BEFORE THE COMMISSIONER OF COMMERCE AND INSURANCE
FOR THE STATE OF TENNESSEE

IN THE MATTER OF	)	
ROBERT BOYDE SCOTT, individually and	)	**No.: 10-010**
d.b.a. ROBERT SCOTT & ASSOCIATES	)	
Applicant.	)	

CONSENT ORDER

The Tennessee Securities Division ("TSD") of the Tennessee Department of Commerce and Insurance ("Department"), and Robert Boyde Scott ("Scott"), both individually and d.b.a. Robert Scott & Associates, Applicant, herein agree to the entry of this Consent Order in accordance with TENN. CODE ANN. § 48-2-116 of the Tennessee Securities Act of 1980, as amended, TENN. CODE ANN. §§ 48-2-101, *et seq.* (the "Act"), which states that the Commissioner of the Tennessee Department of Commerce and Insurance ("Commissioner") may from time to time make such orders as are necessary to carry out the provisions of the Act.

GENERAL STIPULATIONS

1. It is expressly understood that this Consent Order is subject to the Commissioner's acceptance and has no force and effect until such acceptance is evidenced by the entry of the Commissioner.

2. This Consent Order is executed by Scott for settlement purposes only with respect to this cause. Furthermore, should this Consent Order not be accepted by the Commissioner, it is agreed that presentation to and consideration of this Consent Order by the Commissioner shall

not unfairly or illegally prejudice the Commissioner from further participation or resolution of these proceedings.

3. Scott fully understands that this Consent Order will in no way preclude additional proceedings by the Commissioner against Scott for acts or omissions not specifically addressed in this Consent Order or for facts and/or omissions that do not arise from the facts or transactions herein addressed.

4. Scott fully understands that this Consent Order will in no way preclude additional proceedings by the Commissioner or any other state government representative against Scott for violations of law under other statutes, rules, or regulations of the State of Tennessee, which may arise out of the facts, acts, or omissions contained in the Findings of Fact and Conclusions of Law stated herein, or which may arise as a result of the execution of this Consent Order by Scott.

5. Scott expressly waives all further procedural steps, and expressly waives all rights to seek judicial review of or to otherwise challenge or contest the validity of the Consent Order, the stipulations and imposition of discipline contained herein, and the consideration and entry of said Consent Order by the Commissioner.

FINDINGS OF FACT

1. The Act, TENN. CODE ANN. §§ 48-2-101, *et seq.*, places the responsibility for the administration of the Act on the Commissioner. The TSD is the lawful agent through which the Commissioner discharges this responsibility. TENN. CODE ANN. § 48-2-115.

2. Scott is a citizen and resident of the state of Tennessee, residing at 2592 Snowbird Hollow Road, Franklin, TN 37064. Since 1993 and up to the present, Scott has had and

maintained an insurance producer license in Tennessee (License # 742856). Scott is not currently registered, nor has he ever been registered, as a broker-dealer or broker-dealer agent with the TSD.

3. In 2006, Scott began the process of registering his own investment advisory firm with the TSD as an investment adviser and himself as an investment adviser representative. The TSD requested information regarding alleged unregistered sales of unregistered securities by Scott. Scott withdrew his application for registration with the TSD in 2006.

4. In 2010, REAP Financial Group, LLC (CRD # 144560), a Texas state registered investment adviser, sought registration itself as an investment adviser and registration for Scott as an investment adviser representative in the State of Tennessee. On October 14, 2010, REAP Financial Group, LLC withdrew the registration application for Scott. REAP Financial Group, LLC, subsequently withdrew its own application as well. In addition to Scott's insurance producer license, at the time of application, Scott also held a Chartered Financial Consultant ("ChFC") designation.

5. 21st Century Satellite Communications, Inc. ("CSCI") was a business entity with a principal place of business located at 3110 Cherry Palm Drive, Suite 355, Tampa, Florida 33619. CSCI was incorporated in Florida in 1997, and provided wired and satellite cable television products and services to multi-unit realty facilities, which included apartment complexes, housing communities, and trailer parks. At all relevant times herein, CSCI did not register any offerings of securities with the TSD for sale from or in Tennessee and did not make any filings with the TSD pertaining to exemptions claimed for any offerings of securities sold or to be sold from or in Tennessee.

