

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

INVESTMENT ADVISERS ACT OF 1940

Release No. 3059 / July 27, 2010

ADMINISTRATIVE PROCEEDING

File No. 3-13980

In the Matter of

**SPENCER
INTERNATIONAL
ADVISORS, INC. AND
SCOTT A. SPENCER, CPA**

Respondents.

**ORDER INSTITUTING
ADMINISTRATIVE AND CEASE-AND-
DESIST PROCEEDINGS, PURSUANT TO
SECTIONS 203(e), 203(f) AND 203(k) OF
THE INVESTMENT ADVISERS ACT OF
1940, MAKING FINDINGS, AND
IMPOSING REMEDIAL SANCTIONS AND
A CEASE-AND-DESIST ORDER**

I.

The Securities and Exchange Commission (“Commission”) deems it appropriate and in the public interest that public administrative and cease-and-desist proceedings be, and hereby are, instituted pursuant to Sections 203(e), 203(f) and 203(k) of the Investment Advisers Act of 1940 (“Advisers Act”), against Spencer International Advisors, Inc. (“Spencer International”) and Scott A. Spencer (“Spencer”)(collectively “Respondents”).

II.

In anticipation of the institution of these proceedings, Respondents have submitted an Offer of Settlement (the “Offer”) which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, and without admitting or denying the findings herein, except as to the Commission’s jurisdiction over them and the subject matter of these proceedings, which are admitted, Respondents consent to the entry of this Order Instituting Administrative and Cease-and-Desist Proceedings Pursuant to Sections 203(e), 203(f) and 203(k) of the Investment Advisers Act of 1940, Making Findings, and Imposing Remedial Sanctions and a Cease-and-Desist Order (“Order”), as set forth below.

III.

On the basis of this Order and Respondents' Offer, the Commission finds¹ that:

Summary

From May to October 2006, Spencer, president of Spencer International, an investment adviser registered with the Commission, induced 55 clients to purchase \$5 million in promissory notes (the "Loder Notes") issued by Loder Note, LLC, a Florida limited liability company owned by a Florida developer. The developer and his wife personally guaranteed the Loder Notes. Loder Note, LLC defaulted on the Loder Notes in July 2007 and the developer and his wife failed to fulfill their obligation.

The Loder Notes offering materials Spencer International and Spencer distributed to their clients contained false and misleading information regarding the Florida developer's debts and liabilities. Specifically, the Florida developer's and his wife's financial statement, contained in the offering documents, omitted material amounts of debt and personal debt guarantees the Florida developer owed other Spencer International clients. Spencer International and Spencer also failed adequately to disclose a material conflict of interest, and failed to conduct thorough due diligence as they represented.

Respondents

1. **Spencer International** is a Florida corporation with its principal place of business in Clearwater, Florida. Spencer International has been registered with the Commission as an investment adviser since January 1994.
2. **Spencer**, CPA, age 46, resides in Bellair, Florida and was one of the owners and the former president of Spencer International. Spencer is also a certified financial planner, and a chartered mutual fund counselor. He previously maintained Series 7, 24, 28, and 63 licenses.

Other Relevant Entity

3. **Loder Notes, LLC**, was a Florida limited liability company, controlled by the Florida developer, with its principal place of business in Largo, Florida. Neither Loder Notes, LLC, nor the Loder Notes securities are registered with the Commission.

¹ The findings herein are made pursuant to Respondents' Offer of Settlement and are not binding on any other person or entity in this or any other proceeding.

Background

4. Since 2000, Spencer International has recommended alternative, speculative investments for some of its clients designed to provide high income. Spencer International called these products Special Situation Investments (“SSIs”). Spencer headed Spencer International’s committee that identified, evaluated, and recommended these investments to its clients.

5. Spencer International and Spencer promised to conduct thorough due diligence on SSIs. Pursuant to Spencer International’s client advisory agreement, Spencer International charged clients who purchased SSIs a 3% annual fee for due diligence and administration.

6. In January 2005, some of Spencer International’s clients began funding loans to finance the Florida developer’s real estate development projects. Between January 2005 and April 2006, Spencer International’s clients funded nine loans totaling more than \$5 million to the Florida developer and his related entities.

7. In May 2006, Spencer International and Spencer recommended the Loder Notes directly to certain Spencer International’s clients. The Loder Notes were four year notes yielding 15% annual interest. The Florida developer and his wife personally guaranteed the Loder Notes, and their joint financial statement was part of the offering material prepared by Loder Note LLC which Spencer International and Spencer sent clients. The Florida developer also pledged his indirect interest in another real estate venture as security for the Loder Notes.

8. The Florida developer’s and his wife’s joint personal financial statement was false and misleading in that it omitted material information regarding their debt and net worth. The financial statements omitted several outstanding loans for approximately \$4 million that Spencer International clients had previously made to the Florida developer and his related entities. The financial statement also contained the false statement that the Florida developer and his wife had not personally guaranteed any loans, despite the fact that the Florida developer already had guaranteed several earlier loans to Spencer International clients. Spencer International and Spencer distributed the Loder Notes offering materials containing the false and misleading information to their clients when recommending the Loder Notes.

