C. § 78aa]. At all relevant times, Dillon Scott's principal place of business was in New York, New York, and Becker and Schaefer both had residences in the Southern District of New York.

10. The Defendants, directly and indirectly, singly or in concert, have made use of the means and instrumentalities of interstate commerce, or of the mails, in connection with the transactions, acts, practices and courses of business alleged herein. Certain of these transactions, acts, practices, and courses of business occurred in the Southern District of New York.

## DEFENDANTS

11. **Gary S. Becker**, age 43, resides in New York, New York. He is the director of operations of Gold Rush, and an unregistered principal and associated person of Dillon Scott. Together with Schaefer, Becker founded both Gold Rush and Dillon Scott. With Schaefer, Becker planned and orchestrated the fraudulent sales of Gold Rush securities. Together, they employed promoters who participated in selling Gold Rush securities. Becker, himself, also solicited individuals to invest in the Gold Rush offering. Becker previously held Series 7 and 63 licenses and was associated with eleven broker-dealers as a registered representative from 1989 through 1999. Becker held no securities licenses during the time he was associated with Dillon Scott and when he sold the Gold Rush offering.

12. **Gregory S. Schaefer**, age 43, resides in San Francisco, California and the Bronx, New York. He is the president of both Dillon Scott and Gold Rush. Schaefer served as Dillon Scott's compliance officer from November 2002 until December 2008, and currently is the firm's chief compliance officer. Schaefer also solicited individuals to invest in the Gold Rush offerings. From 1990 through 2000, Schaefer was a registered representative associated with sixteen broker-dealers. Schaefer holds Series 7, 24, and 63 licenses.

13. **Dillon Scott** is a New York corporation that until recently had its principal place of business at 65 Broadway, New York, New York, 10006. The firm's main office currently is located at Schaefer's residential apartment in San Francisco, CA. Dillon Scott also previously had a separate branch office in San Francisco, CA, run by Schaefer and another registered representative, from at least 2004 until 2008. Dillon Scott has been registered with the Commission as a broker-dealer and a member of the National Association of Securities Dealers (now Financial Industry Regulatory Authority, herein after referred to as "FINRA") since

May 28, 2002. Dillon Scott is controlled by Becker and Schaefer, Schaefer as Dillon Scott's president and chief compliance officer, and Becker as an unregistered and undisclosed principal. Dillon Scott, through its associated persons, solicited individuals to invest in the Gold Rush offerings.

## **THE FRAUDULENT, UNREGISTERED OFFERINGS OF GOLD RUSH STOCK**

### **The Unregistered Offerings Raised \$1,305,950 From Investors**

14. Becker and Schaefer founded Gold Rush, headquartered in New York, NY, in October 2000. Until recently, it shared its lower Manhattan office with Dillon Scott, its parent company and sole owner. Becker and Schaefer used Gold Rush and Dillon Scott to conduct their fraudulent scheme, by which they sold Gold Rush securities to the public in three fraudulent offerings.

15. From January 2001 through July 2007, Defendants raised a total of \$1,305,950 by selling Gold Rush securities to 29 investors in three unregistered offerings. The offerings consisted of Gold Rush's Preferred Class B Stock, Preferred Class C Stock, and Common Stock Units. These equity securities were "penny stocks" within the meaning of Section 3(a)(51) of the Exchange Act and Rule 3a51-1. Although all of the offerings purported to have the same general purpose – to form and expand Dillon Scott – Defendants' intended, actual, and concealed purpose was to generate cash for their personal use.

16. The first Gold Rush offering consisted of 500,000 shares of Series B preferred stock at \$1.00 per share (\$500,000 offered). Becker, Schaefer, and the unregistered salesperson participated in the investor solicitations for this first offering, which began in January 2001 and concluded in July 2003. They raised a total of \$504,150 from eighteen investors in this offering. The investors were residents of at least nine different states; at least seven of the investors were

unaccredited within the meaning of Rule 501(a) of Regulation D [17 C.F.R. § 230.501(a)]; and five investors were Dillon Scott brokerage customers when they purchased the Preferred B shares. Gold Rush did not provide audited financial statements or balance sheets to any of the investors. This offering was never registered with the Commission, nor in any state, and no exemption from registration was applicable to it.

