**UNITED STATES OF AMERICA**
**Before the**
**SECURITIES AND EXCHANGE COMMISSION**

**Investment Advisers Act of 1940**
**Release No. 2203 / December 15, 2003**

**Administrative Proceeding**
**File No. 3-11357**

## IN THE MATTER OF ROBERT T. LITTELL AND WILFRED MECKEL, RESPONDENTS

## ORDER INSTITUTING ADMINISTRATIVE AND CEASE-AND-DESIST PROCEEDINGS, MAKING FINDINGS, AND IMPOSING REMEDIAL SANCTIONS AND A CEASE-AND-DESIST ORDER PURSUANT TO SECTIONS 203(f) AND 203(k) OF THE INVESTMENT ADVISERS ACT OF 1940

### 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(f) and 203(k) of the Investment Advisers Act of 1940 ("Advisers Act") against Wilfred Meckel ("Meckel") and Robert T. Littell ("Littell").

### II.

In anticipation of the institution of these proceedings, Meckel and Littell have each submitted an Offer 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 them and the subject matter of these proceedings, Meckel and Littell consent to the entry of this Order Instituting Administrative and Cease-and-Desist Proceedings, Making Findings, and Imposing Remedial Sanctions pursuant to Sections 203(f) and 203(k) of the Investment Advisers Act of 1940 ("Order"), as set forth below.

### III. FINDINGS

On the basis of this Order and the Offers, the Commission finds that:

### FACTUAL FINDINGS

#### Respondents

Robert T. Littell, age 40 and a resident of New York, New York, from October 1997 through June 2000 was employed by Marque Millennium Group, Ltd. ("MMG") as Manager of Investments. Until March 2000, Littell was primarily responsible for operating Marque Partners I ("MPI"), Marque Partners II ("MPII") and Marque Fund II Limited ("MFIILtd") (collectively the "Hedge Funds"), including making all investment decisions, entering trades, and communicating with investors. From August 1987 through August 1997, Littell was a registered representative associated with broker-dealers registered with the Commission.

Wilfred Meckel, age 57 and a resident of New York, New York, is the founder and Senior Managing Director of MMG.

**Related Party**

MMG, a Delaware corporation with offices in New York, New York, was the General Partner of MPI and MPII and listed investment adviser of MFIILtd.1 MMG was a holding company for Marque Millennium Capital Management, Ltd. ("MMCM"), an investment adviser registered with the Commission since January 1, 1991 and Marque Millennium Financial Services, Ltd., an inactive broker-dealer.2 MPI began operations in October 1997. MPII and MFIILtd (an offshore fund which invested in MPII) began operations in May 1999 using a variation of the same trading system as MPI. From their inception through March 2000, a total of 112 limited partners invested $53,140,466 into MPI, 71 limited partners invested $43,650,260 into MPII and 14 limited partners invested $30,620,000 into MFIILtd. Throughout the relevant time, MMG was an unregistered investment adviser.3

**Summary**

From at least December 1998 through March 2000, MMG, through Littell, communicated materially inaccurate performance information to limited partners and potential investors in the Hedge Funds. In addition, from MPI's inception in October 1997 through March 2000, MMG, through Littell, made various misrepresentations to investors and potential investors about the Hedge Funds' management structure, retention of an accountant and auditor, and risk management techniques. They also provided these misrepresentations to brokers and third party promoters hired by MMG to solicit investments for the Hedge Funds. Littell also improperly redeemed the full amount of investments by two large investors at a time when the Hedge Funds had incurred substantial undisclosed losses, and he took numerous steps to conceal the losses from investors and from Meckel. Meckel failed reasonably to supervise Littell's activities with a view to preventing violations of the federal securities laws.

**MMG and Littell Defrauded Hedge Fund Investors**

Meckel hired Littell as the investment manager for MMG in 1997. MPI, a hedge fund designed to utilize a trading system invented by Littell, officially began operations on October 1, 1997.

According to the MPI and MPII private offering memoranda, MMG, as general partner, received a quarterly management fee equal to one quarter of one percent of each limited partner's opening quarterly balance and the possibility of receiving a yearly incentive fee equal to 20% of net profits if the funds achieved positive returns. MMG also received compensation as the listed investment adviser for MFIILtd. From October 1997 to March 2001, MMG collected $828,078.35 in management and incentive fees from the Hedge Funds.

