

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

**SECURITIES EXCHANGE ACT OF 1934  
Release No. 75953 / September 18, 2015**

**ADMINISTRATIVE PROCEEDINGS  
File Nos. 3-12671 and 16822**

**In the Matter of  
ARTHUR B. CARLSON, III,  
Respondent.**

**ORDER VACATING COMMISSION  
ORDER DATED AUGUST 14, 2007, FILE  
NO. 3-12671, AND INSTITUTING  
ADMINISTRATIVE AND CEASE-AND-  
DESIST PROCEEDINGS PURSUANT TO  
SECTIONS 15(b) AND 21C OF THE  
SECURITIES EXCHANGE ACT OF 1934  
AND SECTION 203(f) OF THE  
INVESTMENT ADVISERS ACT OF 1940,  
MAKING FINDINGS, AND IMPOSING  
REMEDIAL SANCTIONS AND A CEASE-  
AND-DESIST ORDER**

**I.**

The Securities and Exchange Commission (“Commission”) deems it appropriate and in the public interest that public administrative and cease-and-desist proceedings be, and hereby are, instituted pursuant to Sections 15(b) and 21C of the Securities Exchange Act of 1934 (“Exchange Act”) and Section 203(f) of the Investment Advisers Act of 1940 (“Advisers Act”) against Arthur B. Carlson, III (“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 IV, Respondent consents to the entry of this Order Instituting Administrative And Cease-And-Desist Proceedings Pursuant to Sections 15(b) and 21C of the Securities Exchange Act of 1934 and Section 203(f) of

the Investment Advisers Act of 1940, Making Findings, and Imposing Remedial Sanctions and Cease-And-Desist Order (“Order”), as set forth below.

### **III.**

On the basis of this Order and Respondent’s Offer, the Commission finds that:

1. This proceeding arises from an offering fraud involving the sale of Security Asset Capital Corporation (“Security Asset”) promissory notes. From December 1998 through January 2001, Security Asset raised a total of \$7 million from several hundred investors. Security Asset claimed to be in the debt service business involved in buying portfolios of distressed consumer debt for resale or refinancing. The promissory notes issued by Security Asset stated that the proceeds would be used to purchase consumer debt, pay commissions and pay costs associated with management and collection on consumer debt obligations. Instead, a significant portion of the proceeds were used to pay the personal expenses of company management, business expenses and to repay earlier investors. Investors lost all or most of their money.

#### **Respondent**

2. Arthur B. Carlson, III, age 63, lives in St. Paul, Minnesota. At the time of the Security Asset offering, Respondent was Chief Executive Officer (“CEO”) and majority shareholder of Continental Capital. Respondent was associated with Advance Capital Advisors, Inc., (“Advanced Capital”) beginning in January 2002 and was CEO and Chief Financial Officer (“CFO”) of Advanced Capital in February 2002, which was located in Minneapolis, Minnesota. From February 22, 2002 to August 14, 2007, Advanced Capital was registered with the Commission as an investment adviser but was not involved in the sale of Security Asset promissory notes. From 1977 through 2000, Respondent was licensed as a Certified Public Accountant (“CPA”) in Minnesota. From 2000 to the present, Respondent has not held a CPA license in any state.

#### **Overview**

3. On February 18, 2004, the Commission filed a civil action charging Respondent and other defendants with participating in an offering fraud involving, among other things, the sale of Security Asset promissory notes. On June 12, 2007, default judgment was entered against Respondent, which included a permanent injunction against future violations of Sections 5(a), 5(c) and 17(a) of the Securities Act of 1933, Sections 10(b) and 15(a)(1) of the Exchange Act and Rule 10b-5 thereunder, and he was ordered to pay disgorgement of \$124,169, prejudgment interest of \$58,824 and \$120,000 in civil penalties.

