

1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2 COMMISSIONERS

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

In the matter of:)	DOCKET NO. S-03576A-04-0000
)	
SCOTT ERICK LANGFITT, individually)	NOTICE OF OPPORTUNITY FOR HEARING
10175 Hoover Woods Road)	REGARDING PROPOSED ORDER TO
Galena, OH 43021)	CEASE AND DESIST, FOR
CRD# 1695817)	ADMINISTRATIVE PENALTIES, OF
)	REVOICATION, AND FOR OTHER
Respondent.)	AFFIRMATIVE ACTION
)	

11 **NOTICE: RESPONDENT HAS 10 DAYS TO REQUEST A HEARING**
12 **RESPONDENT HAS 30 DAYS TO FILE AN ANSWER**

13 The Securities Division (“Division”) of the Arizona Corporation Commission (“Commission”)
14 alleges that respondent SCOTT ERICK LANGFITT (“LANGFITT”) has engaged in acts, practices
15 and transactions that constitute violations of the Arizona Securities Act, A.R.S. § 44-1801 *et seq.*
16 (“Securities Act”).

17 **I.**
18 **JURISDICTION**

19 1. The Commission has jurisdiction over this matter pursuant to Article XV of the Arizona
20 Constitution and the Securities Act.

21 **II.**
22 **RESPONDENT**

23 2. LANGFITT’S last known address is 10175 Hoover Woods Road, Galena, Ohio 43021.
24 3. From on or about January 30, 1998 until he was discharged on or about September 9,
25 2004, LANGFITT, NASD CRD No. 1695817, was registered as a securities salesman in Arizona in
26 association with securities dealer Wachovia Securities, LLC (“Wachovia”). LANGFITT’S Arizona

1 securities salesman registration automatically suspended on the date of his termination with
2 Wachovia and will terminate on December 31, 2004. LANGFITT is not currently associated with
3 any securities dealer.

4 **III.**

5 **FACTS**

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

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

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

19 7. Wachovia had no record of any such transaction by the customer.

20 8. In early September 2004, Wachovia was provided a series of email communications
21 between a non-Arizona based Wachovia customer and LANGFITT, which revealed that LANGFITT
22 had engaged in selling the Bonds without the firm's knowledge and approval.

23 9. Wachovia investigated and could find no evidence these Bonds existed.

24 10. On September 9, 2004, Wachovia terminated LANGFITT for failing to follow the firm's
25 policy prohibiting the sale of securities that are not recorded on the books of the dealer.

26 ...

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26

IV.

**VIOLATION OF A.R.S. § 44-1841
(Offer or Sale of Unregistered Securities)**

11. LANGFITT offered and sold securities in the form of bonds within or from Arizona.

12. The securities referred to above were not registered pursuant to the provisions of Articles 6 or 7 of the Securities Act.

13. This conduct violates A.R.S. § 44-1841.

V.

**VIOLATION OF A.R.S. § 44-1991
(Fraud in Connection with the Offer or Sale of Securities)**

14. In connection with the offer or sale of the above-described securities within or from Arizona, LANGFITT directly or indirectly: (i) employed a device, scheme or artifice to defraud; (ii) made untrue statements of material fact or omitted to state material facts which were necessary in order to make the statements made not misleading in light of the circumstances under which they were made; and/or (iii) engaged in transactions, practices or courses of business which operated or would operate as a fraud or deceit upon offerees and investors, specifically including but not limited to the following:

- a) Misrepresented the nature and existence of the Bonds;
- b) Misrepresented and/or failed to disclose that the Bonds were not an approved Wachovia product; and
- c) Created and/or distributed customer account records that were not bona fide business records of Wachovia.

VI.

