



STATE OF MICHIGAN  
DEPARTMENT OF LICENSING AND REGULATORY AFFAIRS  
LANSING

RICK SNYDER  
GOVERNOR

SHELLY EDGERTON  
DIRECTOR

In the matters of:

SCOTT T. SCHULTZ  
CRD No. 1124151

Docket No. 18-001351  
Complaint No. 332016

and

SCOTT SCHULTZ CLOSED-END FUNDS, INC.  
CRD/IARD No. 121993

Docket No. 18-001949  
Complaint No. 331412

Respondents.

/

**FINAL ORDER**

1. These matters came before the Department of Licensing and Regulatory Affairs under the Michigan Uniform Securities Act (2002), 2008 PA 551, as amended, MCL 451.2101 *et seq.* (the "Act").
2. The Director of the Corporations, Securities & Commercial Licensing Bureau, who is the Administrator of the Act (the "Administrator"), received the Proposal for Decision (the "PFD"), Exceptions to the PFD filed by Respondent, Response to Exceptions on behalf of the Department, and the entire hearing record in accordance with MCL 451.2412, MCL 451.2604, and the Administrative Procedures Act of 1969, MCL 24.201 *et seq.*
3. The Administrator considered the Findings of Fact and Conclusions of Law in the PFD of Thomas A. Halick, Administrative Law Judge, dated May 25, 2018, the Exceptions to PFD, the Response to Exceptions, and the complete hearing record.
4. The PFD is incorporated by reference.
5. Respondent was found in violation of the Act and/or its associated administrative rules.

**THEREFORE, IT IS ORDERED**, that the following penalties authorized by sections 412 and 604 of the Act, MCL 451.2412 and MCL 451.2604, are imposed:

A. Respondent Scott Schultz Closed-End Funds, Inc. must pay a FINE in the amount of Ten Thousand Dollars and 00/100 Cents (\$10,000.00). The fine must be paid by cashier's check or money order, with Complaint No. 331412 clearly indicated on the cashier's check or money order.

B. Respondent Scott Schultz must pay a FINE in the amount of Ten Thousand Dollars and 00/100 Cents (\$10,000.00). The fine must be paid by cashier's check or money order, with Complaint No. 332016 clearly indicated on the cashier's check or money order.

C. Both fines must be payable to the State of Michigan within sixty (60) days from the mailing date of this Final Order and be sent to the Department of Licensing and Regulatory Affairs, Corporations, Securities & Commercial Licensing Bureau, Final Order Monitoring – Securities & Audit Division, P.O. Box 30018, Lansing, Michigan 48909.

D. Respondent Scott Schultz Closed-End Funds, Inc.'s Investment Adviser Registration is immediately Revoked, as authorized by MCL 451.2412(2) & (4)(e)(ii).

E. Respondents must continue to Cease and Desist from violating the Act, according to the cease and desist orders issued in these matters on September 11, 2017.

F. Failure to comply with this Order may subject Respondents to additional administrative or criminal sanctions, fines, and penalties. Under MCL 451.2508, a person that willfully violates the Act, or an order issued under the Act, is guilty of a felony punishable by imprisonment for not more than 10 years or a fine of not more than \$500,000.00 for each violation or both. An individual convicted of violating a rule or order under the Act may be fined but shall not be imprisoned if the individual did not have knowledge of the rule or order.

G. No application for a permit, registration, licensure, relicensure, reinstatement, or renewal submitted by Respondent under the Act will be considered or granted by the Department until all final orders of the Department are fully complied with.

H. If applicable, Respondent must submit in writing to the Department proof of compliance with each and every requirement of this Final Order in a form acceptable to the Department.

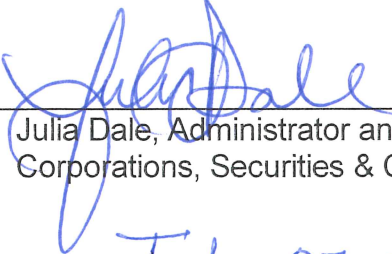
I. Failure to pay the civil fines within six months after the fines becomes overdue may result in the referral of the fines to the Michigan Department of Treasury for collection action against Respondents.