6. Between March 1998 and March 2000, Scott made seven (7) sales of unregistered securities to Tennessee investors. Between March 1998 and March 2000, Scott was not registered with the TSD to sell securities from, or in the State of Tennessee. Scott sold unregistered purchase-leaseback agreements (investment contracts) and unregistered promissory notes issued by CSCI. The investment contracts and promissory notes were not registered with the TSD and no exemption claims were made at the time of the sale of these securities, nor were any exemptions claimed during Mr. Scott's first attempt to obtain a Tennessee registration as an investment adviser representative in 2006.

7. In exchange for investing in CSCI, an investor received an interest in cable equipment used in CSCI's operations, the right to receive a stated return on their investment and the right to a percentage of the profit made on the equipment. Investors were to receive copies of a UCC1 filing showing the location of their allegedly secured equipment. At the time of purchase, none of Scott's investors received copies of any such filings.

8. The purchase-leaseback agreements had significant, inherent risks. According to the offering document, the initial value given by investors entitled investors to regular and reliable returns on their money, and direct participation in the profits of CSCI. In addition, the inherent value of the cable equipment used in CSCI's operations was subject to CSCI's ongoing efforts to maintain said value. The purchase-leaseback agreements and promissory notes both promised that CSCI would maintain the equipment and keep it free from liens or other outstanding claims.

9. Investors were promised benefits in excess of their investment and the inherent value of the cable equipment. The investors received promissory notes promising the investor a return of 12% on their investment, to be paid on a quarterly basis. The promissory notes were

payable in full in sixty (60) months or five (5) years. The promissory notes were accompanied by a profit incentive (attached as an addendum to the Promissory Note) promising an additional 25% of the equipment's profit paid on an annual basis.

10. The investors were not granted any meaningful control over the managerial decisions of the enterprise or the success or failure of CSCI's operations. In exchange for their initial investment, investors received information regarding the location of their equipment and were supposed to receive UCC-1 filing information showing a perfected secured interest in that equipment. At the time of the sales, Scott received copies of UCC-1 filings from CSCI and contends that CSCI led him to believe that his clients received copies as well, but none of Scott's investors received copies of any such filings. Scott did not conduct any additional inquiry into whether copies of the UCC-1 filings were sent to his clients.

11. Scott contends that CSCI led him to believe that the unregistered purchase-leaseback agreements (investment contracts) and unregistered promissory notes issued by CSCI were not securities, or were exempt from registration requirements. Contrary to the provisions of the Act, Scott did not conduct any personal inquiry into whether those assertions were true, but instead just accepted CSCI's statements as fact.

12. The purchase-leaseback agreements (investment contracts) and promissory notes issued by CSCI were securities and were subject to the Act's registration requirements for sale in Tennessee. Investors did not physically receive the cable equipment offered by CSCI. Instead they received the stream of income that the cable equipment was supposed to generate. Without CSCI's efforts, the investors' security interests in the equipment were virtually worthless especially in comparison to the amount each of the investors invested.

13. Scott's sales totaled approximately sixty-eight thousand dollars ($68,000.00) from Tennessee Investors.

14. Scott earned approximately six thousand eight hundred forty dollars ($6,840.00) in commissions for these seven (7) sales.

15. Subsequent to the facts, activities and conduct covered by this Consent Order, Scott obtained substantial training and education and obtained a certified designation as a ChFC. Consequently, Scott now has a broader and deeper understanding of the laws and regulations that govern activity as an investment adviser representative.

16. Applicant Robert Boyde Scott, both individually and d.b.a. Scott & Associates, waives the right to a hearing on the matters underlying this Consent Order and to a review of the Findings of Fact and Conclusions of Law contained herein, and Scott agrees that no threats or promises of any kind have been made by the Commissioner, the Division, or any agent or representative thereof.

17. Applicant Robert Boyde Scott, both individually and d.b.a. Scott & Associates, expressly waives his rights to any additional notice, hearing, further procedural steps, and judicial review regarding the matters underlying this Consent Order.

CONCLUSIONS OF LAW

1. Pursuant to TENN. CODE ANN. §48-2-115(a), the responsibility for administration of the Act is upon the Commissioner. The TSD is the lawful agent through which the Commissioner discharges this responsibility. TENN. CODE ANN. § 48-2-112 and § 48-2-115.