17. The second Gold Rush offering consisted of 300,000 shares of Series C preferred stock at \$1.50 per share (\$450,000 offered). Becker, Schaefer, and the unregistered salesperson all participated in the investor solicitations for this second offering, which began in July 2003 and concluded in June 2005. They raised a total of \$365,500 from twelve investors in this offering. The investors were residents of at least eight different states; at least three of the investors were unaccredited; and three investors were Dillon Scott brokerage customers when they purchased the Preferred C shares. Gold Rush did not provide audited financial statements or balance sheets to any of the investors. This offering was never registered with the Commission, nor in any state, and no exemption from registration was applicable to it.

18. The third Gold Rush offering consisted of two million common stock units at \$1.00 per unit (\$2 million offered) with each unit consisting of two shares of common stock and one redeemable warrant to purchase common stock. Becker, Schaefer, the unregistered salesperson, and a Dillon Scott registered representative, all participated in the investor solicitations for this offering, which began in July 2005 and concluded in July 2007. They raised a total of \$436,300 from fourteen investors in this offering. The investors were residents of at least seven different states; at least one of the investors was unaccredited; and eight investors were Dillon Scott brokerage customers when they purchased the Preferred C shares. Gold Rush did not provide audited financial statements or balance sheets to any of the investors. This

offering was never registered with the Commission, nor in any state, and no exemption from registration was applicable to it.

19. As part of the offers and sales, Defendants sent or instructed others to send, through the mails, a private placement offering memorandum to investors relating to the specific offering. Defendants also used the phones in their solicitations of investors.

20. At the direction of Becker, the unregistered salesperson, who participated in all three Gold Rush offerings and who was hired and supervised by Becker, "cold called" hundreds of individuals as part of his solicitations of potential Gold Rush investors.

21. The Gold Rush Preferred B shares, Preferred C shares, common stock, and warrants were securities within the meaning of Section 2(a)(1) of the Securities Act [15 U.S.C. § 77b(1)] and Section 3(a)(10) of the Exchange Act [15 U.S.C. § 78c(a)(10)].

#### **The Fraudulent Misrepresentations and Dissipation of Proceeds**

22. Becker and Schaefer intentionally misrepresented to investors the purpose of each of the three Gold Rush offerings, through the offering memoranda that they distributed, and in oral statements they (and an unregistered salesperson they directed) made while soliciting investors.

23. The offering memoranda that Becker and Schaefer distributed, and which were received by investors, intentionally misstated the purpose of each of the three Gold Rush offerings. The offering memorandum for the first offering -- the Preferred Class B stock offering -- stated that the funds being raised would be used to form a registered broker-dealer and fund its operations. The offering memoranda for the second and third offerings -- the Preferred Class C stock offering and the Common Stock Units offering, respectively -- stated that the funds would be used to fund Dillon Scott's operations and to expand the firm. Becker, Schaefer, and at

their behest, the unregistered Gold Rush sales person, and the registered representative from Dillon Scott who participated in the third Gold Rush offering, repeated the same representations when soliciting investors.

24. Each offering memorandum at issue specified how the proceeds would be used. The first offering memorandum stated that the offering proceeds would be used for working capital, and specifically “to commence the organization of the broker-dealer until [it] is registered.” The offering memoranda for the subsequent two offerings also stated that the proceeds would be used for working capital for the broker-dealer, but also specifically to expand and grow the business of Dillon Scott.

25. Thus, each offering memorandum laid out specific categories of operational expenses and provided the maximum dollar amount that could be spent within each category. These included clearing firm deposits, office equipment, expenses of acquiring a broker-dealer, rent, working capital, salaries, bonuses, consultant fees, advertising, NASD approvals, best efforts underwriting and options execution, accounting fees, and initial public offering and merger and acquisition expenses. The offering memoranda also provided that Gold Rush could spend up to a maximum of \$507,600 on salaries and bonuses, that no one selling Gold Rush securities would receive a Commission greater than ten percent, and that officers and directors of Gold Rush would not be receive any commissions in connection with their sales of Gold Rush securities.