**This Final Order is effective immediately upon its mailing.**

Given under my hand at Okemos, Michigan, this 16<sup>th</sup> day of July, 2018.

DEPARTMENT OF LICENSING AND REGULATORY AFFAIRS

By: \_\_\_\_\_

  
Julia Dale, Administrator and  
Corporations, Securities & Commercial Licensing Bureau Director

Date mailed: July 27, 2018

**STATE OF MICHIGAN  
MICHIGAN ADMINISTRATIVE HEARING SYSTEM**

**IN THE MATTER OF:**

**Docket No.: 18-001351  
18-001949**

**Corporations, Securities & Commercial  
Licensing Bureau  
Petitioner,**

**Case No.: 332016 & 331412**

**v**

**Agency: Corp. Securities  
Commercial  
Licensing Bureau**

**Scott T. Schultz,  
Respondent**

**Case Type: Sanction**

**Filing Type: Sanction**

\_\_\_\_\_/

**Issued and entered  
this 25<sup>th</sup> day of May 2018  
by: Thomas A. Halick  
Administrative Law Judge**

**PROPOSAL FOR DECISION**

**PROPOSED ORDER GRANTING PETITIONER'S  
MOTION FOR SUMMARY DECISION**

**PROPOSED ORDER DENYING RESPONDENT'S  
MOTION FOR SUMMARY DISPOSITION**



On April 6, 2018, Petitioner, Corporations, Securities & Commercial Licensing Bureau, filed a Motion for Summary Decision.

On April 6, 2018, Respondents, Scott T. Schultz (Schultz) and Scott Schultz Closed-End Funds, Inc. (SSCEF) filed "Respondent's Motion for Summary Disposition."

On April 20, 2018, Petitioner filed a response to Respondent's motion.

On April 23, 2018, Respondents filed a Reply Brief in Opposition to Petitioner's Motion for Summary Disposition.

**Procedural History**

On September 11, 2017, Petitioner issued to each Respondent a Notice and Order to Cease and Desist (C&D Orders), and issued to Respondent Scott Schultz Closed-End



Funds, Inc., a Notice of Intent to Revoke, Suspend, Condition, or Limit Investment Adviser Registration (Intent to Revoke).

On January 12, 2018, the Michigan Administrative Hearing System received a Request for Hearing.

On February 2, 2018, MAHS issued an Amended Notice of Hearing, scheduling an evidentiary hearing for Wednesday, March 7, 2018.

On February 28, 2018, the Administrative Law Judge (ALJ) issued an Order Converting Evidentiary Hearing to a Telephone Prehearing Conference (in response to Respondents' Motion to Adjourn the hearing). At the prehearing conference, the parties indicated that the case could be decided by cross-motions for summary disposition.

The hearing is currently scheduled for May 31, 2018, at 9:00 a.m.

### **Statement of Facts**

#### ***SSCEF***

SSCEF operated as a Michigan-registered Investment Advisor (IA) until December 31, 2017.

SSCEF was registered as an IA from 2008 through December 31, 2014, when its registration lapsed due to insufficient funds in its renewal account to pay the required renewal fees.

SSCEF filed an application for state registration.

On January 22, 2015, the Bureau mailed a letter to Schultz requesting that he provide the Bureau a copy of the SSCEF contract, an accrual basis balance sheet not more than 45 days old, and a completed Supplemental Application Form.

After a series of correspondence between Mr. Schultz and the Bureau, in which the Bureau attempted to obtain necessary documentation from Mr. Schultz, the registration process was completed, and SSCEF was again registered in Michigan on March 11, 2016. The registration lapsed on December 31, 2017. The Bureau did not take any action with regard to SSCEF's registration lapse from December 31, 2014 through March 11, 2016.

SSCEF employed Schultz, who acted as its investment adviser representative, serving clients in this state, while Schultz was not registered as an IAR in this state. [See Pet. Exh. 25, p 1; Pet. Exh. 30; and Pet. Exh. 31, p 1].

