

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

INVESTMENT ADVISERS ACT OF 1940
Release No. 5305 / July 19, 2019

ADMINISTRATIVE PROCEEDING
File No. 3-19259

In the Matter of

**ACCOUNT MANAGEMENT LLC,
CHRISTOPHER DE ROETTH,
and PETER DE ROETTH**

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 Account Management LLC (“Account Management”), Christopher de Roetth, and Peter de Roetth (collectively, “Respondents”).

II.

In anticipation of the institution of these proceedings, Respondents have submitted Offers of Settlement (the “Offers”) 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 Respondents 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’ Offers, the Commission finds¹ that:

¹ The findings herein are made pursuant to Respondents’ Offers and are not binding on any other person or entity in this or any other proceeding.

Summary

1. Account Management, a Commission registered investment adviser based in Boston, Massachusetts, Christopher de Roethh, the principal of Account Management, and Peter de Roethh, founder of Account Management, breached their fiduciary duty to their largest client, an elderly investor (“Jane Doe” or “Ms. Doe”), by recommending that Ms. Doe change her trust agreement in a way that would benefit Account Management after Ms. Doe’s death. Recommending this change to Ms. Doe was a financial conflict of interest for Account Management and the de Roethths, and they obtained her consent to the change when they knew or should have known that she could not provide truly informed consent because she suffered from senile dementia. On January 27, 2016, Peter de Roethh traveled to the elder-care residence where Ms. Doe was living. The purpose of this trip was to get Ms. Doe to execute an amendment to her trust.

2. The amendment benefitted Account Management, and accordingly Christopher de Roethh as the primary owner of Account Management, by allocating a much larger portion of Ms. Doe’s assets upon her death to a charity that Ms. Doe had supported since at least 2007, which was also an Account Management client (“Charity Client”), and by stating that 85% of the assets in the trust “shall be managed” by Account Management for at least twenty years after Ms. Doe’s death, thereby generating advisory fees for Account Management for the twenty-year period.

3. For several years preceding the January 27, 2016 changes, Account Management and the de Roethths engaged in estate planning discussions with Ms. Doe, with a goal of Account Management continuing to manage Ms. Doe’s assets after her death, but those efforts were unsuccessful. In or about mid-December 2015, the de Roethths and Account Management were informed that Ms. Doe, who had just moved to the elder-care residence, had been diagnosed with senile dementia. When the de Roethths and Account Management received this information, they were also informed that Ms. Doe’s short term memory was significantly impaired, that she might not be able to make significant decisions or to know what she had done after she had done it, and that Ms. Doe’s family desired to be a part of her financial decision-making. Afterwards Peter de Roethh, with Chris de Roethh’s knowledge, made concentrated efforts to get Ms. Doe to sign an amendment that continued her trust for twenty years after her death and during those twenty years, the trust would continue to be advised by Account Management. Within hours of executing the amendment, Ms. Doe did not recall signing any document or changing the disposition of the assets in her trust.

4. As a result of this conduct, Account Management and the de Roethths willfully violated Section 206(2) of the Advisers Act.

Respondents

5. Account Management LLC (f/k/a Account Management Corporation) is a Massachusetts limited liability company with its principal place of business in Boston, Massachusetts. It was founded in 1964. Account Management has been registered with the Commission as an investment adviser since 1964 (SEC File No. 801-3548). The firm has

approximately \$142 million in regulatory assets under management that are held in individual and family accounts.

6. Christopher de Roethh, age 59, is a resident of Duxbury, Massachusetts. He has been a member and a principal of Account Management since 1999.

7. Peter de Roethh, age 90, is a resident of New Boston, New Hampshire and is Christopher de Roethh's father. He and another individual founded Account Management in 1964. Peter de Roethh is retired and has no current ownership or employment interest in Account Management.

Facts

8. Ms. Doe, now 92 years old, has been a client of Account Management since the 1960s. For at least twenty years, Ms. Doe has been Account Management's largest client and by far the single largest source of Account Management's revenues. Ms. Doe never married and has no immediate family.

