

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

**SECURITIES EXCHANGE ACT OF 1934**  
**Release No. 85618 / April 11, 2019**

**ADMINISTRATIVE PROCEEDING**  
**File No. 3-19143**

**In the Matter of**

**CLEAR SCOPE ADVISORS,**  
**INC.**

**Respondent.**

**ORDER INSTITUTING**  
**ADMINISTRATIVE AND CEASE-AND-**  
**DESIST PROCEEDINGS, PURSUANT TO**  
**SECTIONS 15B AND 21C OF THE**  
**SECURITIES EXCHANGE ACT OF 1934,**  
**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 administrative and cease-and-desist proceedings be, and hereby are, instituted pursuant to Sections 15B and 21C of the Securities Exchange Act of 1934 (“Exchange Act”), against Clear Scope Advisors, Inc. (“CSA” or “Respondent”).

**II.**

In anticipation 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 it and the subject matter of these proceedings, which are admitted, Respondent consents to the entry of this Order instituting Administrative and Cease-and Desist Proceedings, Pursuant to Sections 15B and 21C of the Exchange Act, 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 finds<sup>1</sup> that:

#### Summary

1. This matter concerns a registered municipal advisor that provided municipal advisory services without having met the applicable professional qualification standards. From September 12, 2017 through May 16, 2018, Clear Scope Advisors Inc. ("CSA") provided municipal advisory services to two municipal entities without being properly qualified in accordance with the rules of the Municipal Securities Rulemaking Board (the "MSRB"). CSA was not qualified to provide advisory services during this time because it did not have any municipal advisor professionals who had taken and passed the required MSRB qualifying exam. As a result of this conduct, CSA violated Section 15B(c)(1) of the Exchange Act and Rule 15Ba1-5, and MSRB Rules G-2 and G-3.

#### Respondent

2. CSA, a Michigan corporation based in Southfield, Michigan, is a municipal advisor. It has been registered as a municipal advisor with the Commission since October 8, 2010 and with the MSRB since December 17, 2010. On October 30, 2014, CSA filed SEC Form MA-I registering the firm's sole natural person who engages in municipal advisory activities on behalf of the firm. This individual is CSA's municipal advisory principal<sup>2</sup> (hereinafter referred to as the "MA Principal").

#### Facts

3. Beginning in 2016, CSA began working as a municipal advisor for two charter schools located in the suburbs of Detroit, Michigan ("School A" and "School B"). CSA agreed to provide municipal advisory services to School A and School B, including providing advice as to the structure, timing, terms, and prices of the potential bond offerings.

4. The MSRB requires all municipal advisor professionals to take and pass the MSRB's Municipal Advisor Representative Qualification Examination (hereinafter referred to as the "Series 50 exam") prior to engaging in municipal advisory services on behalf of a municipal advisor firm. This requirement went into effect on September 12, 2017.

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<sup>1</sup> 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.

<sup>2</sup> MSRB Rule G-3 defines "municipal advisory principal" as a natural person associated with a municipal advisor who is qualified as a municipal advisor representative who is directly engaged in the management, direction, or supervision of the municipal advisory activities of a municipal advisor and its associated persons.

5. On August 7, 2017, the MSRB called CSA's MA Principal to remind the firm of the requirement to take the Series 50 exam. On September 8, 2017, the MA Principal opened a 120-day "exam window" and paid the exam fee. Once the exam window is opened, a municipal advisory professional can schedule an appointment to take the Series 50 exam. The MA Principal, however, did not schedule an appointment to take the exam, and the exam window expired on January 5, 2018.

6. CSA continued to provide municipal advisory services to School A and School B after September 12, 2017. On December 19, 2017, the board of directors for School A passed a resolution to issue bonds and to appoint CSA as the municipal advisor for the bond issuance. On December 20, 2017, the board of directors for School B passed a resolution to issue bonds and to appoint CSA as the municipal advisor for the bond issuance. At the time that CSA was appointed municipal advisor for these two bond issuances, the MA Principal still had not taken and passed the Series 50 exam. CSA provided municipal advisory services to School A until the bond transaction closed on or about April 30, 2018. CSA continues to work on the bond transaction for School B, which has not yet been issued.

7. On April 4, 2018, the MA Principal opened a second 120-day exam window for the Series 50 exam and again paid the exam fee. On April 14, 2018, the MA Principal took the Series 50 exam, but failed to obtain a passing score. On May 17, 2018, the MA Principal again took the Series 50 exam and obtained a passing score.

8. From September 12, 2017 through May 16, 2018, CSA improperly provided municipal advisory services to School A and School B because the MA Principal had not yet passed the Series 50 exam and was therefore not qualified to provide municipal advisory services. The municipal advisory services that CSA provided during this time period included: (a) advising on the pricing of the potential bond offerings; (b) participating in weekly conference calls with the other professionals engaged to work on the bond issuances; (c) participating in investor presentations; and (d) participating in a ratings call.

9. CSA failed to amend its SEC Form MA-I for the MA Principal to reflect that the MA Principal was no longer able to engage in municipal advisory services on behalf of CSA.

### **Violations**

10. Rule 15Ba1-5 of the Exchange Act provides that a registered municipal advisor must promptly amend its SEC Form MA-I whenever any information becomes inaccurate for any reason, including when an associated person is no longer able to engage in municipal advisory activities on behalf of the firm.

11. MSRB Rules G-2 and G-3 provide that no municipal advisor shall engage in municipal advisory activities, unless such municipal advisor and every natural person associated with such municipal advisor are qualified in accordance with the rules of the MSRB. In addition, MSRB Rule G-3 requires that a municipal advisor must have at least one qualified municipal advisor principal that has taken and passed the Series 50 exam.

12. By violating MSRB Rules G-2 and G-3, CSA also violated Section 15B(c)(1) of the Exchange Act, which prohibits a municipal advisor from providing advice to a municipal entity in violation of MSRB rules.

13. As a result of the conduct described above, CSA willfully<sup>3</sup> violated Section 15B(c)(1) of the Exchange Act and Rule 15Ba1-5, and MSRB Rules G-2 and G-3.

#### IV.

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

Accordingly, pursuant to Sections 15B and 21(c) of the Exchange Act, it is hereby ORDERED that:

A. Pursuant to Section 21C of the Exchange Act, Respondent CSA cease and desist from committing or causing any violations and any future violations of Section 15B(c)(1) of the Exchange Act and Rule 15Ba1-5, and MSRB Rules G-2 and G-3.

B. Respondent CSA is censured.

C. Respondent CSA shall, within 10 days of the entry of this Order, pay disgorgement of \$20,000 and prejudgment interest of \$678.64 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). If timely payment is not made, additional interest shall accrue pursuant to SEC Rule of Practice 600 and 31 U.S.C. §3717. Respondent CSA shall also, within 10 days of entry of this Order, pay a civil money penalty in the amount of \$5,000 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), of which \$1,250 shall be transferred to the MSRB in accordance with Section 15B(c)(9)(A) of the Exchange Act. If timely payment is not made, additional interest shall accrue pursuant to 31 U.S.C. §3717.

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

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<sup>3</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)).

- (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 Clear Scope Advisors, Inc. 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 LeeAnn Ghazil Gaunt, Chief, Public Finance Abuse Unit, Securities and Exchange Commission, Boston Regional Office, 33 Arch Street, 24<sup>th</sup> Floor, Boston, MA 021120.

D. 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, it shall not argue that it is entitled to, nor shall it 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 it 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.

By the Commission.

Vanessa A. Countryman  
Acting Secretary