***Mr. Schultz***

Respondent Schultz was registered as an IAR on behalf of SSCEF in Michigan on August 3, 2011. Mr. Schultz became registered as an IAR on behalf of SSCEF in Florida on July 24, 2012. He was registered as an IAR of SSCEF in Michigan until December 31, 2014, when SSCEF became unregistered in Michigan for failure to pay renewal fees. Mr. Schultz was required to reapply for IAR registration at this time. Mr. Schultz did not reapply for IAR registration in Michigan after December 31, 2014. Mr. Schultz's IAR registration in Florida was active until December 31, 2017.

Mr. Schultz was registered with Michigan, Florida, and FINRA as a securities agent of broker-dealer Calton & Associates until February 2, 2017.

Billing records show that Schultz provided advisory services and received management fees in 2016. [Pet. Exh. 26, 27, and 28]. Mr. Schultz does not deny that he was not registered as an IAR, despite acting as an IAR for SSCEF.

***Summary of Petitioner's Motion***

While unregistered, Schultz acted as an IAR on behalf of SSCEF in violation of Section 404 of the Securities Act.

SSCEF employed Schultz as an IAR while Schultz was unregistered, in violation of Section 403 of the Securities Act.

Revocation of SSCEF's IA registration is appropriate.

Broker-dealer Calton & Associates was not responsible for Schultz's IAR registration.

The following Exhibits are attached to Petitioner's Motion:

1. Notice and Order to Cease and Desist – Schultz.
2. Notice of Intent to Revoke, Suspend, Condition, or Limit Investment and Adviser Registration (SSCEF).
3. Corporate Entity Details (SSCEF).
4. Identifying Information (SSCEF).
5. Investment Adviser Firm Summary (SSCEF).
6. Registration Reporting Status History (SSCEF).
7. Letter from Petitioner to SCCEF, January 22, 2015.
8. Email from Scott Schultz to Petitioner, March 2, 2015.
9. Email from Scott Schultz to Petitioner, March 3, 2015.
10. Emails from Petitioner to Scott Schultz, March 4 and 5, 2015.

11. Emails - Petitioner / Scott Schultz, October 30, 2015.
12. Emails - Petitioner / Scott Schultz, October 29 and 30, 2015.
13. Emails - Petitioner / Scott Schultz, November 3 and October 29, 2015.
14. Emails - Petitioner / Scott Schultz, November 17 and 18, 2015.
15. Email - Petitioner / Scott Schultz, December 15, 2015.
16. Emails - Petitioner / Scott Schultz, February 10 and March 4, 2015.
17. Letter – Scott Schultz to Petitioner, March 7, 2016.
18. Registrations Summary, 7 pages.
19. Letter from Petitioner to Hilltop Securities, Inc., October 31, 2016.
20. Letter from Hilltop Securities, Inc. to Petitioner, November 22, 2016.
21. Statements of Accounts, SSCEF, Inc. and Calton, March 31, 2016 to April 29, 2016.
22. Account Statement, SSCEF, 7/29/2016.
23. Letter to SSCEF from Petitioner, December 28, 2016.
24. Notes re: SSCEF, 1/27/17.
25. IA Interview, 2/6/17.
26. Billing Information, SSCEF, September 30, 2016.
27. Management Fees for Michigan Clients
28. Investment Management Agreements.
29. CRD Reports.
30. Emails - Calton / Petitioner, January 4, 10, 12, 2017.
31. Letter from Petitioner to SSCEF, July 14, 2017.
32. Letter from SSCEF to Petitioner, July 28, 2017.
33. Letter from SSCEF to Petitioner, September 14, 2017 (termination of practice).

### ***Summary of Respondents' Motion***

Respondents assert that information was available, but not obtained by Petitioner, from a prior broker-dealer that would demonstrate that Respondent, SSCEF, was only recognized and paid as a Michigan corporation. Further, Mr. Schultz had no contractual relationship with his Registered Investment Advisor as an individual “like nearly 25 1099 employees over the years did.”

On or about September 14, 2017, Respondent Schultz sent termination of services and notice of retirement letters to clients and to the State of Michigan, announcing a health-related retirement.

Respondents argue that the SSCEF was unregistered because of “numerous correspondences with [the Bureau] attempting to rectify this issue. Respondent believes that he diligently pursued registration, and this matter was ultimately completed.”

Respondents claim that registration was not required due to de minimis standards in the Act. MCL 451.2403(2)(b), which provides an exemption for, "A person that does not have a place of business in this state if the person has had, during the preceding 12 months and in addition to those described in subdivision (a), not more than 5 clients who are natural persons and residents of this state."

