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BRIAN C. McNEIL
EXECUTIVE SECRETARY

M
S
1300 W
TELEPHONE: (602) 542-4242
FAX: (602) 594-7470
E-MAIL: accsec@ccsd.cc.state.az.us
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ARIZONA CORPORATION COMMISSION

MEMORANDUM

TO: Jeff Hatch-Miller, Chairman
William A. Mundell
Marc Spitzer
Mike Gleason
Kristin K. Mayes

Arizona Corporation Commission
DOCKETED
MAY 03 2005

FROM: Matthew J. Neubert
Director of Securities

DATE: May 3, 2005

RE: Proposed Order re: Scott Erick Langfitt, Docket No. S-03576A-04-0000

CC: Brian C. McNeil, Executive Secretary

Attached is a proposed Default Order for Scott Erick Langfitt ("Respondent"). The Order requires Respondent to cease and desist his activity, to pay a penalty of \$20,000, and orders revocation of Respondent's Arizona securities salesman registration.

On or about November 15, 2003, Respondent, operating out of Ohio, solicited an Arizona resident who had been his customer for 10 years to invest \$58,250 in securities in the form of public housing municipal bonds of the "Louisville Kentucky Redevelopment Authority" (the "Bonds").

Respondent represented to the customer that the Bonds paid interest at 7.75%, and advised her that the investment was a better way to use her monies held in a money market account with Wachovia paying less than 1% interest. Respondent represented that the investment would be insured by Lloyds of London and secured by the municipality, which was working with the Federal Housing Authority and the Department of Housing and Urban Development. Respondent represented that the customer could take interest semi-annually, or let the interest be compounded and at maturity, 2010, her investment would pay \$100,000.

Respondent provided the customer a document purporting to be a "Wachovia Securities Supplemental Account Statement," which was not a bona fide business record of Wachovia. Wachovia had no record of any such transaction by the customer. In early September 2004, Wachovia was provided a series of email communications between a non-Arizona based Wachovia

customer and Respondent, which revealed that Respondent had engaged in selling the Bonds without the firm's knowledge and approval. Wachovia investigated and could find no evidence these Bonds existed. On September 9, 2004, Wachovia terminated Respondent for failing to follow the firm's policy prohibiting the sale of securities that are not recorded on the books of the dealer. Wachovia has paid Respondent's Arizona customer the full amount of her investment.

The proposed Order finds that Respondent violated A.R.S. §§ 44-1841 and 1991 by fraudulent conduct involving the sale of unregistered securities. It also finds that he committed dishonest and unethical practices, and revokes his Arizona securities salesman registration, pursuant to A.R.S. § 44-1962.

Respondent has not requested a hearing on the matter or filed an answer, even though the administrative law judge extended the time period for such filings to enable Respondent's out-of-state counsel to participate in the proceedings. The Securities Division recommends the Commission enter the proposed default order against him.

Originator: Pam Johnson

1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2 COMMISSIONERS

3 JEFF HATCH-MILLER, Chairman
4 WILLIAM A. MUNDELL
5 MARC SPITZER
6 MIKE GLEASON
7 KRISTIN K. MAYES

8 In the matter of:

9 SCOTT ERICK LANGFITT, individually
10 10175 Hoover Woods Road
11 Galena, OH 43021
12 CRD# 1695817

13 Respondent.

) DOCKET NO. S-03576A-04-0000

) DECISION NO. _____

) **ORDER TO CEASE AND DESIST, ORDER**
) **FOR ADMINISTRATIVE PENALTIES, AND**
) **ORDER OF REVOCATION AGAINST**
) **RESPONDENT**

14 On December 22, 2004, the Securities Division ("Division") of the Arizona Corporation
15 Commission ("Commission") filed a Notice of Opportunity for Hearing Regarding Proposed Order
16 To Cease and Desist, for Administrative Penalties, of Revocation, and for Other Affirmative
17 Action ("Notice") with respect to Respondent SCOTT ERICK LANGFITT ("Langfitt" or
18 "Respondent"). The Division served the Notice on Respondent via certified mail, return receipt
19 requested, on January 3, 2005. The Notice specified that Respondent would be afforded an
20 opportunity for an administrative hearing regarding this matter upon filing a written request with
21 Docket Control of the Commission within ten days of receipt of the Notice. Respondent failed to
22 request a hearing within the required time.