26. The foregoing misrepresentations were materially false and misleading, and Becker and Schaefer knew or recklessly disregarded that they were false and misleading when they distributed the offering memoranda and solicited funds from investors.

27. Becker and Schaefer controlled the bank accounts and finances of both Gold Rush and Dillon Scott.

28. Instead of using the offering proceeds in the manner represented to investors, they used the Gold Rush bank accounts into which they deposited investors' funds, as their personal piggy banks. Defendants raised more than \$1.3 million from investors but they spent only approximately \$270,000, or about 21% of the total, towards purportedly legitimate business expenses.

29. Becker and Schaefer used the bulk of the remaining \$1,305,950 in proceeds simply to enrich themselves and others. Becker and Schaefer paid themselves and others through checks, teller withdrawals, ATM cash withdrawals, ATM payments for travel, food, and personal expenses, and "loans" from Gold Rush. These payments included over 4,200 separate ATM cash withdrawals and approximately 85 teller withdrawals from the two Gold Rush bank accounts they controlled – and whose balances consisted almost entirely of offering proceeds – during the relevant period, totaling approximately \$604,000.

30. In addition, Becker and Schaefer used approximately \$69,000 of Gold Rush funds to pay various personal expenses including meals, groceries, gym fees, and domestic and international travel.

31. Furthermore, no one who worked for Gold Rush had any set salary, including Becker, Schaefer and the unregistered salesperson. Nevertheless, Becker and Schaefer wrote checks to themselves, the salespersons they employed, and two other purported Gold Rush employees, in amounts totaling approximately \$361,000.

32. As of June 2008, Becker and Schaefer had dissipated all but \$1,686 of the Gold Rush offering proceeds.

## Broker-Dealer Violations

### **Inaccurate Forms BD**

33. To apply for registration with the Commission, a broker or dealer must file Form BD, the Uniform Application for Broker-Dealer Registration. A registered broker-dealer also must correct any information in the Form BD if it is or becomes inaccurate for any reason. Among other things, Form BD requires registered brokers or dealers to disclose all control persons, whether or not identified as an owner or officer of the broker-dealer.

34. At all relevant times, Becker controlled Dillon Scott. With Schaefer, he formed Dillon Scott, controlled the firm's bank accounts, and decided what bills to pay. Furthermore, Becker hired associated persons of Dillon Scott and negotiated their compensation. He also supervised at least one associated person of Dillon Scott in his sale of Gold Rush securities. Despite these activities as a control person of Dillon Scott, Becker held himself out as a mere administrative assistant.

35. At all relevant times, Schaefer also was Dillon Scott's compliance officer and he was directly responsible for preparing, signing, and filing accurate Forms BD.

36. On November 14, 2001, Schaefer signed Dillon Scott's initial Form BD and Dillon Scott filed it on December 18, 2001. That Form BD does not identify Becker as a control person of Dillon Scott. From May 2002 through January 2009, Dillon Scott filed twenty amended Forms BD, all but one of which Schaefer signed. These amended Forms BD also did not disclose that Becker was a control person of the firm.

## **Unregistered Salespersons.**

37. A registered broker-dealer may not effect transactions in any security or induce the purchase or sale of any security unless all of its associated persons who are involved in such activities are themselves registered, pursuant to Section 15(b)(7) of the Exchange Act and Rule 15b7-1.

38. Because Dillon Scott is a FINRA member firm, its associated persons are subject to FINRA's registration requirements. As adopted by FINRA, the NASD Rules set forth the specific requirements for the registration of representatives. Pursuant to NASD Rules 1031 and 1032, persons associated with the firm who are engaged in the securities business for the firm are deemed to be representatives and must register as a "General Securities Representative" and pass an appropriate qualification examination. Principals or those who engage in the management of the firm's securities business also must pass an appropriate qualification examination, pursuant to NASD Rule 1021. The NASD's Form U4, Uniform Application for Securities Industry Registration or Transfer, lists the appropriate qualifying examinations for associated persons. For a "General Securities Representative," the Series 7 examination is required. A "General Securities Principal" also is required to pass the Series 24 examination.

39. Both Becker and another individual nominally employed by Gold Rush were associated persons of Dillon Scott. They both effected securities transactions while associated with Dillon Scott without having registered as general securities representatives.