4. On August 14, 2007, the Commission entered an Order on default barring Respondent from association with any broker, dealer or investment adviser pursuant to Section 15(b) of the Exchange Act and Section 203(f) of the Advisers Act respectively. On August 28, 2015, upon the joint motion of the Commission and Respondent, the district court vacated the June 12, 2007 default judgment and dismissed the civil action with prejudice.

### **Respondent's Conduct**

5. Security Asset retained Respondent, through his company Continental Capital Group, Ltd. ("Continental Capital"), to be the exclusive distributor of Security Asset promissory notes. In turn, Respondent hired another company to sell the promissory notes through a network of independent insurance agents. Respondent forwarded the offering documents to the other company for use in the solicitation of investors.

6. Respondent did not personally solicit the Security Asset promissory notes to investors. Rather, he facilitated investor solicitations by informing the sales force about Security Asset and passing on the offering materials that he had reviewed.

7. Respondent received transaction based compensation from the sale of Security Asset promissory notes through his company Continental Capital.

8. At no point between December 1998 through January 2001 was Respondent registered with the Commission as a broker, nor was he associated with a registered broker-dealer.

### **Violation of Section 15(a)(1) of the Exchange Act by Respondent**

9. Section 15(a)(1) of the Exchange Act, among other things, prohibits a broker or a natural person not associated with a broker (other than such a broker whose business is exclusively intrastate and who does not make use of any facility of a national securities exchange) to make use of the mails or any means or instrumentality of interstate commerce to effect any transactions in, or to induce or attempt to induce the purchase or sale of, any security (other than an exempted security or commercial paper, bankers' acceptances, or commercial bills) unless such broker is registered in accordance with Section 15(b). *Scienter* is not an element of a violation of Section 15(a). SEC v. Rabinovich & Assocs., LP, 2008 U.S. Dist. LEXIS 93595, at \*14 (S.D.N.Y. 2008).

10. As a result of the conduct described above, Respondent willfully violated Section 15(a)(1) of the Exchange Act.<sup>1</sup>

### **IV.**

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

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<sup>1</sup> A willful violation of the securities laws means merely "that the person charged with the duty knows what he is doing." Wonsover v. SEC, 205 F.3d 408, 414 (D.C. Cir. 2000) (quoting Hughes v. SEC, 174 F.2d 969, 977 (D.C. Cir. 1949)). There is no requirement that the actor "also be aware that he is violating one of the Rules or Acts." Id. (quoting Gearhart & Otis, Inc. v. SEC, 348 F.2d 798, 803 (D.C. Cir. 1965)).

Accordingly, pursuant to Sections 15(b) and 21C of the Exchange Act and Section 203(f) of the Advisers Act, it is hereby ORDERED that:

A. The Commission's Order dated August 14, 2007, File No. 3-12671, relating to Respondent Arthur B. Carlson, III, is vacated and dismissed.

B. Respondent cease-and-desist from committing or causing any violations and any future violations of Section 15(a)(1) of the Exchange Act.

C. Respondent be, and hereby is barred from association with any broker, dealer and investment adviser, with the right to apply for reentry at any time after the date of this Order, to the appropriate self-regulatory organization or, if there is none, to the Commission.

D. Any reapplication for association by Respondent will be subject to the applicable laws and regulations governing the reentry process, and reentry may be conditioned upon a number of factors, including, but not limited to, the satisfaction of any or all of the following: (a) any disgorgement ordered against Carlson, whether or not the Commission has fully or partially waived payment of such disgorgement; (b) any arbitration award related to the conduct that served as the basis for the Commission order; (c) any self-regulatory organization arbitration award to a customer, whether or not related to the conduct that served as the basis for the Commission order; and (d) any restitution order by a self-regulatory organization, whether or not related to the conduct that served as the basis for the Commission order.

E. Respondent shall pay disgorgement in the amount of \$5,191.36. Such payment will be deemed satisfied by Respondent's payment to the U.S. Treasury of \$5,191.36 made prior to the date of this Order.

By the Commission.

Brent J. Fields  
Secretary