2. TENN. CODE ANN. § 48-2-102(4) states, in pertinent part, that the term "broker-dealer" is defined as any person engaged in the business of effecting transactions in securities for the account of others, or any person engaged in the business of buying or selling securities issued by one (1) or more other persons for such person's own account and as part of a regular business rather than in connection with such person's investment activities.

3. TENN. CODE ANN. § 48-2-104(a) states, in pertinent part, that it is unlawful for any person to sell any security in this state unless it is registered under the Act, the security or transaction is exempted under the Act, or the security is a covered security.

4. TENN. CODE ANN. § 48-2-109(a) states, in pertinent part, that it is unlawful for any person to transact business from or in this state as a broker-dealer or agent unless such person is registered as a broker-dealer or agent under the Act.

5. The facts set forth above demonstrate that Scott sold unregistered securities in the form of purchase-leaseback agreements (investment contracts) and promissory notes issued by CSCI. None of the securities were registered with the TSD for sale from or in Tennessee. It is unlawful to sell any security in this state unless it is registered under TENN. CODE ANN. §§ 48-2-101 et seq., or the transaction is exempted under TENN. CODE ANN. § 48-2-103, or it is a covered security. The purchase-leaseback agreements (investment contracts) and promissory notes issued by CSCI were not registered with TSD, and were not exempted by statute and were not covered securities.

6. As described in the Findings of Fact section above, the sales of the purchase-leaseback agreements (investment contracts) and promissory notes issued by CSCI without first registering the securities with the TSD, and without registering as an individual to sell securities as a broker-dealer or broker-dealer agent, provide adequate grounds under TENN. CODE ANN. §

48-2-104(a) and TENN. CODE ANN. § 48-2-109(a) for the entry of an order of sanctions by the Commissioner.

ORDER

NOW, THEREFORE, in consideration of the foregoing, it is **ORDERED** that:

1. Robert Boyde Scott's withdrawn application for registration as an investment adviser representative of REAP Financial Group, LLC (CRD # 144560) in the State of Tennessee is accepted as withdrawn, with an effective withdrawal date of October 14, 2010.

2. In connection with any future application for registration by Scott, the Division will not consider the facts, activities and conduct contained in this Consent Order as a basis for denial when making its determination as to the granting of any such registration.

3. In connection with any future application for registration by Scott, the Division retains its authority to consider any facts, activities or conduct not contained in this Consent Order, when making its determination as to the granting of any such registration.

4. Applicant Robert Boyde Scott, individually and d.b.a. Robert Scott & Associates, shall fully comply with the Act and all rules promulgated thereunder;

5. Applicant Robert Boyde Scott, individually and d.b.a. Robert Scott & Associates, shall permanently Cease and Desist in any further unregistered conduct as a broker-dealer, broker-dealer agent, investment adviser, or investment adviser representative from or in the state of Tennessee, beginning on the date this Consent Order is entered by the Commissioner for the Department of Commerce and Insurance.

6. Applicant Robert Boyde Scott, individually and d.b.a. Robert Scott & Associates,

shall Cease and Desist conducting securities transactions on behalf of others from, in, or into the State of Tennessee without first obtaining proper registration with the TSD, beginning on the date this Consent Order is entered by the Commissioner for the Department of Commerce and Insurance.

7. Applicant Robert Boyde Scott, individually and d.b.a. Robert Scott & Associates, is **ORDERED TO AND AGREES** to pay full restitution to the investors in the amount of sixty-eight thousand dollars ($68,000), to be paid upon entry of this Consent Order, but in no event later than one (1) year from the date this Consent Order is entered by the Commissioner for the Department of Commerce of Insurance. Payment in the form of a money order or cashier's check shall be mailed or delivered directly to each of the investors that purchased the purchase-leaseback agreements (investment contracts) and promissory notes issued by CSCI from Robert Boyde Scott, individually and d.b.a. Robert Scott & Associates. Restitution payments shall be full restitution of the investors' initial principal amount invested unless Scott produces a notarized statement from an investor which shows that the investor was paid a return on their investment with CSCI. If such notarized statement is provided by Scott to the Division for any of the seven investors, then and only then, Scott may deduct from the restitution payment to the investor who provided the notarized statement the amount of any such return on investment as a credit against the restitution that must be paid by Scott to that investor. Proof of payment for each of the seven investors shall be mailed within ten (10) days of each such payment to:

State of Tennessee
Department of Commerce and Insurance
Securities Division - Broker-Dealer Section
6th Floor, Davy Crockett Tower, Suite 680
500 James Robertson Parkway
Nashville, Tennessee 37243

8. Applicant Robert Boyde Scott, individually and d.b.a. Robert Scott & Associates, is subject to a period of **PROBATION** for two (2) years, beginning with the effective date of any registration with the TSD granted subsequent to the entry of this Order.