Respondents further assert that "Scott Schultz personally did not have clients in Michigan, Florida, Connecticut, nor Texas. The clients were those of the company, Scott Schultz Closed-End Funds, Inc."

"Respondent believes that efforts were made to remain in compliance directly and indirectly through its annual audits by Calton & Associates . . . . Respondent annually filed as an RIA with FINRA for its filings for its RIA."

"Funds were paid to bring Respondent's corporate filings up to date through 2017 totaling \$525 thus any fines sought by petitioner seem to be 'overkill' and not in spirit [sic] of a long-term Michigan based company which is no longer in operation and will never be in operation moving forward . . . ."

"All respondent has now in retirement would be his good name. It seems logical that due to the fact nobody suffered any loss, or pain, at any point here, the matter should be dismissed."

Respondent's Motion Includes the following Exhibits:

**Exhibit 1**

1. Email, April 17, 2015 – CSCLB's request for copies of contracts.
2. Email, April 28, 2015 – from Schultz and SSCEF to CSCLB re: filing obligations.
3. Email, October 29, 2015 – CSCLB's request for copies of contracts.
4. Email, October 29, 2015 – Schultz to [marciaaearickson@aol.com](mailto:marciaaearickson@aol.com)
5. Emails, October 29, 30, 2015 – re: locate missing items.
6. Emails, November 3, 17, 2015 – initial filing with fees, late filing.
7. SSCEF, Inc. Balance Sheet, December 31, 2014.
8. Investment Adviser Supplemental Application Form, 1-23-15.
9. Email, March 2, 2015 – MI IA Application; SSCEF, Inc.

**Exhibit 2**

Uniform Securities Act (2002) (Excerpt) – MCL 451.2403.

***Petitioner's Response***

"First, by claiming that Schultz did not act as an IAR, Respondents have conveniently neglected the fact that SSCEF could not operate itself. Since Schultz was the sole operator of SSCEF, and SSCEF was an Investment Adviser ("IA"), Schultz was by necessity an IAR."

"Second, Section 2403 does not exempt Schultz or SSCEF from registration. Schultz is not exempt because Section 2403 addresses IA registration and is silent regarding IAR registration, so it is inapplicable to Schultz. See MCL 451.2403. SSCEF is an IA but does not qualify for exemption under Section 2403 because, *inter alia*, SSCEF has a place of business in this state, had more than 5 clients, and SSCEF's only clients are not other investment advisers, federal covered advisers, broker-dealers, or institutional investors. See MCL 451.2403(2)(a)-(d) and Exhibit 26."

"Third, Respondents have not given any logical or legal reason why broker-dealer Calton & Associates would be responsible for registering Schultz as an IAR. Calton & Associates supervised Schultz in his capacity as a securities agent . . . . broker dealers are prohibited from employing unregistered securities agents under Section 2402, and IAs are prohibited from employing unregistered IARs under Section 2403. MCL 451.2402(4); MCL 451.2403(4). Thus, Calton & Associates would have been responsible for Schultz's securities agent registration, but SSCEF was responsible for Schultz's IAR registration."

***Respondent's Response***

1. Respondent did in fact pay fees to renew his registration, despite the fact that according to MCL 451.2403 he was not required to. Attached as Exhibit 1 are documents demonstrating that he did pay the required fees. Respondent has been unable to locate records for every year that he was in business.
2. Respondent poses the question of why would he cause fees to be paid that were accepted by the State of Michigan, unless he was diligently pursuing the registration himself and his company. Respondent was obviously acting in good faith at all times before his retirement.
3. The fact that this action was instituted by Petitioner after Respondent terminated his business and any representation of any clients should also be considered. It appears that the Petitioner is retroactively attempting to regulate Petitioner. Given the fact that Petitioner is permanently retired from the business, there is no need for any further regulation of him, let alone attempted enforcement of rules and regulations regarding his alleged past conduct.