9. Spencer International and Spencer failed to conduct thorough due diligence on the Loder Notes as they represented. Instead of independently conducting due diligence on the Florida developer’s finances, Spencer relied on the fact that a major national bank had recently loaned the Florida developer and his partner \$40 million and Spencer believed the bank had reviewed the developer’s financial statements. However, the Florida developer submitted two financial statements to Spencer: one dated March 28, 2006 that the Florida developer submitted to secure the \$40 million bank loan, and another dated April 28, 2006 which was the version attached to the Loder Notes offering materials. A comparison of those financial statements would have revealed that the Florida developer’s and his wife’s net worth dropped by approximately 55% in one month. Spencer International and Spencer failed to analyze and seek an explanation from the

Florida developer regarding the conflicting financial statements when they recommended the Loder Notes to Spencer International's clients.

10. Spencer International and Spencer also failed to fully disclose a material conflict of interest when they recommended the Loder Notes. Spencer International and Spencer did not disclose that a portion of the Loder Notes' proceeds could benefit a Spencer relative, who was the Florida developer's partner as well as a Spencer International shareholder and outside director. Spencer knew his relative and the Florida developer jointly owed money to Spencer International clients, and that the Loder Notes gave the Florida developer unrestricted use of their proceeds. Spencer International and Spencer nevertheless disclosed to investors only that Spencer's relative was a "member of the board of directors of Spencer International" and had a "material business relationship with [the Florida developer] on other projects." This statement failed to disclose the joint debt owed by Spencer's relative and the Florida developer to Spencer International clients or that those loans were outstanding, nearing maturity, and could be satisfied with proceeds from the Loder Notes.

11. As a result of the conduct described above, Spencer International and Spencer willfully violated Sections 206(1) and 206(2) of the Advisers Act.

IV.

In view of the foregoing, the Commission deems it appropriate and, in the public interest to impose the sanctions agreed to in Respondents Spencer International's and Spencer's Offer.

Accordingly, pursuant to Sections 203(e), 203(f) and 203(k) of the Advisers Act, it is hereby ORDERED that:

A. Respondents Spencer International and Spencer cease and desist from committing or causing any violations and any future violations of Sections 206(1) and 206(2) of the Advisers Act;

B. Respondent Spencer be, and hereby is barred from association with any investment adviser, with the right to reapply for association after three (3) years to the appropriate self-regulatory organization, or if there is none, to the Commission;

C. Respondent Spencer International is censured.

D. Any reapplication for association by the Respondent Spencer will be subject to the applicable laws and regulations governing the reentry process, and reentry may be conditioned upon a number of factors, including, but not limited to, the satisfaction of any or all of the following: (a) any disgorgement ordered against the Respondent, whether or not the Commission has fully or partially waived payment of such disgorgement; (b) any arbitration award related to the conduct that served as the basis for the Commission order; (c) any self-regulatory organization arbitration award to a customer, whether or not related to the conduct that served as the basis for the Commission order; and (d) any restitution order by a self-regulatory organization, whether or not related to the conduct that served as the basis for the Commission order.

E. Respondent Spencer International shall, within ten (10) days of the entry of this Order, pay a civil money penalty in the amount of \$75,000 to the United States Treasury. If timely payment is not made, additional interest shall accrue pursuant to 31 U.S.C. 3717. Such payment shall be: (A) made by United States postal money order, certified check, bank cashier's check or bank money order; (B) made payable to the Securities and Exchange Commission; (C) hand-delivered or mailed to the Office of Financial Management, Securities and Exchange Commission, Operations Center, 6432 General Green Way, Stop 0-3, Alexandria, VA 22312; and (D) submitted under cover letter that identifies Spencer International as a Respondent in these proceedings, the file number of these proceedings, a copy of which cover letter and money order or check shall be sent to Glenn S. Gordon, Associate Regional Director, Division of Enforcement, Securities and Exchange Commission, Miami Regional Office, 801 Brickell Ave. Suite 1800, Miami, Florida 33131.

F. Respondent Spencer shall, within ten (10) days of the entry of this Order, pay a civil money penalty in the amount of \$75,000 to the United States Treasury. If timely payment is not made, additional interest shall accrue pursuant to 31 U.S.C. 3717. Such payment shall be: (A) made by United States postal money order, certified check, bank cashier's check or bank money order; (B) made payable to the Securities and Exchange Commission; (C) hand-delivered or mailed to the Office of Financial Management, Securities and Exchange Commission, Operations Center, 6432 General Green Way, Stop 0-3, Alexandria, VA 22312; and (D) submitted under cover letter that identifies Spencer as a Respondent in these proceedings, the file number of these proceedings, a copy of which cover letter and money order or check shall be sent to Glenn S. Gordon, Associate Regional Director, Division of Enforcement, Securities and Exchange Commission, Miami Regional Office, 801 Brickell Ave. Suite 1800, Miami, Florida 33131.

By the Commission.

Elizabeth M. Murphy
Secretary

Service List

Rule 141 of the Commission's Rules of Practice provides that the Secretary, or another duly authorized officer of the Commission, shall serve a copy of the Order Instituting Administrative and Cease-and-Desist Proceedings, Pursuant to Sections 203(e), 203(f) and 203(k) of the Investment Advisers Act of 1940, Making Findings, and Imposing Remedial Sanctions and Cease-and-Desist Order ("Order"), on the Respondents and their legal agent.

The attached Order has been sent to the following parties and other persons entitled to notice:

Honorable Brenda P. Murray
Chief Administrative Law Judge
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