9. In 2013, Ms. Doe revised her estate plan with the help of an attorney (the "Attorney"). As part of Ms. Doe's 2013 estate planning, Ms. Doe established a revocable trust, a will, and a power-of-attorney. Christopher de Roethh was a witness to these documents.

10. Pursuant to the original terms of the revocable trust, upon Ms. Doe's death, 90% of the assets in the trust passed outright in equal shares to three individual beneficiaries. The remaining 10% passed outright to the Charity Client. The trust then would terminate. These terms did not require the individual beneficiaries or the Charity Client to maintain or establish an investment advisory relationship with Account Management for the assets distributed to them from the trust. The revocable trust also empowered Ms. Doe or any successor trustee to employ any investment advisers she deemed advisable and included a request to successor trustees to continue to employ Account Management to manage those trust assets during Ms. Doe's lifetime. At that time, the Charity Client was an existing client of Account Management and had been referred to Account Management by Ms. Doe.

11. In March 2014, Ms. Doe funded the revocable trust with most of the assets she held with Account Management.

12. In June 2014, Christopher de Roethh met with Ms. Doe and several beneficiaries to recommend Ms. Doe fund a charitable foundation and consider appointing Account Management to manage the charitable assets. Ms. Doe ultimately decided against pursuing a charitable foundation.

13. In January 2015, the de Roethhs recommended Ms. Doe amend the trust agreement for the revocable trust. The proposed amendment required that the assets in the revocable trust be kept in trust for twenty years following Ms. Doe's death. It retained the language set forth in the 2013 trust requesting that any future trustees retain Account Management as an investment adviser. It also required the annual distribution of the income generated by the trust to the three individual beneficiaries and the Charity Client in proportion to the share of the trust assets Ms. Doe had allocated to each of them. Ms. Doe did not sign the amendment to the revocable trust.

14. In October 2015, Peter de Roethth traveled to visit Ms. Doe on two occasions and advised her about making a substantial legacy gift to the Charity Client by increasing the share of the assets in the revocable trust to be distributed to the Charity Client.

15. In November 2015, Account Management directed the Attorney to prepare a second draft amendment of the revocable trust for Ms. Doe to sign. The purpose of this second amendment was to make a major, long-term gift to the Charity Client, which Account Management represented to the Attorney embodied Ms. Doe's wishes. In November 2015, the Attorney provided Account Management with an outline of that amendment, which directed that any assets in the revocable trust that were not distributed outright upon Ms. Doe's death be kept in trust for an additional twenty years after her death for the benefit of the Charity Client. It also stated that the trust "shall be managed" by Account Management for the entire twenty-year term of the trust so long as Account Management remained in good standing as a licensed investment adviser.

16. On December 14, 2015, a member of Ms. Doe's family, who was also a beneficiary of the revocable trust, emailed the de Roethths and Account Management that Ms. Doe had been diagnosed with senile dementia. This family member's email described to the de Roethths in detail Ms. Doe's impaired short-term memory, the family member's efforts to assist Ms. Doe with her financial affairs, and expressed Ms. Doe's family member's concerns about Ms. Doe's ability to make significant decisions. The email also specifically requested that Account Management and the de Roethths include the family member in all of Ms. Doe's financial decision-making going forward.

17. On January 27, 2016, with Christopher de Roethth's knowledge, Peter de Roethth and the Attorney travelled to Ms. Doe's elder-care residence for the purpose of having her execute the second amendment to the trust agreement. Account Management and the de Roethths did not inform Ms. Doe's family in advance of the visit, and no family member of Ms. Doe's was present when Peter de Roethth and the Attorney met with Ms. Doe. During the visit, Ms. Doe signed the amendment to the trust agreement, significantly increasing (from 10% to 85%) the assets that would go to the Charity Client (thereby decreasing the shares to the other beneficiaries) and providing that the assets allocated to the Charity Client would be held in a trust that "shall be managed" by Account Management for twenty years after Ms. Doe's death.