Respondent's Response includes the following Exhibits:

1. Email, dated January 19, 2015, confirming that FINRA received payment of \$800 and \$20 from Scott Schultz Closed-End Funds, Inc.
2. Email from LARA to [scottschultz@cs.com](mailto:scottschultz@cs.com) confirming that the firm applied for investment adviser registration and requesting additional information from Respondent.
3. Investment Adviser Supplemental Application Form, 01-23-15.
4. Calton, Customer Statement, February 28, 2017 to April 28, 2017, 3 pages.

### **Discussion of Facts and Law**

There are no genuine issues of material fact with regard to the following matters, which support the following conclusions of law:

SSCEF acted as an investment adviser in this state within the meaning of MCL 451.2102a(e). [Pet. Exh. 28, and 25]. SSCEF violated the Act by employing Schultz as an unregistered IAR. MCL 451.2403(4).

Mr. Schultz acted as SSCEF's IAR as defined by MCL 451.2102a(f), in violation of MCL 451.2404(1). [Pet. Exh. 25, p 11]. Mr. Schultz was not registered as an investment adviser and does not claim an exemption. [See MCL 451.2503].

Mr. Schultz was the sole employee of SSCEF (other than his assistant).

The broker-dealer, Calton & Associates ("Calton"), was not responsible for Schultz's IAR registration.

Section 2403 does not exempt Schultz or SSCEF from registration. Schultz is not exempt because Section 2403 addresses IA registration and is silent regarding IAR registration, so it is inapplicable to Schultz. See MCL 451.2403. SSCEF does not qualify for exemption under Section 2403 because it had a place of business in this state, had more than 5 clients, and SSCEF's only clients are not other investment advisers, federal covered advisers, broker-dealers, or institutional investors. [See MCL 451.2403(2)(a)-(d) and Exhibit 26].

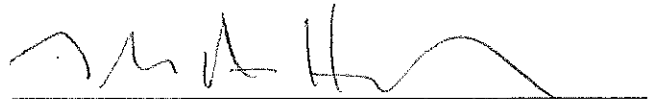
Calton supervised Schultz in his capacity as a securities agent . . . broker dealers are prohibited from employing unregistered securities agents under Section 2402, and IAs are prohibited from employing unregistered IARs under Section 2403. MCL 451.2402(4); MCL 451.2403(4). Calton was responsible for Schultz's securities agent registration, but SSCEF was responsible for Schultz's IAR registration.



Upon consideration of the instant Motions, the responses, exhibits, and being fully informed of the premises, it is determined that there is no genuine issue as to any material fact, and that Petitioner is entitled to a judgment as matter of law.

**NOW THEREFORE, IT IS ORDERED AS FOLLOWS:**

1. Petitioner's Motion for Summary Decision under Rule 451.2605(c) is GRANTED.
2. Respondents' Motions for Summary Disposition is DENIED.
3. The C&D Orders, dated September 11, 2017, issued against Respondents, are AFFIRMED and a Final Order shall be issued, resulting in imposition of a \$10,000 fine against each Respondent.
4. The Intent to Revoke, dated September 11, 2017, issued against Respondent Scott Schultz Closed-End Funds, Inc. is AFFIRMED, and a Final Order shall be issued imposing discipline.



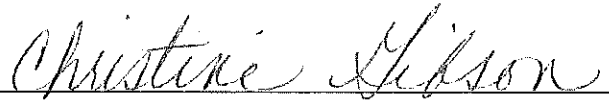
**Thomas A. Halick**  
**Administrative Law Judge**

**EXCEPTIONS**

Pursuant to MCL 24.281 and 2015 AACCS R 792.10132, the parties may file exceptions to this proposal for decision within 21 days after the proposal for decision is issued and entered. An opposing party may file a response to exceptions within 14 days after exceptions are filed. All exceptions and responses must be filed with the Michigan Administrative Hearing System, P.O. Box 30695, Lansing, Michigan 48909-8195, and served on all parties to the proceeding.

**PROOF OF SERVICE**

I hereby state, to the best of my knowledge, information and belief, that a copy of the foregoing document was served upon all parties and/or attorneys of record in this matter by Inter-Departmental mail to those parties employed by the State of Michigan and by UPS/Next Day Air, facsimile, and/or by mailing same to them via first class mail and/or certified mail, return receipt requested, at their respective addresses as disclosed below this 25<sup>th</sup> day of May 2018.



