

UNITED STATES OF AMERICA  
Before the  
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934  
Release No. 65278 / September 7, 2011

ADMINISTRATIVE PROCEEDING  
File No. 3-14435

---

In the Matter of	:	ORDER MAKING FINDINGS AND
	:	IMPOSING REMEDIAL SANCTIONS
GREGORY S. SCHAEFER	:	BY DEFAULT

---

The Securities and Exchange Commission (Commission) issued its Order Instituting Proceedings (OIP) against Respondent Gregory S. Schaefer (Schaefer) on June 23, 2011, pursuant to Section 15(b) of the Securities Exchange Act of 1934 (Exchange Act). The OIP alleged that Schaefer knowingly and substantially assisted in violating numerous regulatory provisions that govern broker-dealers, and, as a result, he was permanently enjoined from future violations of various provisions of the Securities Act of 1933 (Securities Act) and the Exchange Act, and from aiding and abetting future violations of various provisions of the Exchange Act.

The Division of Enforcement (Division) has provided evidence that Schaefer was served with the OIP on June 23, 2011, in accordance with 17 C.F.R. § 201.141(a)(2)(i). Schaefer's Answer was due twenty days from the date that he was served with the OIP. See OIP at 3; 17 C.F.R. § 201.220(b). To date, Schaefer has not filed an Answer. A telephonic prehearing conference was held on July 29, 2011, at which Schaefer did not appear. Since he failed to file an Answer, appear at the prehearing conference, or otherwise defend this proceeding, Schaefer is deemed to be in default, and this proceeding may be determined against him. See 17 C.F.R. §§ 201.155(a), .220(f), .221(f).

The Division filed a Notice of Motion for Default Order and Sanctions (Motion), Memorandum of Law in Support of the Motion (Memorandum), and Declaration in Support, on August 12, 2011. In the Memorandum, the Division requests that Schaefer be permanently barred from association with all entities authorized by Section 15(b)(6) of the Exchange Act, as amended by the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank).<sup>1</sup> (Memorandum at 1-2, 4, 10.) Schaefer did not file an opposition to the Motion and, therefore, does not object to such sanctions.

---

<sup>1</sup> The Division does not seek a penny stock bar against Schaefer, as such bar was entered against him in the underlying civil action.

## FINDINGS OF FACT

Schaefer, forty-five years old and formerly of New York and California, was the president, a principal, and registered representative associated with Dillon Scott Securities, Inc. (Dillon Scott), a broker-dealer that was registered with the Commission from May 2002 until October 2009. (OIP at 1.) At all times during this period, Schaefer was an associated person of Dillon Scott. (Id.)

The Commission's complaint in the underlying civil action, SEC v. Becker, et al., 1:09-CV-05707-SAS (S.D.N.Y. July 9, 2010), alleged that from at least January 2001 until July 2007, Schaefer and Gary S. Becker (Becker) sold three unregistered securities offerings of Gold Rush Technologies, Inc., Dillon Scott's parent company, raising approximately \$1.3 million in proceeds from 29 investors. (OIP at 2.) Schaefer and Becker, through offering memoranda, direct solicitations, and solicitations by two of their salespersons, represented that the money raised would be used to form a brokerage firm, but they instead diverted approximately 79% of the offering proceeds to enrich themselves and others. (Id.) In addition, Schaefer and Becker knowingly and substantially assisted Dillon Scott in violating numerous regulatory provisions governing broker-dealers by not disclosing in regulatory filings that Becker controlled Dillon Scott, by permitting individuals to effect securities transactions when they were not registered with FINRA, and by not making or keeping required employment documentation for certain associated persons of Dillon Scott. (Id.)

On July 12, 2010, a final judgment by default was entered against Schaefer and Becker, permanently enjoining each from future violations of Sections 5(a), 5(c), and 17(a) of the Securities Act, Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, and from aiding and abetting future violations of Sections 15(b)(7), 15(c)(1), and 17(a) of the Exchange Act and Rules 10b-3, 15b3-1, 15b7-1, and 17a-3(a)(12) thereunder.<sup>2</sup> (Id.) Official notice is taken of the underlying civil action and the injunction entered against Schaefer. See 17 C.F.R. § 201.323.

