UNITED STATES OF AMERICA

Before the

SECURITIES AND EXCHANGE COMMISSION

Administrative Proceeding

File No. 3-16175

In the Matter of

Kenneth C. Meissner, James

Doug Scott, and Mark S. "Mike"

Tomich, Respondents.

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RESPONSE TO THE BRIEF ON SANCTIONS

AND THE STATE OF MIND OF JAMES DOUG SCOTT

In an attempt to clarify my thought processes in relation to this matter, I have revisited some of the events, times and circumstances so that the Court might have a better understanding of my "state of mind".

The opinions and assumptions that Ms. Hughes puts forth about my "state of mind" are based on imperfect or incomplete facts and have led to the drawing of conclusions which I reject.

When Mr. Snisky first contacted me in the summer of 2011, I was working as an employee for Summit Trust. Mr. Snisky knew that Summit Trust had relationships with many advisors and insurance agents. He contacted me because he was told that I was the person at Summit Trust that handled these types of external relationships.

To be clear, at this juncture, I was working on behalf of Summit Trust, only, and would have been paid a bonus, over my salary based on the size and number of accounts that the advisors would place with Mr. Snisky. From the very first phone conversation, Mr. Snisky stated the fact that no securities license was needed to introduce the Arete program to individuals because it did not need to be registered with the Securities and Exchange Commission. In almost every subsequent conversation with agents and myself, Mr. Snisky continued to emphasize the same lack of the requirement for a securities license, such that, unfortunately, in my mind the issue was not in question. In the repeated draftings of the Private Opportunity there was very little attention paid to the specific language of how the investment was classified, since I felt that issue had been addressed in the every phone conversation and meetings in Mr. Snisky's office in Longmont, CO.

It was never my intention to be anything more than an "inside relationship manager" at Summit Trust. By the time I was laid off from Summit Trust, the program had basically been structured and everything was in place to begin opening accounts. When I approached Kevin Brown about how things should proceed, he expressed a desire for me to continue working with Mr. Snisky, independently. Summit Trust would be content with their custodial fees.

To have some more insight into my "state of mind" it's important to understand my feelings after meeting Mr. Snisky. After hearing his resume, seeing his professional offices and home and observing his presence, his demeanor and his perceived sincerity (by introducing me to his [redacted] and [redacted]), "he won me over". Mr. Snisky wanted the additional credibility of a relationship with a trust company and at the time I was the gate keeper to that relationship with Summit Trust.

As I have previously stated, Mr. Kevin Brown participated with me in at least two webinars and expressed no concerns about Mr. Snisky's program. Mr. Brown also knew that I was not licensed to offer securities as well as the fact that neither Mr. Tomich nor Mr. Meissner currently held any securities license.

I realize now, looking back, that I was remiss (that's being kind) in not reading the various documents that he subsequently produced, in their entirety. I basically focused on the length of the contract, the terms of surrender and Summit's account forms and role as custodian. It seems logical at some point that I would have seen that the documents included the term, "securities", but based upon my belief system it did not register in my mind that this was, in fact, a security (even though I should have known) until the SEC contacted me as part of their investigation of Mr. Snisky and Arete, LLC and told me it was a "security".

I strongly disagree with the statement that I acted with scienter; as I understand that term. Had I known that I was in violation of any section of the Exchange Act, I would have ceased any involvement in the program and notified Messrs. Tomich, Sparkman and Meissner of my reason for so doing. I voluntarily went to the PA Securities Commission in 1999 when I realized that I might have been offering securities to my clients.

I realize, now, that I was acting in violation of Section 15(a) of the Exchange Act and can assure the court that I will never be involved in any future offering of securities in any fashion. I deeply regret the loss that any investor suffered because of Mr. Snisky's apparent plans to defraud them. If I had even the remotest idea of Mr. Snisky's intent or actions, I would have immediately reported him to the proper authorities.

I disagree with Ms. Hughes attempt to link the Accredited Investor term with the claim that I knew I was willfully selling securities without a license. Mr. Snisky said his concern was that individuals without substantial assets might need to liquidate their investment prematurely and negatively impact the model he was using. In effect the term was nothing more than a "credit check". He emphasized that in this case it had no connection to any regulatory requirement.

Even though I have already stated that I will never be involved (directly or indirectly) in the sale of securities again, I want to provide some additional assurance to the court in this area. Unfortunately, I have already had my contracts to sell Life Insurance and Annuities cancelled by three companies I represented. Once the findings of this court are concluded and made public the

Pennsylvania Insurance Department will permanently revoke my license. This will effectively end my 30+ years in the financial services industry. This development would remove any platform that I might have to discuss financial dealings of any kind.

I would have preferred to respond to some additional points that Ms. Hughes made in her final brief but I was unable to access in any practical way the documents and exhibits that Ms. Hughes referenced. While I did receive a "thumb drive" with 62, 602 files and 241 folders, unfortunately, none of them were searchable. As an example, files were categorized as: 001, 002, 003, etc. I reached out to Ms. Hughes to ask how I might find particular documents. She said, "I don't know and I cannot help". To be clear, I have several thousand pages that I received over the months of this administrative procedure but it would be impossible to successfully match most exhibits with her brief. In spite of this, I hope that I was successful in shedding additional light on my thought processes and my state of mind.

Notwithstanding the court's ability to levy a fine and disgorgement in excess of my ability to pay, I would like to point out that the prospects of me earning an income that would provide the means to repay a substantial fine are in effect not obtainable. In addition, the vast majority of the family's assets are [redacted] and are not accessible to me. I humbly request the court to be compassionate and to find for disgorgement a single Tier 1 violation.

July 24, 2015.

Respectfully submitted,

James Doug Scott

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