18. Discussing the visit the next day with her social worker, Ms. Doe declared she had been scammed. Ms. Doe recalled receiving visitors but did not recall signing any document and was unaware she had changed the disposition of the assets in her revocable trust. The elder-care residence reported the incident to the relevant authorities.

19. A short time after Ms. Doe signed the amendment to her revocable trust, the family member was appointed her legal guardian. As a consequence of Ms. Doe's mental incapacity, under the terms of the recently executed amendment, the Attorney who prepared the amendment on behalf of Account Management and the de Roethths became trustee of the trust, instead of a member of Ms. Doe's family as specified in the original trust agreement. As trustee, the Attorney supplanted Ms. Doe as the individual representative of Account Management's client, the revocable trust.

Violation

20. As a result of the conduct described above, Account Management and the de Roeths willfully² violated Section 206(2) of the Advisers Act, which prohibits any investment adviser from engaging in any transaction, practice, or course of business which operates as a fraud or deceit upon any client or prospective client. A violation of Section 206(2) may rest on a finding of simple negligence. *SEC v. Steadman*, 967 F.2d 636, 643 n.5 (D.C. Cir. 1992) (citing *SEC v. Capital Gains Research Bureau*, 375 U.S. 180, 195 (1963)). Proof of scienter is not required to establish a violation of Section 206(2) of the Advisers Act. *Id.*

Undertakings

21. **Advisory Fees and Services.** Account Management and Christopher de Roeth shall not charge or accept compensation related to the management of any assets held by the Jane Doe Revocable Trust or any assets transferred from the Jane Doe Revocable Trust after the date of issuance of this Order, including, but not limited to, the management of any successor trust accounts to be funded by the Jane Doe Revocable Trust. Additionally, notwithstanding the language in the amendment to the agreement of trust for the Jane Doe Revocable Trust, Account Management and Christopher de Roeth will not object to, challenge or interfere with any decision by the Jane Doe Revocable Trust or any successor trust account or related account to terminate the investment advisory relationship with Account Management or to seek advisory services from another investment adviser.

22. **Order Notification.** Within thirty (30) days of the entry of this Order, Account Management and Christopher de Roeth shall undertake to send to each of their clients a copy of this Order.

23. **Certification of Compliance.** Account Management and Christopher de Roeth shall certify, in writing, compliance with each of the undertakings set forth above. The certification shall identify the undertaking(s), provide written evidence of compliance in the form of a narrative, and be supported by exhibits sufficient to demonstrate compliance. The Commission staff may make reasonable requests for further evidence of compliance, and Account Management and Christopher de Roeth agree to provide such evidence. The certification and supporting material shall be submitted to Robert Baker, Assistant Director, Asset Management Unit, Boston Regional Office, Securities and Exchange Commission, 33 Arch Street, 24th Floor, Boston, MA 02110, with a copy to the Office of Chief Counsel of the Enforcement Division, no later than sixty (60) days from the date of the completion of the undertakings.

IV.

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

² A willful violation of the securities laws means merely “that the person charged with the duty knows what he is doing.” *Wonsover v. SEC*, 205 F.3d 408, 414 (D.C. Cir. 2000) (quoting *Hughes v. SEC*, 174 F.2d 969, 977 (D.C. Cir. 1949)). There is no requirement that the actor “also be aware that he is violating one of the Rules or Acts.” *Id.* (quoting *Gearhart & Otis, Inc. v. SEC*, 348 F.2d 798, 803 (D.C. Cir. 1965)).

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

A. Account Management, Christopher de Roeth, and Peter de Roeth shall cease and desist from committing or causing any violations and any future violations of Section 206(2) of the Advisers Act.

B. Account Management, Christopher de Roeth, and Peter de Roeth are censured.

C. Account Management shall, within 10 days of the entry of this order, pay a civil money penalty in the amount of \$100,000.00 to the Securities and Exchange Commission for transfer to the general fund of the United States Treasury, subject to Section 21F(g)(3) of the Securities and Exchange Act of 1934. Payment shall be made in one of the following ways:

- (1) Respondent may transmit payment electronically to the Commission, and will provide detailed ACH transfer/Fedwire instructions upon request;
- (2) Respondent may make direct payment from a bank account via [Pay.gov](https://www.pay.gov) through the SEC website at <http://www.sec.gov/about/offices/ofm.htm>; or
- (3) 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 Account Management as the 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 Robert Baker, Assistant Director, Asset Management Unit, Boston Regional Office, Securities and Exchange Commission, 33 Arch Street, 24th Floor, Boston, MA 02110.

