

UNITED STATES OF AMERICA  
Before the  
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934  
Release No. 56247/ August 14, 2007

INVESTMENT ADVISERS ACT OF 1940  
Release No. 2632/ August 14, 2007

ADMINISTRATIVE PROCEEDING  
File No. 3-12671

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In the Matter of	:	
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ARTHUR B. CARLSON, III	:	ORDER MAKING FINDINGS AND IMPOSING SANCTIONS BY DEFAULT
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	:	

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The Securities and Exchange Commission (Commission) issued an Order Instituting Proceedings (OIP) pursuant to Section 15(b) of the Securities Exchange Act of 1934 (Exchange Act) and Section 203(f) of the Investment Advisers Act of 1940 (Advisers Act) on June 26, 2007. The OIP required that Arthur B. Carlson, III (Carlson), file an Answer to the OIP within twenty days of service of the OIP. OIP at 3. Service occurred on July 10, 2007, so Carlson's Answer was due by July 31, 2007. A hearing is scheduled to begin on Wednesday, August 15, 2007.

I issued an Order Postponing Hearing on July 19, 2007, stating that I would default Carlson if he failed to file an Answer contesting the allegations in the OIP. Carlson has not filed an Answer and the Division of Enforcement (Division) has informed my Office that Carlson has not contacted the Division since the OIP was issued. Accordingly, I find Carlson in default and that the following allegations in OIP are true. 17 C.F.R. §§ 201.155(a), .220(f).

A. RESPONDENT

Carlson was the Chief Executive Officer and majority shareholder of Continental Capital. Carlson also served as the Chief Financial Officer of Apacor Financial, Inc. (Apacor). The complaint filed in SEC v. Security Asset Capital Corp., Civil Action Number 04-CV-0683, in the United States District Court for the Eastern District of Pennsylvania, alleges, among other charges, that Carlson acted as an unregistered broker-dealer. In addition, at the time that the complaint was filed, Carlson also was the Chief Executive Officer and Chief Financial Officer of Advanced Capital Advisers, Inc., and as such, was registered with the Commission as an investment adviser from February 22, 2002, until February 9, 2007. Carlson is fifty-five years old and is a resident of St. Paul, Minnesota.

## B. ENTRY OF THE INJUNCTION

On June 12, 2007, the district court entered a final judgment on default against Carlson permanently enjoining him from future violations of Sections 5(a), 5(c), and 17(a) of the Securities Act of 1933 (Securities Act), Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, and Section 15(a)(1) of the Exchange Act, in SEC v. Security Asset Capital Corp.

The complaint in the underlying civil action alleges that defendants, including Carlson, made material misrepresentations and omissions in the offering of nine-month promissory notes, whereby investors were promised secure investments with twelve percent or more annual returns. In fact, investors lost their investments. The alleged misrepresentations and omissions related to, among other things, the use of the offering proceeds and the risks associated with the investment. Specifically, the complaint alleges that, contrary to representations, at the time of the offerings each of these issuers was in dire financial circumstances, and that offering proceeds were used, not for the purchase of productive assets as promised, but, largely, to pay commissions, officers' salaries and personal expenses, and to pay interest to prior investors. The complaint further alleges that, from these offerings of promissory notes, Security Asset Capital Corp. raised approximately \$7 million and Apacor raised approximately \$1.5 million. Finally, the complaint alleges that no registration statement was in effect as to these promissory notes; nor were they exempt from registration, and that Carlson, in connection with the charged conduct, acted as an unregistered broker-dealer.

## **CONCLUSIONS OF LAW**

Section 15(b) of the Exchange Act and Section 203(f) of the Advisers Act authorize the Commission to bar from association with a broker or dealer and with an investment adviser, respectively, a person who while acting as an associated person has been enjoined from future violations of Sections 5(a), 5(c), and 17(a) of the Securities Act, Section 10(b) of the Exchange Act, and Exchange Act Rule 10b-5, where it is in the public interest to do so.

Application of established public interest criteria shows that it is in the public interest to bar Carlson from association with a broker or dealer and with an investment adviser. His conduct was egregious in that it violated the antifraud and registration provisions of three securities statutes and an Exchange Act regulation and it caused investors to lose their investments. Carlson has neither provided any assurance against future violations nor recognized the wrongful nature of his conduct. Finally, the factors mentioned and Carlson's failure to contest the allegations of wrongdoing in both the underlying civil action and this administrative proceeding, indicate that his continued participation in the securities industry would likely result in future violations. Steadman v. SEC, 603 F.2d 1126, 1140 (5th Cir. 1979), aff'd on other grounds, 450 U.S. 91 (1981); Orlando Joseph Jett, 82 SEC Docket 1211, 1260-61 (Mar. 5, 2004).

**ORDER**

It is ORDERED, pursuant to Section 15(b) of the Securities Exchange Act of 1934 and Section 203(f) of the Investors Advisers Act of 1940, that Arthur B. Carlson, III, is barred from association with any broker dealer and from association with any investment adviser.

It is FURTHER ORDERED that the hearing scheduled for August 15, 2007 is canceled.

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Brenda P. Murray  
Chief Administrative Law Judge