40. Both Becker and the other salesperson had not taken and passed the required licensing examination to solicit investments (the Series 7).

41. Becker, who was a principal of Dillon Scott, had not taken or passed the licensing examination to manage a broker-dealer (the Series 24).

42. Becker was aware that he did not hold either the Series 7 or Series 24 license when he solicited investments and managed Dillon Scott. Becker, who hired the unregistered salesperson to solicit investments in Gold Rush securities, also knew that this individual did not hold a Series 7 license.

43. Schaefer knew that Becker did not hold either a Series 7 or Series 24 license and that the unregistered salesperson did not hold a Series 7 license. Schaefer, as compliance officer of Dillon Scott, was responsible for ensuring that Dillon Scott complied with regulatory requirements, including the registration of the firm's associated persons.

#### **Lack of Required Employment Documentation**

44. Registered brokers and dealers must make and keep current a questionnaire or application for employment executed by each associated person of the broker-dealer, pursuant to Section 17(a)(1) of the Exchange Act and Rule 17a-3(a)(12). The requirement to make this record is commonly met by retaining a complete and accurate copy of the Form U4, the Uniform Application for Securities Industry Registration or Transfer, submitted for the associated person.

45. Dillon Scott did not make or keep current a questionnaire or application for employment executed by either Becker or the unregistered salesperson, although both Becker and the unregistered salesperson were associated persons of Dillon Scott.

46. Dillon Scott never filed a Form U-4 for the unregistered sales person. For more than two years after Becker commenced employment at Dillon Scott, the firm did not file a Form U-4 for Becker. Becker was aware that no Form U-4 was filed on his behalf until more than two years after he commenced employment at Dillon Scott. Although Becker was a principal of the firm, he did not cause Dillon Scott to file a Form U-4 on his behalf when he first became associated with the firm.

47. Dillon Scott effected securities transactions while its associated persons Becker and the unregistered sales person were not registered with FINRA, and Schaefer and Becker were aware that the firm effected such transactions while Becker and the unregistered sales person were not registered with FINRA.

48. Schaefer was aware that Becker and the unregistered sales person were associated persons of Dillon Scott. Schaefer further knew that Dillon Scott did not make or keep current a questionnaire for the employment of Becker and the unregistered individual. As compliance officer, Schaefer's responsibilities included ensuring that Dillon Scott made and kept current a questionnaire for employment for each associated person, but he did not do so with respect to Becker and the unregistered sales person.

**FIRST CLAIM FOR RELIEF**  
**Violations of Section 17(a) of the Securities Act**

49. The Commission realleges and incorporates paragraphs 1 through 48 by reference as if fully set forth herein.

50. Becker, Schaefer, and Dillon Scott, directly or indirectly, singly or in concert, in the offer and sale of securities, by the use of the means or instruments of transportation or communication in interstate commerce, or by use of the mails, (a) have employed, are employing, or are about to employ, devices, schemes, or artifices to defraud; (b) have made untrue statements of material fact, or have omitted to state material facts necessary in order to make statements made, in light of the circumstances under which they were made, not misleading; and/or (c) have engaged, are engaging, or are about to engage in transactions, practices, or courses of business which operate, operated, or would operate as a fraud or deceit upon the purchasers of securities.

51. By reason of the foregoing, Becker, Schaefer, and Dillon Scott, singly or in concert, directly or indirectly, have violated, or are violating, and unless enjoined will again violate, Section 17(a) of the Securities Act [15 U.S.C. § 77q(a)].

**SECOND CLAIM FOR RELIEF**  
**Violations of Section 10(b) of the Exchange Act and Rule 10b-5**

52. The Commission realleges and incorporates paragraphs 1 through 48 by reference as if fully set forth herein.

53. Becker, Schaefer, and Dillon Scott, directly or indirectly, singly or in concert, in connection with the purchase and sale of securities, by use of the means or instrumentalities of interstate commerce, or of the mails, or of the facilities of a national securities exchange: (a) have employed, are employing, or are about to employ, devices, schemes, or artifices to defraud; (b) have made, are making, or are about to make untrue statements of material fact, or have omitted, are omitting, or are about to omit to state material facts necessary in order to make statements made, in light of the circumstances under which they were made, not misleading; and/or (c) have engaged, are engaging, or are about to engage in acts, practices, or courses of business which operate, operated, or would operate as a fraud or deceit upon other persons.

