

**ADMINISTRATIVE PROCEEDING  
BEFORE THE  
SECURITIES COMMISSIONER OF MARYLAND**

IN THE MATTER OF:	*
DAVID J. BURTON,	*
and	* Case No. 2007-0654
SCDC MANAGEMENT COMPANY, LLC,	*
Respondents.	*

\* \* \* \* \*

**CONSENT ORDER**

WHEREAS, the Division of Securities of the Office of the Maryland Attorney General (the “Division”), pursuant to the authority granted in section 11-701 of the Maryland Securities Act, Title 11, Corporations and Associations Article, Annotated Code of Maryland (2007 Repl. Vol. and 2008 Supp.) (the “Securities Act”), undertook an investigation into the securities related activities of David J. Burton (“Burton”) and SCDC Management Company, LLC (“SCDC”) (together, the “Respondents”); and

WHEREAS, on the basis of that investigation the Maryland Securities Commissioner (“Commissioner”) finds that grounds exist to conclude that Respondents may have violated the Act by engaging in acts or practices constituting violations of Sections 11-501, 11-401 and 11-301 of the Securities Act; and

WHEREAS, Respondents waive the right to a hearing and appeal under the Securities Act and the rules and regulations promulgated thereunder with respect to this Consent Order; and

WHEREAS, Respondent Burton has provided the Maryland Securities Division (“Division”) a list of investors, the dates and amounts of their investments, and an explanation of the relationships

he has with the investors; and

WHEREAS, Respondents waive the right to a hearing and appeal under the Securities Act and the rules and regulations promulgated thereunder with respect to this Consent Order; and

WHEREAS, without holding a hearing and without trial or adjudication of any issue of fact or law, the Commissioner and Respondents have reached an agreement to resolve this matter; and

WHEREAS, Respondents, without admitting or denying any conclusion of law, except that Respondents expressly consent and agree to the Commissioner's jurisdiction over the subject matter and personal jurisdiction over them in this proceeding, to the Commissioner's findings of fact and to the terms of this Order; and

WHEREAS, the Commissioner has determined that it is in the public interest to issue this Consent Order;

NOW, THEREFORE, pursuant to 11-701.1 of the Securities Act, it is hereby ordered:

**THE COMMISSIONER FINDS:**

**I. JURISDICTION**

1. The Securities Commissioner has jurisdiction in this proceeding pursuant to Section 11-701.1 of the Securities Act.

**II. RESPONDENTS**

2. SCDC is a limited liability company that appears to be formed in the District of Columbia. It has used an address in the District of Columbia as well as an address in Rockville, Maryland. It has never been licensed to do business in Maryland.

3. Burton resides in Maryland and is the President of SCDC.

4. SCDC and Burton have never been registered with the Division or FINRA as a

broker-dealer or securities agent.

5. SCDC has never registered its promissory notes pursuant to the Securities Act or filed for an exemption or preemption from registration for any securities.

### **III. FINDINGS OF FACT**

6. SCDC is a manufacturing, engineering and quality systems management company that focuses on developing, retaining and supporting the creation of the minority manufacturing supplier base. It seeks to be a minority subcontractor to prime government contractors.

7. Starting in approximately late 2003, SCDC issued promissory notes to at least eleven investors. An additional five persons have invested in an as-yet-to-be formed company. Most, but not all of these investors are personal friends of Burton. Two persons invested \$15,000 with Burton and his companies in Maryland. These investors are unsophisticated. Altogether, SCDC raised less than \$100,000 from investors.

8. SCDC's promissory notes provide that SCDC will pay 15% interest per year with a term of two years.

9. Neither SCDC nor Burton provided investors with the kind of disclosure required in securities offerings. Among other matters, SCDC did not provide investors with the financial history and financial statements of the firm, information about management compensation and potential conflicts of interest, and a description of the organization, operation, management and ownership of firm.

10. Because SCDC's business has not been successful, it has defaulted on the notes.

### **IV. CONCLUSIONS OF LAW**

**THE COMMISSIONER, THEREFORE, CONCLUDES AS A MATTER OF LAW:**

11. The promissory notes and other evidence of indebtedness offered and sold by Respondents are securities.

12. Respondents violated sections 11-501, 11-401 and 11-301 of the Securities Act.

## **V. ORDER**

NOW, THEREFORE, IT IS HEREBY ORDERED, and Respondents expressly consent and agree:

13. Respondents shall permanently cease and desist violating Sections 11-501, 11-401 and 11-301 of the Securities Act.

14. Respondents are barred from engaging in the securities or investment advisory business in Maryland for or on behalf of others or from acting as a principal or consultant in any entity so engaged.

15. Before Respondent Burton engages in any future financial transactions for others, he will consult independent securities counsel or obtain a no-action letter from the Commissioner.

16. Respondents shall pay restitution to the two Maryland investors in installments of at least \$1,000 per month paid to the Office of the Attorney General for further distribution to the two investors, starting on August 15, 2010 and continuing with payments of at least \$1,000 every month thereafter until the investors are repaid their principle of \$15,000. Any amount not paid within fifteen months of the date of this order shall be taken as a fine for the State.

## **VI. CONSEQUENCES OF VIOLATING THIS CONSENT ORDER**

17. If any Respondent fails to comply with any term of this Consent Order, the Division may bring administrative or judicial proceedings against the Respondent to enforce this Consent Order, or to sanction the Respondent for violating an order of the Commissioner, and may take any

other action authorized under the Securities Act or any other applicable law. In any such proceeding in which, after an opportunity for a hearing, the Commissioner or a court finds that the Respondent has violated this Consent Order, the Findings of Fact and the violations of the Securities Act alleged in the Consent Order shall be deemed admitted and may be introduced into evidence against the Respondent.

## **VII. MODIFICATION OF CONSENT ORDER**

18. The terms of this Consent Order may be modified only by a subsequent order issued by the Commissioner.

**SO ORDERED:**

**Commissioner's Signature is  
on File with Original Document**

DATED: August 15, 2010

\_\_\_\_\_  
Melanie Senter Lubin  
Securities Commissioner

CONSENTED TO:

\_\_\_\_\_/S/\_\_\_\_\_  
David J. Burton

On this \_\_\_\_th day of \_\_\_\_\_, 2010, personally appeared David J. Burton, signer of the foregoing Consent Order, who did duly acknowledge his signature to be his free act and deed.

\_\_\_\_\_  
Notary Public

My Commission Expires: \_\_\_\_\_

Seal:

\_\_\_\_\_/S/\_\_\_\_\_  
David J. Burton for  
SCDC Management Company, LLC

On this \_\_\_\_th day of \_\_\_\_\_, 2010, personally appeared David J. Burton, signer for SCDC Management Company, LLC of the foregoing Consent Order, who did duly acknowledge his signature to be his free act and deed.

\_\_\_\_\_  
Notary Public

My Commission Expires: \_\_\_\_\_

Seal: