

**UNITED STATES OF AMERICA**  
**Before the**  
**SECURITIES AND EXCHANGE COMMISSION**  
**September 25, 2006**

**ADMINISTRATIVE PROCEEDING**  
**File No. 3-12429**

**In the Matter of**

**SCOTT G. MONSON,**

**Respondent.**

**ORDER INSTITUTING CEASE-AND-DESIST  
PROCEEDINGS PURSUANT TO SECTION  
9(f) OF THE INVESTMENT COMPANY ACT  
OF 1940**

**I.**

The Securities and Exchange Commission (“Commission”) deems it appropriate that cease-and-desist proceedings be, and hereby are, instituted pursuant to Section 9(f) of the Investment Company Act of 1940 (“Investment Company Act”) against Scott G. Monson (“Monson” or “Respondent”).

**II.**

After an investigation, the Division of Enforcement alleges that:

**A. Respondent**

1. Scott G. Monson, age 47, resides in Los Angeles, California. Monson was the general counsel of JB Oxford Holdings, Inc. (“JBOH”), and its wholly owned broker-dealer firms, JB Oxford & Co. (“JBOC”) and National Clearing Corporation (“NCC”), from September 1997 until June 2003. Prior to that, from 1989 to 1997, Monson served as associate general counsel for JBOH’s predecessor, reporting to its then general counsel. From 1999 until August 2002, Monson reported to the former president of JBOH and NCC. From August 2002 until June 2003, Monson reported to the newly appointed executive vice president for legal and compliance. As general counsel, Monson prepared and reviewed filings by JBOH and its subsidiaries with the Commission. Monson also supervised ongoing litigation and arbitrations as well as document production and discovery in those matters. Monson has never held any securities licenses. He is licensed to practice law in Utah, Texas, California, and the District of Columbia.

## **B. Relevant Entities**

2. **JB Oxford Holdings, Inc.**, based in Beverly Hills, California, was at the relevant time a holding company that, through its JBOC and NCC subsidiaries, provided clearing and execution services, and discount brokerage services with access to personal brokers, online trading and cash management. JBOC was the JBOH subsidiary that conducted both the retail brokerage and clearing business. Starting in April 2003, JBOC was split into two entities – a retail brokerage firm (JBOC) and a clearing firm (NCC). Subsequently, JBOC engaged in the real estate investment business, while NCC engaged in institutional trading and market making activities. JBOH formerly traded on the Nasdaq Small Cap market. Its successor, Cambridge Capital Holdings, Inc., now trades in the Pink Sheets.<sup>1</sup>

3. **National Clearing Corporation**, based in Beverly Hills, California, was a registered broker-dealer and a wholly-owned subsidiary of JBOH. From June 2002 through September 2003, NCC operated as a clearing firm. NCC subsequently engaged in a limited amount of institutional trading and market making activities. On April 29, 2006, NCC terminated its registration as a broker-dealer with the filing of a Form BDW.

## **C. Background**

4. This matter involves Monson's conduct in connection with a late trading<sup>2</sup> scheme facilitated by NCC on behalf of eight investment advisers, correspondent brokers, or hedge funds (the "institutional customers").<sup>3</sup>

5. From June 2002 until September 2003, NCC's mutual fund department personnel facilitated over 12,000 late mutual fund trades in over 600 funds. NCC's president and others at the firm negotiated agreements providing NCC's institutional customers with the ability to confirm, cancel, or revise mutual fund trades after 4:00 p.m., the time at or as of which the relevant

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<sup>1</sup> In 2004, JBOH sold the retail accounts of JBOC to Ameritrade, Inc. and sold the clearing rights of NCC to North American Clearing, Inc. Subsequently, in late 2005, JBOH conducted a 100 to 1 reverse stock split reducing its shareholders to fewer than 300. On December 30, 2005, JBOH filed a Form 15 terminating its status as a registrant with the Commission and suspending its obligations to file periodic reports. On April 18, 2006, JBOH changed its name to Cambridge Capital Holdings, Inc. and began trading in the Pink Sheets as CCHI.

