

UNITED STATES OF AMERICA  
Before the  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

SECURITIES EXCHANGE ACT OF 1934  
Release No. 65957/December 15, 2011

INVESTMENT ADVISERS ACT OF 1940  
Release No. 3335/December 15, 2011

ADMINISTRATIVE PROCEEDING  
File No. 3-14473

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In the Matter of	:	
	:	ORDER MAKING FINDINGS AND
CHRISTOPHER T. PAGANES	:	IMPOSING SANCTIONS BY DEFAULT

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**SUMMARY**

This Order bars Christopher T. Paganes (Paganes) from association with any broker, dealer, or investment adviser. Paganes was previously enjoined from violating the antifraud provisions of the securities laws.

**I. BACKGROUND**

The Securities and Exchange Commission (Commission) issued its Order Instituting Proceedings (OIP) against Paganes on July 20, 2011, pursuant to Sections 15(b) of the Securities Exchange Act of 1934 (Exchange Act) and 203(f) of the Investment Advisers Act of 1940 (Advisers Act). The OIP alleges that Paganes was enjoined in 2011 from violating the antifraud provisions of the federal securities laws, based on his involvement in the fraudulent use of investor proceeds in a hedge fund. Paganes was served with the OIP on July 22, 2011. Paganes filed an Answer to the OIP and participated in a September 8, 2011, prehearing conference at which the parties were granted leave to file motions for summary disposition pursuant to 17 C.F.R. § 201.250; November 7, 2011, was set as the due date for the motions, December 5, 2011, for oppositions, and December 19, 2011, for replies. Christopher T. Paganes, Admin. Proc. No. 3-14473 (A.L.J. Sept. 8, 2011) (unpublished). The Division of Enforcement (Division) timely filed its motion, but Paganes neither filed a motion nor an opposition to the Division's motion. Thus, Paganes has failed to respond to a dispositive motion within the time provided within the meaning of 17 C.F.R. § 201.155(a)(2). Accordingly, Paganes is in default, and the undersigned finds that the allegations in the OIP are true, as modified by facts of which official notice has been taken. See 17 C.F.R. §§ 201.155(a), .323.

**II. FINDINGS OF FACT**

Paganes is permanently enjoined from violating the antifraud provisions of the federal securities laws, specifically, from violating Section 10(b) of the Exchange Act and Rule 10b-5

thereunder and from aiding and abetting violations of Sections 206(1), 206(2), and 206(4) of the Advisers Act and Rule 206(4)-8 thereunder. SEC v. Buckhannon, No. 8:10-cv-02859 (M.D. Fla. June 29, 2011).<sup>1</sup> The wrongdoing that underlies Paganés's injunction occurred from August 2008 to at least May 2009 while he was a managing member of Imperium Investment Advisers, LLC (Imperium), an investment adviser registered with the Commission. During part of that time, he was also affiliated with Maximum Financial Investment Group, Inc. (Maximum), a broker-dealer formerly registered with the Commission.

Maximum and Imperium served as trustee for a Bradenton, Florida-based hedge fund, Vestium Equity Fund, LLC (Vestium). Imperium and Vestium were parties to a trust indenture agreement that obliged Imperium to hold investor funds in a custodial account and to monitor Vestium's investments to ensure the fund used investor proceeds only for uses specified in the fund's offering materials. The trust indenture was incorporated into Vestium's securities offering materials. Paganés also was the co-signatory for Vestium's custodial bank account. He approved hedge fund transactions and disbursed investor funds for uses not permitted by the fund's offering documents or the trust indenture. Paganés had a direct, undisclosed financial interest in at least one of the transactions he approved. This transaction created an undisclosed conflict of interest between him and the fund's investors.

### III. CONCLUSIONS OF LAW

Paganés is permanently enjoined "from engaging in or continuing any conduct or practice in connection . . . with the purchase or sale of any security" within the meaning of Sections 15(b)(4)(C) and 15(b)(6)(A)(iii) of the Exchange Act and Sections 203(e)(4) and 203(f) of the Advisers Act.

### IV. SANCTION

Paganés will be barred from association with any broker, dealer, or investment adviser.<sup>2</sup> These sanctions will serve the public interest and the protection of investors, pursuant to Sections 15(b) of the Exchange Act and 203(f) of the Advisers Act. They accord with Commission precedent and the sanction considerations set forth in Steadman v. SEC, 603 F.2d 1126, 1140 (5th Cir. 1979), aff'd on other grounds, 450 U.S. 91 (1981). Paganés's unlawful conduct was egregious, over a period of many months. There are no mitigating circumstances.

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<sup>1</sup> Official notice, pursuant to 17 C.F.R. § 201.323, is taken of the fact that Paganés was also ordered to disgorge \$650,000 and prejudgment interest of \$90,339.19 and to pay a \$650,000 civil penalty. SEC v. Buckhannon, No. 8:10-cv-02859 (M.D. Fla. Nov. 18, 2011).

<sup>2</sup> The Division's request for sanctions also includes a collateral bar pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (Dodd-Frank Act). However, Paganés's misconduct antedates the July 22, 2010, effective date of the Dodd-Frank Act. Neither the Commission nor the courts have approved such retroactive application of its provisions in any litigated case, and the undersigned declines to impose the new sanction retroactively. See Koch v. SEC, 177 F.3d 784 (9th Cir. 1999); see also Sacks v. SEC, 635 F.3d 1121 (9th Cir. 2011).

**V. ORDER**

IT IS ORDERED that, pursuant to Section 15(b) of the Securities Exchange Act of 1934, CHRISTOPHER T. PAGANES IS BARRED from association with any broker or dealer.

IT IS ORDERED that, pursuant to Section 203(f) of the Investment Advisers Act of 1940, CHRISTOPHER T. PAGANES IS BARRED from association with an investment adviser.

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Carol Fox Foelak  
Administrative Law Judge