

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 69390 / April 18, 2013

INVESTMENT ADVISERS ACT OF 1940
Release No. 3588 / April 18, 2013

INVESTMENT COMPANY ACT OF 1940
Release No. 30467 / April 18, 2013

ADMINISTRATIVE PROCEEDING
File No. 3-15284

In the Matter of

CHARLES T. FEE

Respondent.

**ORDER INSTITUTING ADMINISTRATIVE
AND CEASE-AND-DESIST PROCEEDINGS,
PURSUANT TO SECTION 21C OF THE
SECURITIES EXCHANGE ACT OF 1934,
SECTION 203(f) OF THE INVESTMENT
ADVISERS ACT OF 1940, AND
SECTION 9(b) OF THE INVESTMENT
COMPANY 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 Section 21C of the Securities Exchange Act of 1934 (“Exchange Act”), Section 203(f) of the Investment Advisers Act of 1940 (“Advisers Act”), and Section 9(b) of the Investment Company Act of 1940 (“Investment Company Act”) against Charles T. Fee (“Fee” or “Respondent”).

II.

In anticipation of the institution of these proceedings, Respondent has 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 him and the subject matter of these proceedings, which are admitted, Respondent consents to the entry of this Order Instituting Administrative and Cease-and-Desist Proceedings Pursuant to Section 21C of the Exchange Act, Section 203(f) of the Advisers Act, and Section 9(b) of the Investment Company Act, 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 Respondent's Offer, the Commission finds¹ that:

Summary

1. From October 2008 to May 2011, Fee, an administrative and clerical employee of Vector Wealth Management, LLC ("Vector"), a Minnesota investment adviser registered with the Commission since 1997, forged checks to misappropriate \$33,147 of dividends owed to four advisory clients participating in two pooled investment vehicles (the "Pooled Vehicles") that were managed by Vector.

Respondent

2. Fee, age 33, resides in St. Paul, Minnesota. Until his termination in May 2011, Fee served as an administrative and clerical employee of Vector.

Other Entity

3. Vector is a Minnesota limited liability company headquartered in Minneapolis, Minnesota. Vector has been registered with the Commission as an investment adviser since 1997. As of July 12, 2011, Vector provided discretionary and non-discretionary investment management services to over 500 client accounts and managed approximately \$422 million in assets. Vector is owned and managed by three principals, Principal A, Principal B, and Principal C. Vector acted as an investment adviser to the Pooled Vehicles.

Background

4. In 2005, a principal of Vector ("Principal A") identified an opportunity to invest in commercial real estate through a partnership that owned and operated a commercial office building located in Iowa. In January 2006, under the auspices of Vector, he formed Pooled Vehicle 1 to pool investor funds for the purpose of investing in the partnership. Thirteen investors, including Principal A, placed a total of \$700,000 in Pooled Vehicle 1. Eight of these investors were advisory clients of Vector. Each investor purchased membership interests in Pooled Vehicle 1, which in turn, purchased membership interests in the real estate partnership. Principal

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

A acted as managing member of Pooled Vehicle 1. In that capacity, he invested Pooled Vehicle 1's funds in the commercial real estate partnership, retained and monitored tax, accounting, and legal professionals, handled distributions, and reported on the status of the investment. Neither Vector nor Principal A actively managed the real estate partnership into which Pooled Vehicle 1's funds were invested.

5. In August 2007, Principal A and another individual not affiliated with Vector formed another similar investment vehicle, Pooled Vehicle 2. Pooled Vehicle 2 invested in four single-asset limited partnerships that owned and operated commercial use buildings in Iowa and South Dakota. Twenty-one investors, including the managing members, participated in Pooled Vehicle 2, investing a total of \$1.9 million in October 2007. Eleven of these investors were advisory clients of Vector. As with Pooled Vehicle 1, each investor purchased membership interests in Pooled Vehicle 2, which in turn, purchased membership interests in the real estate partnerships. In his capacity as co-managing member of Pooled Vehicle 2, Principal A managed Pooled Vehicle 2 in a manner similar to Pooled Vehicle 1.