D. Christopher de Roeth shall, within 10 days of the entry of this order, pay a civil money penalty in the amount of \$50,000.00 to the Securities and Exchange Commission for transfer to the general fund of the United States Treasury, subject to Section 21F(g)(3) of the Securities and Exchange Act of 1934. Payment shall be made in one of the following ways:

- (1) Respondent may transmit payment electronically to the Commission, and will provide detailed ACH transfer/Fedwire instructions upon request;
- (2) Respondent may make direct payment from a bank account via [Pay.gov](https://www.pay.gov) through the SEC website at <http://www.sec.gov/about/offices/ofm.htm>; or
- (3) 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 Christopher de Roethth as the 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 Robert Baker, Assistant Director, Asset Management Unit, Boston Regional Office, Securities and Exchange Commission, 33 Arch Street, 24th Floor, Boston, MA 02110.

E. Peter de Roethth shall, within 30 days of the entry of this order, pay a civil money penalty in the amount of \$25,000.00 to the Securities and Exchange Commission for transfer to the general fund of the United States Treasury, subject to Section 21F(g)(3) of the Securities and Exchange Act of 1934. Payment shall be made in one of the following ways:

- (1) Respondent may transmit payment electronically to the Commission, and will provide detailed ACH transfer/Fedwire instructions upon request;
- (2) Respondent may make direct payment from a bank account via [Pay.gov](https://www.pay.gov) through the SEC website at <http://www.sec.gov/about/offices/ofm.htm>; or
- (3) 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 Peter de Roethth as the 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 Robert Baker, Assistant Director, Asset Management Unit, Boston Regional Office, Securities and Exchange Commission, 33 Arch Street, 24th Floor, Boston, MA 02110.

F. Amounts ordered to be paid as a civil money penalty pursuant to this Order shall be treated as penalties paid to the government for all purposes, including all tax purposes. To preserve the deterrent effect of the civil penalties, Respondents agree that in any Related Investor Action, they shall not argue that they are entitled to, nor shall they benefit by, offset or reduction of any award of compensatory damages by the amount of any part of Respondents' payments of a civil penalty in this action ("Penalty Offset"). If the court in any Related Investor Action grants such a Penalty Offset, Respondents agree that they shall, within 30 days after entry of a final order granting the Penalty Offset, notify the Commission's counsel in this action and pay the amount of the Penalty Offset to the Securities and Exchange Commission. Such a payment shall not be deemed an additional civil penalty and shall not be deemed to change the amount of any civil penalty imposed in this proceeding. For purposes of this paragraph, a "Related Investor Action" means a private damages action brought against Account Management, Christopher de Roethth, and/or Peter de Roethth by or on behalf of one or more investors based on substantially the same facts as alleged in the Order instituted by the Commission in this proceeding.

G. Account Management and Christopher de Roethh shall comply with the undertakings enumerated in Paragraphs 21 - 23 above.

V.

It is further Ordered that, solely for purposes of exceptions to discharge set forth in Section 523 of the Bankruptcy Code, 11 U.S.C. § 523, the findings in this Order are true and admitted by Respondents Christopher de Roethh and Peter de Roethh, and further, any debt for civil penalty or other amounts due by Respondents Christopher de Roethh and Peter de Roethh under this Order or any other judgment, order, consent order, decree or settlement agreement entered in connection with this proceeding, is a debt for the violations by Respondents Christopher de Roethh and Peter de Roethh of the federal securities laws or any regulation or order issued under such laws, as set forth in Section 523(a)(19) of the Bankruptcy Code, 11 U.S.C. § 523(a)(19).

By the Commission.

Vanessa A. Countryman
Secretary