23 On February 7, 2005, an Ohio attorney sent a letter of representation on behalf of
24 Respondent to the Division, which the Division filed with the Commission. Respondent's counsel
25 neither filed a request for hearing nor an Answer to the allegations contained in the Notice. On
26 February 18, 2005, Administrative Law Judge Marc E. Stern issued a procedural order extending
the deadline for 45 days for Respondent to file a request for hearing, and/or take other appropriate
action, to enable Respondent's out-of-state counsel to file a Motion and Consent for Admission Pro

1 Hac Vice. The procedural order instructed Respondent to take appropriate action within the
2 prescribed time period or Respondent would be in default, and the Division to submit a proposed
3 final Order to the Commission for its approval at Open Meeting. Respondent again failed to
4 request a hearing or to take any other appropriate action within the required time period.

5 **I.**

6 **FINDINGS OF FACT**

7 1. Langfitt's last known address is 10175 Hoover Woods Road, Galena, Ohio 43021.

8 2. From on or about January 30, 1998 until he was discharged on or about September 9,
9 2004, Langfitt, NASD CRD No. 1695817, was registered as a securities salesman in Arizona in
10 association with securities dealer Wachovia Securities, LLC ("Wachovia"). Langfitt's Arizona
11 securities salesman registration automatically suspended on the date of his termination with
12 Wachovia and terminated on December 31, 2004. Langfitt is not currently associated with any
13 securities dealer.

14 3. On or about November 15, 2003, Langfitt, operating out of Ohio, solicited an Arizona
15 resident who had been his customer for 10 years to invest \$58,250 in securities in the form of
16 public housing municipal bonds of the "Louisville Kentucky Redevelopment Authority" (the
17 "Bonds").

18 4. Langfitt represented to the customer that the Bonds paid interest at 7.75%, and advised
19 her that the investment was a better way to use her monies held in a money market account with
20 Wachovia paying less than 1% interest. Langfitt represented that the investment would be insured by
21 Lloyds of London and secured by the municipality, which was working with the Federal Housing
22 Authority and the Department of Housing and Urban Development. Langfitt represented that the
23 customer could take interest semi-annually, or let the interest be compounded and at maturity, 2010,
24 her investment would pay \$100,000.

25 5. Langfitt provided the customer a document purporting to be a "Wachovia Securities
26 Supplemental Account Statement," which was not a bona fide business record of Wachovia.

1 5. Langfitt's conduct is grounds for a cease and desist order pursuant to A.R.S. § 44-2032.

2 6. Langfitt's conduct is grounds for administrative penalties under A.R.S. § 44-2036.

3 7. Langfitt's conduct is grounds to revoke Langfitt's registration as a securities salesman
4 with the Commission pursuant to A.R.S. § 44-1962.

5 **III.**

6 **ORDER**

7 THEREFORE, on the basis of the Findings of Fact and Conclusions of Law, the
8 Commission finds that the following relief is appropriate, in the public interest, and necessary for the
9 protection of investors:

10 IT IS ORDERED, pursuant to A.R.S. § 44-2032, that Langfitt, his agents, employees,
11 successors and assigns, permanently cease and desist from violating the Securities Act.

12 IT IS FURTHER ORDERED, pursuant to A.R.S. § 44-2036, that Langfitt shall pay an
13 administrative penalty in the amount of \$20,000. Payment shall be made in full by cashier's check
14 or money order on the date of this Order, payable to the "State of Arizona." Any amount
15 outstanding shall accrue interest at the rate of 10% per annum from the date of this Order until paid
16 in full. If Langfitt does not comply with this order for administrative penalties, any outstanding
17 balance may be deemed in default and shall be immediately due and payable without notice or
18 demand.

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1 IT IS FURTHER ORDERED that Langfitt's registration as a securities salesman is revoked
2 pursuant to A.R.S. § 44-1962.

3 IT IS FURTHER ORDERED that this Order shall become effective immediately.

4 BY ORDER OF THE ARIZONA CORPORATION COMMISSION

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CHAIRMAN

COMMISSIONER

COMMISSIONER

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COMMISSIONER

COMMISSIONER

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IN WITNESS WHEREOF, I, BRIAN C. McNEIL, Executive Secretary of the Arizona Corporation Commission, have hereunto set my hand and caused the official seal of the Commission to be affixed at the Capitol, in the City of Phoenix, this _____ day of _____, 2005.

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BRIAN C. McNEIL
Executive Secretary

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DISSENT

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DISSENT

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This document is available in alternative formats by contacting Linda Hogan, Executive Assistant to the Executive Secretary, voice phone number 602-542-3931, E-mail lhogan@azcc.gov

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