<sup>2</sup> "Late trading" refers to the practice of placing orders to buy or sell mutual fund shares after 4:00 p.m. Eastern time, the time as of which mutual funds typically calculate their net asset value ("NAV"), but receiving the price based on the NAV already determined as of 4:00 p.m. Late trading enables the trader to profit from market events that occur after 4:00 p.m. but that are not reflected in that day's price. See In the Matter of Steven B. Markovitz, Advisers Act Rel. No. 2180 (Oct. 2, 2003).

<sup>3</sup> NCC also facilitated a market timing scheme on behalf of the same customers, though Monson did not play a key role with respect to that activity.

mutual funds calculated their net asset value (“NAV”) after that day’s fund trading. These trades in the funds may have been based on subsequent market information not reflected in such price and not available to other fund shareholders required to make trading decisions prior to 4:00 p.m. Monson drafted the agreement used to memorialize the late trading relationship with the institutional customers.

6. NCC earned almost \$1 million in return for facilitating late mutual fund trades. With the exception of one customer, NCC received compensation totaling 1% of the customers’ assets under management in monthly installments. In addition to this fee, NCC received a \$10 transaction charge for every mutual fund trade it executed. This compensation arrangement only pertained to the institutional customers allowed to engage in late trading.<sup>4</sup>

#### **D. Monson’s Role in the Late Trading Scheme**

7. To secure business from NCC’s first institutional customer, NCC’s president<sup>5</sup> asked Monson, the firm’s general counsel, to draft an agreement memorializing the terms of the relationship. NCC’s president and the firm’s operations director<sup>6</sup> provided Monson with the terms of the agreement, including the time by which the customer was required to confirm mutual fund trades. NCC’s president also gave Monson a sample agreement to use as a template. The agreement was referred to as a “Mutual Fund Procedural Agreement” (“Procedural Agreement”).

8. The portion of the Procedural Agreement that related to late trading stated:

Each day that Customer intends to engage in mutual fund transactions, Customer shall send via Excel spreadsheet or other

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<sup>4</sup> On August 26, 2004, the Commission filed a civil injunctive action against JBOH, NCC, NCC’s president, NCC’s operations director and another person entitled *Securities and Exchange Commission v. JB Oxford Holdings, Inc., et al.*, Case No. CV 04-7084 PA (VBKx) (C.D. Calif.). On October 5, 2005, the District Court granted the Commission’s motion for partial summary judgment against NCC, finding that NCC’s conduct regarding late trading violated Commission Rule 22c-1 under the Investment Company Act, 17 C.F.R. §270.22c-1. Subsequently, all defendants in this civil action entered into settlement agreements with the Commission.

<sup>5</sup> On February 2, 2006, the Commission entered an Order Instituting Administrative Proceedings Pursuant to Section 15(b) of the Securities Exchange Act of 1934, Making Findings, and Imposing Remedial Sanctions as to the NCC president, James G. Lewis, Admin. Proc. File No. 3-12168, Exchange Act Release No. 53210. Under the terms of the Order, which was entered pursuant to an Offer of Settlement, he was barred from association with any broker or dealer, with the right to reapply for association after five years.

<sup>6</sup> On November 3, 2005, the Commission entered an Order Instituting Administrative Proceedings Pursuant to Section 15(b) of the Securities Exchange Act of 1934, Making Findings, and Imposing Remedial Sanctions as to the NCC operations director, Kraig L. Kibble, Admin. Proc. File No. 3-12096, Exchange Act Release No. 52728. Under the terms of the Order, which was entered pursuant to an Offer of Settlement, he was barred from association with any broker or dealer, with the right to reapply for association after four years.

mutually acceptable means to JB Oxford [NCC] a list of proposed transactions before 4:15 p.m. New York time. Transaction detail shall include mutual fund names and symbols, plus all other information necessary to effect the transaction(s) as agreed to by the parties. Customer intends to confirm and activate such trade communication via telephone by 4:45 p.m., New York time, which shall be deemed made upon oral or written verification by JB Oxford [NCC]. . .