54. By reason of the foregoing, Becker, Schaefer, and Dillon Scott, singly or in concert, directly or indirectly, have violated, or are violating, and unless enjoined will again violate, Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 [17 C.F.R. § 240.10b-5].

### **THIRD CLAIM FOR RELIEF**

#### **Violations by Dillon Scott of Section 15(c)(1) of the Exchange Act and Rule 10b-3 and Aiding and Abetting of those Violations by Becker and Schaefer**

55. The Commission realleges and incorporates paragraphs 1 through 48 by reference as if fully set forth herein.

56. Dillon Scott engaged and is engaged in the business of effecting transactions in securities for the accounts of others, and therefore was and is a broker within the meaning of Section 3(a)(4) of the Exchange Act [15 U.S.C. § 78c(a)(4)].

57. Dillon Scott, while a broker, directly or indirectly, by use of the mails or the means or instrumentalities of interstate commerce, has effected transactions in and has attempted to induce the purchase or sale of, securities by means of manipulative, deceptive, or other fraudulent devices or contrivances, including: (a) acts, practices, and courses of business that operated or would have operated as a fraud or deceit upon any person, including persons to whom Dillon Scott, through its associated persons, offered and/or sold securities; and (b) making untrue statements of material fact and omissions to state a material fact necessary, in order to make the statements made, in the light of the circumstances under which they were made, not misleading with knowledge or reasonable grounds to believe that such statements are untrue or misleading.

58. As part of and in furtherance of this violative conduct, Dillon Scott, through its associated persons, offered and/or sold securities by making the material misrepresentations and omissions of material fact set forth above.

59. Dillon Scott knew, or was reckless in not knowing, that the representations or omissions were false or misleading.

60. By reason of the foregoing, Dillon Scott have violated, and, unless enjoined will again violate Section 15(c)(1) of the Exchange Act [15 U.S.C. § 78o(c)(1)] and Rule 10b-3 [17 C.F.R. § 240.10b-3].

61. By reason of the foregoing, Becker and Schaefer aided and abetted, and, unless enjoined, will again aid and abet Dillon Scott's violations of Section 15(c)(1) of the Exchange Act [15 U.S.C. § 78o(c)(1)] and Rule 10b-3 [17 C.F.R. § 240.10b-3].

**FOURTH CLAIM FOR RELIEF**  
**Violations of Sections 5(a) and 5(c) of the Securities Act**

62. The Commission realleges and incorporates paragraphs 1 through 48 by reference as if fully set forth herein.

63. From at least January 2001 to July 2007, Becker, Schaefer, and Dillon Scott, directly or indirectly, singly or in concert, offered and sold Gold Rush securities to investors when no registration statement was filed with the Commission or in effect as to such securities.

64. In offering and selling the Gold Rush securities, Becker, Schaefer, and Dillon Scott, directly or indirectly, singly or in concert, have made use of the means or instruments of transportation or communication or of the mails, to offer and sell securities through the use or medium of a prospectus or otherwise, or have carried or caused to be carried through the mails or in interstate commerce, by any means or instruments of transportation, securities for the purpose of sale or for delivery after sale, when no registration statement has been filed or was in effect as to such securities and when no exemption from registration was applicable.

65. By reason of the foregoing, Becker, Schaefer, and Dillon Scott have violated, and unless enjoined will again violate, Sections 5(a) and 5(c) of the Securities Act [15 U.S.C. §§ 77e(a) and 77e(c)].

**FIFTH CLAIM FOR RELIEF**

**Violations by Dillon Scott of Section 17(a) of the Exchange Act and Rule 15b3-1 and Aiding and Abetting of those Violations by Becker and Schaeffer**

66. The allegations contained in paragraphs 1 through 48 above, are repeated and realleged as if fully set forth herein.

67. Dillon Scott did not disclose in its Form BD, and numerous amendments, Becker's relationship to, and control of, Dillon Scott. Schaefer signed nineteen of the inaccurate Forms BD filed on behalf of Dillon Scott.