REVOCATION PURSUANT TO A.R.S. § 44-1962

15. LANGFITT'S conduct is grounds to revoke LANGFITT'S registration as a securities salesman with the Commission pursuant to A.R.S. § 44-1962. Specifically, LANGFITT has:

1 a) Violated §§ 44-1841 and 1991 of the Securities Act within the meaning of A.R.S.
2 § 44-1962(A)(2), by offering and selling unregistered securities and making untrue statements
3 of material fact in connection with the sale of those securities; and

4 b) Engaged in dishonest or unethical practices within the meaning of A.R.S. § 44-
5 1962(A)(10), including but not limited to selling securities that were not recorded on the
6 records of Wachovia, as defined by A.A.C. R14-4-130(A)(17).

7 VII.

8 REQUESTED RELIEF

9 The Division requests that the Commission grant the following relief:

- 10 1. Order LANGFITT to permanently cease and desist from violating the Securities Act,
11 pursuant to A.R.S. § 44-2032;
- 12 2. Order LANGFITT to pay the state of Arizona administrative penalties of up to five
13 thousand dollars (\$5,000) for each violation of the Securities Act, pursuant to A.R.S. § 44-2036;
- 14 3. Order the revocation of LANGFITT'S registration as a securities salesman pursuant to
15 A.R.S. § 44-1962; and
- 16 4. Order any other relief that the Commission deems appropriate.

17 VIII.

18 HEARING OPPORTUNITY

19 LANGFITT may request a hearing pursuant to A.R.S. §§ 44-1972 and A.A.C. R14-4-306.
20 **If respondent requests a hearing, respondent must also answer this Notice.** A request for
21 hearing must be in writing and received by the Commission within 10 business days after service of
22 this Notice of Opportunity for Hearing. Respondent must deliver or mail the request to Docket
23 Control, Arizona Corporation Commission, 1200 W. Washington, Phoenix, Arizona 85007. A
24 Docket Control cover sheet must accompany the request. A cover sheet form and instructions may
25 be obtained from Docket Control by calling (602) 542-3477 or on the Commission's Internet web
26 site at www.cc.state.az.us/utility/forms/index.htm.

1 If a request for a hearing is timely made, the Commission shall schedule the hearing to begin
2 20 to 60 days from the receipt of the request unless otherwise provided by law, stipulated by the
3 parties, or ordered by the Commission. If a request for a hearing is not timely made the Commission
4 may, without a hearing, enter an order granting the relief requested by the Division in this Notice of
5 Opportunity for Hearing.

6 Persons with a disability may request a reasonable accommodation such as a sign language
7 interpreter, as well as request this document in an alternative format, by contacting Linda Hogan,
8 Executive Assistant to the Executive Secretary, voice phone number 602/542-3931, e-mail
9 lhogan@cc.state.az.us. Requests should be made as early as possible to allow time to arrange the
10 accommodation.

11 IX.

12 ANSWER REQUIREMENT

13 Pursuant to A.A.C. R14-4-305, if respondent requests a hearing, respondent must deliver or
14 mail an Answer to this Notice of Opportunity for Hearing to Docket Control, Arizona Corporation
15 Commission, 1200 W. Washington, Phoenix, Arizona 85007, within 30 calendar days after the
16 date of service of this Notice. A Docket Control cover sheet must accompany the Answer. A
17 cover sheet form and instructions may be obtained from Docket Control by calling (602) 542-3477
18 or on the Commission's Internet web site at www.cc.state.az.us/utility/forms/index.htm.

19 Additionally, respondent must serve the Answer upon the Division. Pursuant to A.A.C.
20 R14-4-303, service upon the Division may be made by mailing or by hand-delivering a copy of the
21 Answer to the Division at 1300 West Washington, 3rd Floor, Phoenix, Arizona, 85007, addressed
22 to Pamela T. Johnson.

23 The Answer shall contain an admission or denial of each allegation in this Notice and the
24 original signature of respondent or respondent's attorney. A statement of a lack of sufficient
25 knowledge or information shall be considered a denial of an allegation. An allegation not denied
26 shall be considered admitted.