9. NCC's president reviewed and approved the Procedural Agreement which Monson had drafted. NCC's president signed the Procedural Agreement on May 30, 2002. Monson knew that NCC used that Procedural Agreement as a template for all future institutional customers which engaged in late trading.

10. In the course of preparing the Procedural Agreement, Monson copied the sample agreement he had been given and failed to undertake any substantive analysis, such as considering the legality or propriety of late trading. He failed to review Commission rules or regulations or even consult NCC's compliance director to determine whether it was appropriate for NCC to accept mutual fund trades after 4:00 p.m. ET for pricing at 4:00 p.m. As the firm's general counsel and the individual at NCC charged with drafting the Procedural Agreement, Monson was in the best position to determine whether the Procedural Agreement was in compliance with Commission rules and regulations. He failed to take appropriate and reasonable steps to do so, however.

E. **Violations**

11. As described above, NCC violated Rule 22c-1 promulgated under Section 22(c) of the Investment Company Act, which prohibits any dealer in shares of a mutual fund from selling, redeeming, or repurchasing shares of a mutual fund except at a price based on the current net asset value of the shares of the mutual fund which is next computed after receipt of a tender of the shares of the mutual fund for redemption or of an order to purchase or sell the shares of the mutual fund. As a dealer in shares of a mutual fund, NCC was subject to the requirements of Rule 22c-1 and may therefore be charged with a direct violation of the rule. As a result of the conduct described above, Monson was a cause of NCC's violations based on acts or omissions that he knew or should have known would contribute to those violations.

**III.**

In view of the allegations made by the Division of Enforcement, the Commission deems it necessary and appropriate that a cease-and-desist proceeding be instituted to determine:

A. Whether the allegations set forth set forth in Section II are true and, in connection therewith, to afford Respondent an opportunity to establish any defenses to such allegations.

B. Whether, pursuant to Section 9(f) of the Investment Company Act, as a remedial act, Respondent should be ordered to cease and desist from causing violations of, and any future violations of, Rule 22c-1 promulgated under Section 22(c) of the Investment Company Act.

#### IV.

IT IS ORDERED that a public hearing for the purpose of taking evidence on the questions set forth in Section III hereof shall be convened at a time and place to be fixed and before an Administrative Law Judge to be designated by further order as provided by Rule 110 of the Commission's Rules of Practice, 17 C.F.R. § 201.110.

IT IS FURTHER ORDERED that Respondent shall file an Answer to the allegations contained in this Order within twenty (20) days after service of this Order, as provided by Rule 220 of the Commission's Rules of Practice, 17 C.F.R. § 201.220.

If Respondent fails to file the directed answer, or fails to appear at a hearing after being duly notified, the Respondent may be deemed in default and the proceedings may be determined against him upon consideration of this Order, the allegations of which may be deemed to be true as provided by Rules 155(a), 220(f), 221(f), and 310 of the Commission's Rules of Practice, 17 C.F.R. §§ 201.155(a), 201.220(f), 201.221(f), and 201.310.

This Order shall be served forthwith upon Respondent personally or by certified mail.

IT IS FURTHER ORDERED that the Administrative Law Judge shall issue an initial decision no later than 300 days from the date of service of this Order, pursuant to Rule 360(a) (2) of the Commission Rules of Practice.

In the absence of an appropriate waiver, no officer or employee of the Commission engaged in the performance of investigative or prosecuting functions in this or any factually related proceeding will be permitted to participate or advise in the decision of this matter, except as witness or counsel in proceedings held pursuant to notice. Because this proceeding is not "rule making" within the meaning Section 551 of the Administrative Procedure Act, it is not deemed subject to the provisions of Section 553 delaying the effective date of any final Commission action.

By the Commission.

Nancy M. Morris  
Secretary