68. Becker and Schaefer controlled Dillon Scott and knew that, in various Forms BD, Dillon Scott did not disclose Becker's relationship to and control of Dillon Scott.

69. Becker knew that he exercised control over the Dillon Scott. Becker further knew that his control over the firm was not disclosed in Dillon Scott's Form BD's filed with the Commission. Further, Becker acquiesced in the filing of the false Form BD filings with the Commission, and as a control person of the firm, never corrected or amended these false filings made with the Commission.

70. Becker and Schaefer thus knowingly provided substantial assistance to Dillon Scott's violations of Rule 15b3-1 [17 C.F.R. § 240.15b3-1].

71. By reason of the foregoing, Dillon Scott violated Section 17(a) of the Exchange Act [15 U.S.C. § 78q(a)] and Rule 15b3-1 [17 C.F.R. § 240.15b3-1].

72. By reason of the foregoing, Becker and Schaefer aided and abetted the violation of, and unless enjoined will continue to aid and abet the violation of, Section 17(a) of the Exchange Act [15 U.S.C. § 78q(a)] and Rule 15b3-1 [17 C.F.R. § 240.15b3-1].

**SIXTH CLAIM FOR RELIEF**  
**Violations of Section 15(b)(7) of the Exchange Act and Rule 15b7-1 and Aiding and Abetting of those Violations by Becker and Schaefer**

73. The allegations contained in paragraphs 1 through 48, above are repeated and re-alleged as if fully set forth herein.

74. Dillon Scott did not register Becker and the unregistered Gold Rush sales person as associated persons of Dillon Scott, and did not ensure that they passed the requisite qualification examinations, while Becker and the unregistered Gold Rush sales person were associated with Dillon Scott and were effecting, or involved in effecting, transactions in securities.

75. Dillon Scott did not register Becker, an associated person of Dillon Scott, as a principal while he exercised control over the firm while he was effecting, or involved in effecting, transactions in securities.

76. Becker knew that he was not registered with FINRA and that he had not passed the requisite qualification examinations, while he was effecting or involved in effecting transactions in securities as an associated person of Dillon Scott and while controlling Dillon Scott. He further knew that he was an associated person of Dillon Scott, and that he needed to be registered with the FINRA, and to have passed such examinations, in order to conduct such activities.

77. Becker knew that the unregistered Gold Rush sales person was not registered with FINRA while this individual was effecting or involved in effecting transactions in securities while he was an associated person of Dillon Scott. Becker further knew that the unregistered Gold Rush sales person needed to be registered with FINRA, and to have passed the Series 7 examination, in order to conduct such activities.

78. Schaefer did not cause the registration of Becker and the unregistered sales person with FINRA, and to ensure that they passed the requisite qualifying examinations, even though Schaefer was the president, compliance officer, and sole registered principal of Dillon Scott. Schaefer knew that Becker and the unregistered Gold Rush sales person were conducting brokerage activities in connection with their sales of Gold Rush securities, and that Gold Rush and Dillon Scott were under common control, and thus that Becker and the unregistered Gold Rush sales person were associated persons of the brokerage firm. Schaefer also knew that Becker exercised control over Dillon Scott.

79. Schaefer and Becker further knew that Dillon Scott effected securities transactions when neither Becker nor the unregistered persons was registered with FINRA and had passed the requisite qualifying examinations.

80. By reason of the foregoing, Dillon Scott violated Section 15(b)(7) of the Exchange Act [15 U.S.C. § 78o(b)(7)] and Rule 15b7-1 [17 C.F.R. § 240.15b7-1].

81. By reason of the foregoing, Becker and Schaefer aided and abetted Dillon Scott's violations of Section 15(b)(7) of the Exchange Act [15 U.S.C. § 78o(b)(7)] and Rule 15b7-1 [17 C.F.R. § 240.15b7-1].