6. Since 2006 and 2007, respectively, the Pooled Vehicles earned annual dividends that were deposited by the underlying commercial real estate partnerships into two accounts held by a third-party custodian in the name of the Pooled Vehicles. Balances in the Pooled Vehicle accounts were swept into a money market fund on a daily basis. These funds remained in the third-party custodial accounts until a public accounting firm prepared tax forms for the real estate partnerships. Once the forms were prepared, the accounting firm provided Vector with the amount of dividend income due to each investor in the Pooled Vehicles based on the investors' percentage of ownership.

7. Vector then prepared dividend checks to be paid from the Pooled Vehicles' third-party custodial accounts and mailed those checks to investors. Principal A possessed signatory authority over the Pooled Vehicles' third-party custodial accounts but delegated to Fee the task of preparing checks for his signature. Fee was responsible for preparing the distribution checks, obtaining Principal A's signature on them, and mailing them to investors.

8. In October 2008, Fee began misappropriating from the Pooled Vehicles' third-party custodial accounts dividends owed to investors. On at least eleven occasions, Fee wrote checks to himself from the investors' distributions, causing the redemption of money market fund shares sufficient to cover the amount of the check, and took steps to conceal his conduct from others. From October 2008 until discovery of the scheme in May 2011, Fee misappropriated \$33,147 from four investors, all of whom were advisory clients of Vector.

9. Vector discovered the scheme in May 2011 while attempting to reconcile an unrelated, potentially erroneous payment. Vector promptly terminated Fee, restricted his account and system access, and initiated an internal investigation.

10. Vector notified the affected investors of the misappropriation and subsequently reimbursed them for the misappropriated amounts with interest, for a total of \$42,986. Fee, in turn, reimbursed Vector for the amounts that Vector repaid to the investors.

11. As a result of the conduct described above, Fee willfully violated Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, which prohibit fraudulent conduct in connection with the purchase or sale of securities.

IV.

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

Accordingly, pursuant to Section 21C of the Exchange Act, Section 203(f) of the Advisers Act, and Section 9(b) of the Investment Company Act, it is hereby ORDERED that:

A. Respondent Fee shall cease and desist from committing or causing any violations and any future violations of Section 10(b) of the Exchange Act and Rule 10b-5 thereunder.

B. Respondent Fee be, and hereby is, barred from association with any broker, dealer, investment adviser, municipal securities dealer, municipal advisor, transfer agent, or nationally recognized statistical rating organization and prohibited from serving or acting as an employee, officer, director, member of an advisory board, investment adviser or depositor of, or principal underwriter for, a registered investment company or affiliated person of such investment adviser, depositor, or principal underwriter.

C. Any reapplication for association by the Respondent 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.

D. Respondent shall, within fourteen (14) days of the entry of this Order, pay a civil money penalty in the amount of \$10,000 to the United States Treasury. If timely payment is not made, additional interest shall accrue pursuant to 31 U.S.C. § 3717. Payment must be made in one of the following ways:

(1) Respondent may make direct payment from a bank account via Pay.gov through the SEC website at <http://www.sec.gov/about/offices/ofm.htm>; or

(2) Respondent may pay by certified check, bank cashier's check, or United States postal money order, made payable to the Securities and Exchange Commission and hand-delivered or mailed to:

Enterprise Services Center
Accounts Receivable Branch
HQ Bldg., Room 181, AMZ-341
6500 South MacArthur Boulevard
Oklahoma City, OK 73169

Payments by check or money order must be accompanied by a cover letter identifying Charles T. Fee as a Respondent in these proceedings, and the file number of these proceedings; a copy of the cover letter and check or money order must be sent to Kathryn A. Pyszka, Division of Enforcement, Securities and Exchange Commission, 175 West Jackson Boulevard, Suite 900, Chicago, Illinois 60604.

By the Commission.

Elizabeth M. Murphy
Secretary