Christine Gibson

**Michigan Administrative Hearing System**

Elizabeth Lippitt  
Michigan Department of Attorney General  
525 West Ottawa Street  
P.O. Box 30755  
Lansing, MI 48909

John J. Doyle  
2800 Tammany Avenue  
Lansing, MI 48910

Kimberly Breitmeyer  
Regulatory Compliance Division Director, Corporations,  
Securities & Commercial Licensing  
2501 Woodlake Circle  
P.O. Box 30018  
Okemos, MI 48864

Scott Schultz Closed-End Funds, Inc.  
589 West Grand River, Suite 4  
Okemos, MI 48864

STATE OF MICHIGAN  
DEPARTMENT OF LICENSING AND REGULATORY AFFAIRS  
CORPORATIONS, SECURITIES & COMMERCIAL LICENSING BUREAU

In the Matter of:

Complaint No. 331412

SCOTT SCHULTZ CLOSED-END FUNDS, INC.  
CRD/IARD# 121993

Respondent.

\_\_\_\_\_ /

Issued and entered  
This 11 day of September, 2017

NOTICE AND ORDER TO CEASE AND DESIST

Julia Dale, the Director of the Corporations, Securities & Commercial Licensing Bureau (the “Administrator”), pursuant to her statutory authority and responsibility to administer and enforce the Michigan Uniform Securities Act (2002), 2008 PA 551, as amended, MCL 451.2101 *et seq.* (“Securities Act”), hereby orders Scott Schultz Closed-End Funds, Inc. (“Respondent”) to cease and desist from employing or associating with an unregistered investment adviser representative, contrary to the Securities Act. Respondent is also notified of the opportunity to request a hearing in this matter.

**I. BACKGROUND**

**A. The Respondent**

1. Scott Schultz Closed-End Funds, Inc. is a Michigan corporation that was automatically dissolved in or around July of 2011 for failure to file annual reports; it has continued operations, notwithstanding its dissolved status. (Exhibit 1 – Corporation Information). Respondent is registered as an investment adviser pursuant to the Securities Act.

**B. Findings of Fact**

1. The Bureau conducted an examination of Respondent’s investment adviser operations.
2. The examination developed evidence that Scott T. Schultz was registered as an investment adviser representative through Respondent from on or around August

individual is registered under section 404(1) or is exempt from registration under section 404(2).

4. Section 503(1) of the Securities Act, MCL 451.2503(1), states:

In a civil action or administrative proceeding under this act, a person claiming an exemption, exception, preemption, or exclusion has the burden to prove the applicability of the exemption, exception, preemption, or exclusions.

### **III. CONCLUSIONS OF LAW**

1. Respondent Scott Schultz Closed-End Funds, Inc. has employed or associated with an unregistered investment adviser representative, Scott T. Schultz, contrary to section 403(4) of the Securities Act, MCL 451.2403(4).

### **IV. ORDER**

IT IS THEREFORE ORDERED, pursuant to section 604 of the Securities Act, MCL 451.2604, that:

- A. Respondent shall immediately CEASE AND DESIST from employing or associating with an unregistered investment adviser representative, contrary to the Securities Act.
- B. Pursuant to section 604(2) of the Securities Act, this Notice and Order to Cease and Desist is IMMEDIATELY EFFECTIVE.
- C. In her Final Order, the Administrator, under section 604(4) of the Securities Act, MCL 451.2604(4), intends to impose a civil fine of \$10,000.00 against Scott Schultz Closed-End Funds, Inc.
- D. Pursuant to section 508 of the Securities Act, MCL 451.2508, a person that willfully violates the Securities Act, or an order issued under the Securities Act, is guilty of a felony punishable by imprisonment for not more than 10 years or a fine of not more than \$500,000.00 for each violation, or both. An individual convicted of violating a rule or order under this act may be fined, but shall not be imprisoned, if the individual did not have knowledge of the rule or order.