9. Applicant Robert Boyde Scott, individually and d.b.a. Robert Scott & Associates, shall be subject to continuing education ("CE") requirements as necessary to maintain his ChFC designation or be subject to the CE requirements in connection with another accredited certifying organization designation he may obtain subsequent to his ChFC designation. Proof of compliance with his ongoing CE requirements shall be mailed within ten (10) days of receipt of proof of compliance to:

State of Tennessee
Department of Commerce and Insurance
Securities Division - Broker-Dealer Section
6th Floor, Davy Crockett Tower, Suite 680
500 James Robertson Parkway
Nashville, Tennessee 37243

10. If payment is not made by Scott, or if Scott materially defaults in any of his obligations (i.e. violates his probation or fails to maintain continuing education requirements) as set forth in this Consent Order, then the Division may at its sole discretion, vacate this Consent Order, and upon thirty (30) days written notice to Scott and without opportunity for an administrative hearing, enter a final order of revocation, revoking any securities registration issued by the Division subsequent to the execution of this Consent Order.

IT IS ORDERED that this Consent Order represents the complete and final resolution of, and discharge with respect to all administrative and civil, claims, demands, actions and causes of action by the Commissioner against Applicant Robert Boyde Scott, individually and d.b.a. Robert Scott & Associates, for violations of the Act alleged by the Division to have occurred

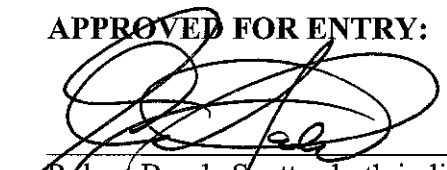
with respect to the transactions involving the above referenced investors and the facts contained herein. This Consent Order is in the public interest and in the best interests of the parties, and represents a compromise and settlement of the controversy between the parties and is for settlement purposes only. By the signatures affixed below, Applicant Robert Boyde Scott, individually and d.b.a. Robert Scott & Associates, affirmatively states that he has freely agreed to the entry of this Consent Order, waives the right to a hearing on the matters underlying this Consent Order and to a review of the Findings of Fact and Conclusions of Law contained herein, and Scott agrees that no threats or promises of any kind have been made by the Commissioner, the Division, or any agent or representative thereof. The parties, by signing this Consent Order, affirmatively state their agreement to be bound by the terms of this Consent Order and aver that no promises or offers relating to the circumstances described herein, other than the terms of settlement set forth in this Consent Order, are binding upon them.

ENTERED this 22nd day of November, 2010.

Leslie A. Newman

Leslie A. Newman
Commissioner
Department of Commerce and Insurance

APPROVED FOR ENTRY:



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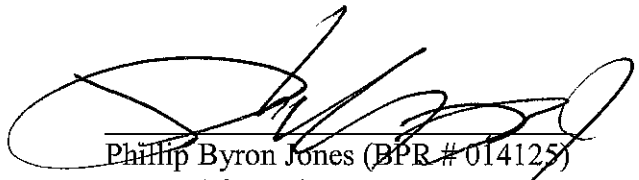

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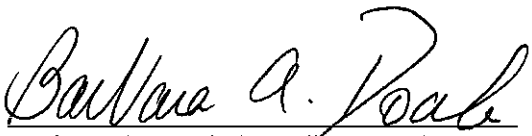

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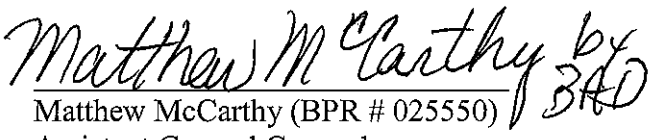

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