#### **SEVENTH CLAIM FOR RELIEF**

#### **Violations by Dillon Scott of Section 17(a)(1) of the Exchange Act and Rule 17a-3(a)(12) and Aiding and Abetting those Violations by Becker and Schaefer**

82. The allegations contained in paragraphs 1 through 48, above are repeated and realleged as if fully set forth herein.

83. Although Becker and the unregistered sales person were both associated persons of Dillon Scott, the firm did not make and keep current either a questionnaire or application for

employment for Becker and the unregistered sales person, as required by Section 17(a)(1) of the Exchange Act [15 U.S.C. § 78q(a)] and Rule 17a-3(a)(12) [17 C.F.R. § 240.17a-3(a)(12)].

84. By reason of the foregoing, Dillon Scott violated, and unless enjoined will again violate, Section 17(a)(1) of the Exchange Act [15 U.S.C. § 78q(a)] and Rule 17a-3(a)(12) [17 C.F.R. § 240.17a-3(a)(12)].

85. By reason of the foregoing, Becker and Schaefer aided and abetted Dillon Scott's violations of, and unless enjoined, will continue to aid and abet Dillon Scott's violations of, Section 17(a)(1) of the Exchange Act [15 U.S.C. § 78q(a)] and Rule 17a-3(a)(12), [17 C.F.R. § 240.17a-3(a)(12)].

#### **PRAYER FOR RELIEF**

**WHEREFORE**, the Commission respectfully requests that the Court grant the following relief:

#### **I.**

A Final Judgment permanently restraining and enjoining:

- (1) Becker, Schaefer, and Dillon Scott, and their agents, servants, employees, and attorneys and all persons in active concert or participation with them, who receive actual notice of the injunction by personal service or otherwise, and each of them, from future violations of Section 17(a) of the Securities Act [15 U.S.C. § 77q(a)] Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 [17 C.F.R. § 240.10b-5];
- (2) Becker, Schaefer, and Dillon Scott, and their agents, servants, employees, and attorneys and all persons in active concert or participation with them, who receive actual notice of the injunction by personal service or otherwise, and each of them,

from future violations of Sections 5(a) and 5(c) of the Securities Act [15 U.S.C. §§ 77e(a) and 77e(c)].

- (3) Dillon Scott, and its agents, servants, employees, and attorneys and all persons in active concert or participation with it, who receive actual notice of the injunction by personal service or otherwise, and each of them from future violations of Sections 15(b)(7), 15(c)(1), and 17(a)(1) of the Exchange Act [15 U.S.C. §§ 78o(b)(7), 78o(c)(1), and 78q(a)(1)] and Rules 10b-3, 15b3-1, 15b7-1, and 17a-3(a)(12) [17 C.F.R. §§ 240.10b-3, 240.15b3-1, 240.15b7-1, and 240.17a-3(a)(12)].
- (4) Becker, and Schaefer and their agents, servants, employees, and attorneys and all persons in active concert or participation with them, who receive actual notice of the injunction by personal service or otherwise, and each of them from aiding and abetting future violations of Sections 15(b)(7), 15(c)(1), and 17(a)(1) of the Exchange Act [15 U.S.C. §§ 78o(b)(7), 78o(c)(1), and 78q(a)(1)] and Rules 10b-3, 15b3-1, 15b7-1, and 17a-3(a)(12) [17 C.F.R. §§ 240.10b-3, 240.15b3-1, 240.15b7-1, and 240.17a-3(a)(12)].

## II.

A Final Judgment ordering the Defendants to disgorge their ill-gotten gains, plus prejudgment interest.

III.

A Final Judgment ordering the Defendants to pay civil money penalties pursuant to Section 20(d) of the Securities Act [15 U.S.C. § 77t(d)] and Section 21(d)(3) of the Exchange Act [15 U.S.C. § 78u(d)(3)].

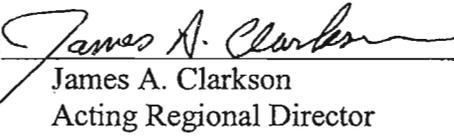
IV.

A Final Judgment imposing penny stock bars against Becker and Schaefer pursuant to Section 20(g) of the Securities Act [15 U.S.C. § 77t(g)] and Section 21(d)(6) of the Exchange Act [15 U.S.C. § 78u(d)(6)].

V.

Such other and further relief as this Court deems just and proper.

Dated: New York, New York  
June 22, 2009

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