### **V. NOTICE OF OPPORTUNITY FOR HEARING**

Section 604 of the Securities Act, MCL 451.2604, provides that Respondent has 30 days beginning with the first day after the date of service of this Notice and Order to Cease and Desist to submit a written request to the Administrator asking that this matter be scheduled for a hearing. If the Administrator receives a written request in a timely

manner, the Administrator shall schedule a hearing within 15 days after receipt of the request. The written request for a hearing must be addressed to:

Corporations, Securities & Commercial Licensing Bureau  
Regulatory Compliance Division  
P.O. Box 30018  
Lansing, MI 48909

**VI. ORDER FINAL ABSENT HEARING REQUEST**

- A. Under section 604 of the Securities Act, MCL 451.2604, the Respondent's failure to submit a written request for a hearing to the Administrator within 30 days after the service date of this **NOTICE AND ORDER TO CEASE AND DESIST** shall result in this order becoming a **FINAL ORDER** by operation of law. The **FINAL ORDER** includes the imposition of the fines cited described in section IV.C., and the fine amounts set forth below will become due and payable to the Administrator within sixty (60) days after the date this order becomes final:

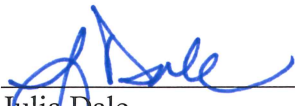
\$10,000.00 – Scott Schultz Closed-End Funds, Inc., under  
section 604 of the Securities Act, MCL 451.2604.

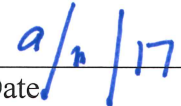
- B. CIVIL FINE payments should be payable to the STATE OF MICHIGAN and contain identifying information (e.g., names and complaint numbers) and mailed to the following address:

Corporations, Securities & Commercial Licensing Bureau  
Final Order Monitoring  
P.O. Box 30018  
Lansing, MI 48909

- C. Failure to comply with the terms of this Order within the time frames specified may result in additional administrative penalties, including the summary suspension or continued suspension of all registrations held by Respondents under the Securities Act, the denial of any registration renewal, and/or the denial of any future applications for registration, until full compliance is made. Respondents may voluntarily surrender or withdraw a registration under the Securities Act; however, the surrender or withdrawal will not negate the summary suspension or continued suspension of the relevant registrations or any additional administrative proceedings if a violation of this Order or the Securities Act occurred.
- D. Failure to pay the civil fines within six (6) months after this Order becomes final may result in the referral of the civil fines to the Michigan Department of Treasury for collection action against Respondents.

DEPARTMENT OF LICENSING & REGULATORY AFFAIRS  
CORPORATIONS, SECURITIES & COMMERCIAL LICENSING BUREAU

  
\_\_\_\_\_  
Julia Dale  
Director, Corporations, Securities &  
Commercial Licensing Bureau

  
\_\_\_\_\_  
Date



**STATE OF MICHIGAN  
DEPARTMENT OF LICENSING AND REGULATORY AFFAIRS  
CORPORATIONS, SECURITIES & COMMERCIAL LICENSING BUREAU**

In the matter of:

Agency No. 331412

SCOTT SCHULTZ CLOSED-END FUNDS, INC.  
CRD# 121993

Respondent.

\_\_\_\_\_ /

Issued and entered  
This 14<sup>th</sup> day of September, 2017

**NOTICE OF INTENT TO REVOKE, SUSPEND, CONDITION, OR LIMIT  
INVESTMENT ADVISER REGISTRATION**

**I. RELEVANT FACTS AND APPLICABLE LAW.**

Relevant information and statutory provisions, under the Michigan Uniform Securities Act (2002), 2008 PA 551, as amended, MCL 451.2101 *et seq* (the "Securities Act"):

1. Scott Schultz Closed-End Funds, Inc. (CRD#121993) ("Respondent") is a Michigan corporation that was automatically dissolved in or around July of 2011 for failure to file annual reports; it has continued operations, notwithstanding its dissolved status. (Exhibit 1 – Corporation Information). Respondent is registered as an investment adviser pursuant to the Securities Act.
2. The Corporations, Securities & Commercial Licensing Bureau ("the Bureau") within the Department of Licensing and Regulatory Affairs began an examination of Respondent in or around January of 2017.
3. During the examination, Bureau staff noted that Respondent's sole investment adviser representative, Scott T. Schultz, was not registered as an investment adviser representative in Michigan.
4. The Bureau instituted administrative cease and desist proceedings against Scott T. Schultz for acting as an unregistered investment adviser representative (Exhibit 2 – Scott Schultz Cease and Desist Order) and against Respondent for employing or associating with an unregistered investment adviser representative (Exhibit 3 – Respondent Cease and Desist Order).
5. The Director ("Administrator") of the Bureau has reviewed materials relating to Respondent's actions as a registrant under the Securities Act. The Administrator has determined that it is authorized, appropriate, and in the public interest to revoke,

suspend, condition, or limit Respondent's investment adviser registration based upon Respondent's conduct discussed above and hereafter.