## CONCLUSIONS OF LAW

Under Exchange Act Section 15(b)(6)(A)(iii), which incorporates Exchange Act Section 15(b)(4)(C), the Commission may impose remedial sanctions on a person associated with a broker or dealer, consistent with the public interest, if the person has been enjoined from engaging in conduct in connection with the purchase or sale of any security. See 15 U.S.C. § 78o(b)(4)(C), (6)(A)(iii). As noted above, Schaefer was associated with a broker-dealer and was enjoined from violating the antifraud provisions of the federal securities laws.

To determine whether sanctions are in the public interest, the Commission considers the following six factors: (1) the egregiousness of the respondent's actions; (2) whether the violations were isolated or recurrent; (3) the degree of scienter; (4) the sincerity of the

---

<sup>2</sup> Becker was barred from association with a broker or dealer, pursuant to Section 15(b) of the Exchange Act, on November 9, 2010. See Gary S. Becker, Exchange Act Release No. 63281, 99 SEC Docket 34324.

respondent's assurances against future violations; (5) the respondent's recognition of the wrongful nature of his or her conduct; and (6) the likelihood that the respondent's occupation will present opportunities for future violations. See Steadman v. SEC, 603 F.2d 1126, 1140 (5th Cir. 1979), aff'd on other grounds, 450 U.S. 91 (1981). "[T]he Commission's inquiry into the appropriate sanction to protect the public interest is a flexible one, and no one factor is dispositive." Conrad P. Seghers, Investment Advisers Act of 1940 (Advisers Act) Release No. 2656 (Sept. 26, 2007), 91 SEC Docket 2293, 2298, petition for review denied, 548 F.3d 129 (D.C. Cir. 2008) (citing Robert W. Armstrong, III, Exchange Act Release No. 51920 (June 24, 2005), 85 SEC Docket 3011, 3039 (quoting KPMG Peat Marwick LLP, Exchange Act Release No. 43862 (Jan. 19, 2001), 54 S.E.C. 1135, 1192, reconsideration denied, Exchange Act Release No. 44050 (Mar. 8, 2001), 55 S.E.C. 1, petition for review denied, 289 F.3d 109 (D.C. Cir. 2002))). Remedial sanctions are not intended to punish a respondent, but to protect the public from future harm. See Leo Glassman, 46 S.E.C. 209, 211-12 (1975).

Furthermore, the Commission has noted that "the fact that a person has been enjoined from violating antifraud provisions 'has especially serious implications for the public interest.'" Michael T. Studer, Exchange Act Release No. 50411 (Sept. 20, 2004), 57 S.E.C. 890, 898, reconsideration denied, Exchange Act Release No. 50600 (Oct. 28, 2004), aff'd, 148 Fed. Appx. 58 (2d Cir. 2005) (unpublished) (quoting Marshall E. Melton, Advisers Act Release No. 2151 (July 25, 2003), 56 S.E.C. 695, 713). "[C]onduct that violates the antifraud provisions of the federal securities laws is . . . subject to the severest of sanctions under the securities laws." Jose P. Zollino, Exchange Act Release No. 55107 (Jan. 16, 2007), 89 SEC Docket 2598, 2608 (quoting Melton, 56 S.E.C. at 713). The existence of such an injunction can indicate the appropriateness of a bar from participation in the securities industry. See Michael Batterman, Exchange Act Release No. 2334 (Dec. 3, 2004), 57 S.E.C. 1031, 1042-43; Melton, 56 S.E.C. at 709-10.

While no findings of fact were made in the underlying civil action, the OIP noted that Schaefer's conduct occurred over six years, during which time he violated the antifraud provisions of the federal securities laws by making misrepresentations to 29 investors and diverting proceeds of unregistered securities offerings to enrich himself and others. These allegations are deemed true, pursuant to 17 C.F.R. § 201.155(a), and Schaefer has not contested them. Schaefer has not defended this proceeding; he has not provided assurances against future violations or recognized the wrongful nature of his conduct. Moreover, Schaefer has not contested the sanctions sought by the Division.

In view of the foregoing, and consistent with the public interest, Schaefer shall be barred from association within the securities industry. Section 15(b)(6)(A), as amended by Dodd-Frank, authorizes bars from association with a "broker, dealer, investment adviser, municipal securities dealer, municipal advisor, transfer agent, or nationally recognized statistical rating organization."

## ORDER

IT IS ORDERED, pursuant to Section 15(b)(6)(A) of the Securities Exchange Act of 1934, that Gregory S. Schaefer is barred from association with a broker, dealer, investment

adviser, municipal securities dealer, municipal advisor, transfer agent, and nationally recognized statistical rating organization.

---

Robert G. Mahony  
Administrative Law Judge