

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 80884 / June 8, 2017

INVESTMENT COMPANY ACT OF 1940
Release No. 32674 / June 8, 2017

ADMINISTRATIVE PROCEEDING
File No. 3-18016

In the Matter of

**CHRISTOPHER DAVID
SCOTT**

Respondent.

**ORDER INSTITUTING ADMINISTRATIVE
AND CEASE-AND-DESIST PROCEEDINGS,
PURSUANT TO SECTIONS 15(b) AND 21C
OF THE SECURITIES EXCHANGE ACT OF
1934 AND SECTION 9(b) OF THE
INVESTMENT COMPANY 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 9(b) of the Investment Company Act of 1940 (“Investment Company Act”) against Christopher David Scott (“Scott” 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 Administrative and Cease-and-Desist Proceedings, Pursuant to Sections 15(b) and 21C of the Securities Exchange Act of 1934 and Section 9(b) of the Investment Company Act of 1940, Making Findings, and Imposing Remedial Sanctions and a Cease-and-Desist Order (“Order”), as set forth below.

III.

On the basis of this Order and Respondent's Offer, the Commission finds¹ that:

SUMMARY

These proceedings arise out of Scott's violation of a Commission order issued on June 3, 2013 in *In the Matter of Christopher Scott*, Exchange Act Release No. 69687 which barred Scott from association with any broker-dealer with a right to reapply for association after five (5) years. Scott violated this order by associating with a broker-dealer between June 2013 and April 2016.

RESPONDENT

1. Christopher David Scott, 42, is a resident of Laguna Niguel, California. From approximately October 2009 to April 2016, Respondent was associated with a broker-dealer ("Broker-Dealer Firm").²

FACTS

2. Respondent was the Chief Compliance Officer and a registered representative at Westcap Securities, Inc. ("Westcap") from November 2002 to March 2007.³

3. On May 21, 2013, a final judgment was entered by consent against Scott, permanently enjoining him from future violations of Sections 5(a), 5(c) and 17(a) of the Securities Act of 1933 ("Securities Act") and Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, in the civil action entitled *Securities and Exchange Commission v. Chris Scott et al.* in the United States District Court for the Central District of California.

4. Among other things, the Commission's complaint against Scott alleges that, from at least early 2006 through late 2007, Scott and an entity he controlled, engaged in a series of unlawful unregistered offerings for the common stock of four microcap companies.

5. In connection with the entry of the injunction above and pursuant to Exchange Act Section 15(b)(6)(A), the Commission issued an order barring Scott from association with a broker-dealer with the right to reapply after five years (the "Commission Order").

6. On May 31, 2013 – ostensibly to comply with the soon-to-be entered June 3, 2013 Commission Order – Scott resigned from all of his roles at the Broker-Dealer Firm, including as the Chief Executive Officer, Chief Financial Officer, and Financial and Operations Principal ("FinOP").

¹ 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.

² As of December 14, 2016, Broker-Dealer Firm is no longer a registered broker-dealer, never had any customers, and never conducted any securities trades on behalf of customers at any time.

³ Westcap is no longer a registered broker-dealer.

7. The very next day (June 1, 2013), however, Scott signed a consulting agreement with Broker-Dealer Firm to undertake certain tasks, as described below.

8. For nearly three years from June 2013 to April 2016, Scott continued to run the day-to-day operations for the Broker-Dealer Firm. In particular, Scott assisted the Broker-Dealer Firm's FinOp in preparing the firm's monthly financial statements, net capital computation, and FOCUS filings. Scott consulted with the owner to ensure that the owner deposited sufficient funds to pay the expenses each month of the Broker-Dealer Firm and consulted about a possible sale of Broker-Dealer Firm. Moreover, Scott maintained a Broker-Dealer Firm email account and signed emails with a Broker-Dealer Firm signature address.

9. From June 2013 to April 2016, Scott was a "person associated with a broker or dealer" as that term is defined in Section 3(a)(18) of the Exchange Act,⁴ with respect to Broker-Dealer Firm.

10. Accordingly, Scott violated the Commission Order barring him from association with a broker-dealer with the right to reapply for association after five years.

VIOLATION

11. As a result of the conduct described above, Respondent willfully⁵ violated Exchange Act Section 15(b)(6)(B)(i). Exchange Act Section 15(b)(6)(B)(i) makes it unlawful for any person as to whom an order under Exchange Act Section 15(b)(6)(A) is in effect – without the consent of the Commission – willfully to become, or to be, associated with a broker or dealer in contravention of such an order.

IV.

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

Accordingly, pursuant to Sections 15(b) and 21C of the Exchange Act and Section 9(b) of the Investment Company Act, it is hereby ORDERED that:

A. Respondent cease and desist from committing or causing any violations and any future violations of Exchange Act Section 15(b)(6)(B)(i).

⁴ Section 3(a)(18) of the Exchange Act defines the term "person associated with a broker or dealer" to mean "any partner, officer, director, or branch manager of such broker or dealer (or any person occupying a similar status or performing similar functions), any person directly or indirectly controlling, controlled by, or under common control with such broker or dealer, or any employee of such broker or dealer, except that any person associated with a broker or dealer whose functions are solely clerical or ministerial shall not be included in the meaning of such term for purposes of section 15(b) of this title (other than paragraph (6) thereof)."

⁵ 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)).

B. Respondent be, and hereby is:

barred from association with any broker, dealer, investment adviser, municipal securities dealer, municipal advisor, transfer agent, or nationally recognized statistical rating organization;

prohibited from serving or acting as an employee, officer, director, member of an advisory board, investment adviser or depositor of, or principal underwriter for, a registered investment company or affiliated person of such investment adviser, depositor, or principal underwriter; and

barred from participating in any offering of a penny stock, including: acting as a promoter, finder, consultant, agent or other person who engages in activities with a broker, dealer or issuer for purposes of the issuance or trading in any penny stock, or inducing or attempting to induce the purchase or sale of any penny stock.

Any reapplication for association by the 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 the Respondent, 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.

C. Respondent shall pay disgorgement of \$23,000, prejudgment interest of \$774, and civil penalties of \$7,000 for a total of \$30,774 to the Securities and Exchange Commission for transfer to the general fund of the United States Treasury, subject to Exchange Act Section 21F(g)(3). Payment shall be made in the following installments: (i) \$10,774 within fifteen (15) days of the entry of this Order; (ii) \$5,000 within ninety days of this Order; (iii) \$5,000 within one-hundred-eighty (180) days of the entry of this Order; (iv) \$5,000 within two-hundred seventy (270) days of this Order; and (v) \$5,000 within three-hundred-sixty-five (365) days of the entry of this Order. If any payment is not made by the date the payment is required by this Order, the entire outstanding balance of disgorgement, prejudgment interest, and civil penalties, plus any additional interest accrued pursuant to 31 U.S.C. §3717 and SEC Rule of Practice 600, shall be due and payable immediately, without further application.

D. 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 Scott 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 Antonia Chion, Associate Director, Division of Enforcement, Securities and Exchange Commission, 100 F Street N.E., Washington, D.C. 20549-5720.

E. 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.

Brent J. Fields
Secretary