6. Section 412(2) of the Securities Act, MCL 451.2412(2), states:

If the administrator finds that the order is in the public interest and subsection (4) authorizes the action, an order under this act may revoke, suspend, condition, or limit the registration of a registrant and if the registrant is a broker-dealer or investment adviser, of a partner, officer, or director, or a person having a similar status or performing similar functions, or a person directly or indirectly in control of the broker-dealer or investment adviser...

7. Section 412(4) of the Securities Act, MCL 451.2412(4) states in relevant part:

(4) A person may be disciplined under subsections (1) to (3) if any of the following apply to the person:

\*\*\*

(e) The person is the subject of an order, issued after notice and opportunity for hearing by any of the following:

\*\*\*

(ii) The securities regulator of a state or the securities and exchange commission against a broker-dealer, agent, investment adviser, investment adviser representative, or federal covered investment adviser....

8. Section 412(7) of the Securities Act, MCL 451.2412(7), states:

(7) Except under subsection (6), an order shall not be issued under this section unless all of the following have occurred:

- (a) Appropriate notice has been given to the applicant or registrant.
- (b) Opportunity for hearing has been given to the applicant or registrant.
- (c) Findings of fact and conclusions of law have been made on the record pursuant to the administrative procedures act of 1969, 1969 PA 306, MCL 24.201 to 24.328.

9. The Administrator may revoke, suspend, condition or limit Respondent's investment adviser registration pursuant to section 412(2) of the Securities Act, MCL 451.2412(2), because it is in the public interest, and because:

A. Respondent is the subject of an order issued by a state securities regulator, causing the applicability of section 412(4)(e)(ii) of the Securities Act, MCL 451.2412(4)(e)(ii), which gives the Administrator cause to issue an order under sections 412(2) of the Securities Act, MCL 451.2412(2).

## II. ORDER.

The Administrator finds that this ORDER is authorized, appropriate, and in the public interest based on the above-cited facts and law.

IT IS ORDERED as follows:

1. The Administrator intends TO REVOKE, SUSPEND, CONDITION, OR LIMIT THE INVESTMENT ADVISER REGISTRATION OF SCOTT SCHULTZ CLOSED-END FUNDS, INC. under section 412(2) of the Securities Act, MCL 451.2412(2), because it is the subject of an order issued by a state securities regulator, which support the revocation, suspension, conditioning, or limitation of its investment adviser registration under the above-cited provisions of the Michigan Uniform Securities Act (2002), 2008 PA 551, MCL 451.2101 *et seq.*

2. In accordance with sections 412(2) and 412(7) of the Securities Act, MCL 451.2412(2) and MCL 451.2412(7): This is NOTICE that the Administrator intends to commence administrative proceedings to revoke, suspend, condition, or limit Respondent's investment adviser registration, and that Respondent has thirty (30) days after the date that this Order is served on Respondent to respond in writing to the enclosed Notice of Opportunity to Show Compliance. If the Administrator timely receives a written request, depending upon the election, the Administrator shall either promptly schedule a compliance conference, or schedule a hearing within fifteen (15) days after receipt of the written request. If you fail to respond to this Notice and Order within the time frame specified, the Administrator shall schedule a hearing. If a hearing is requested or ordered, the Administrator, after notice of and an opportunity for hearing to Respondent, may modify or vacate this Order or extend the Order until final determination.

**If Respondent requests a hearing, the request must be in writing and filed with the Department of Licensing and Regulatory Affairs, Corporations, Securities & Commercial Licensing Bureau, Regulatory Compliance Division, P.O. Box 30018, Lansing, MI 48909.**

DEPARTMENT OF LICENSING AND REGULATORY AFFAIRS

By:

  
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Julia Dale, Administrator and Director  
Corporations, Securities & Commercial Licensing Bureau