MMG and Littell made misrepresentations to investors, potential investors, brokers, and third party solicitors concerning the Hedge Funds' performance, management oversight, independent verification of performance by an accountant and/or auditor, and risk management practices. MMG and Littell made these misrepresentations orally in informal conversations and pitch meetings, and in writing through handwritten facsimiles, K-1 tax documents, advertisements (also known as "Primers"), newsletters, and/or solicitation letters. These materials were written by Littell and some were reviewed by Meckel.

Littell performed substantially all trading and back office operations of the Hedge Funds.

Littell provided all of the performance information contained in the Primers, solicitation letters, newsletters and other materials disseminated by MMG. Littell had little or no experience calculating performance results and did not retain an accountant for MPI until March 2000. Furthermore, even though MPII had an accountant throughout its operation Littell did not provide investors with performance information from the accountant, but rather reported performance based on his own calculations. Therefore, much of this performance information was incorrect and materially overstated the performance returns achieved by the Hedge Funds during the relevant periods. For example, for MPI in August 1998, Littell reported a gain of 0.9% instead of an actual loss of 13.21%.4 In Newsletters for November and December 1998, Littell reported performance as positive 0.28% and negative 3.86%, respectively, when in fact MPI lost 16.08% and another 27.55% for those months. Moreover, from November 1998 forward, in addition to the other misrepresentations, all Primers contained November 1998's materially overstated performance numbers. In March 1999, Littell reported that MPI had earned a monthly gain of 0.73%, when in fact MPI lost 16.1%. Littell also reported a year-to-date gain of 4.9%, when the actual year-to-date performance was a loss of 28.3%. For July 1999, Littell reported conflicting numbers in two separate Newsletters, one representing that the July 1999 performance was a gain of 3.05% and another stating that it was a loss of 0.17%. In fact, MPI's actual July 1999 performance was a loss of 4.66%. The actual performance information was calculated in the spring of 2000 by an accountant, but was never disclosed to investors.

In addition to providing investors with inflated performance information, MMG and Littell failed to disclose material information to all investors and potential investors concerning trading losses suffered by the Hedge Funds in November and December 1999. In November 1999, MPI lost 35.86%, MPII lost 24.04%, and MFIILtd lost 24.16%. In December 1999, MPI lost 58.95%, MPII lost 43.51%, and MFIILtd lost 42.60%. Although some investors received partial information within weeks of the losses, other investors received little or no information until several months later.

Two investors who learned the true extent of the November and December losses insisted on redemptions from MFIILtd. In February 2000, in contravention of the distribution procedures established by MFIILtd's administrator and outlined in MPII and MFIILtd's partnership agreements, Littell authorized transfers totaling $15 million from MPII to these investors. MPII and MFIILtd's offering memoranda provide that net profits or losses will be allocated to limited partners in proportion to their capital accounts. As a result, these two investors received approximately $6.8 million in excess of their investment value in MFIILtd at the time of their redemptions. Littell falsely claimed that he authorized the distributions as a result of threats made by representatives for the investors, failed to inform Meckel of the distributions until May 2000, and misleadingly blamed others for the improper distributions.

In addition to the two redemptions described above, Littell permitted other redemptions at inflated values from January 1999 through May 2000. These excess distributions to partners totaled at least $3,338,385. As a result, those partners who remained invested after May 2000 suffered both from the large devaluation of their assets due to trading losses and the dilution of their remaining assets resulting from the improper distributions. The MPI accounting records show that total partners' capital on December 31, 2000 should have been $3,473,547, but because of the excess distributions, the remaining partners' capital was only $291,041. These excess distributions conflict with the Hedge Funds' offering memoranda, which state that net profits or losses will be allocated to limited partners in proportion to their capital accounts.

The Hedge Funds' offering memoranda also state that portfolio securities will be valued as of the last sale price on the exchange or market where the security is primarily traded. Therefore, Littell did not have a reasonable basis to believe that the performance information he supplied to investors conformed with the valuation method outlined in the offering memoranda. From October 1997 through March 2000, Littell did not maintain any record of his trades, such as a trade blotter, and did not check his trades against confirmations or account statements received from the brokerage firms where the Hedge Funds maintained accounts. Therefore, Littell could not have reasonably believed that the performance information he provided accurately reflected the Hedge Funds' value. Moreover, MMG and Littell did not maintain accurate records of investments into and distributions from the Hedge Funds or a complete set of subscription agreements. As a result, Littell recklessly identified capital contributions as gains in the trading accounts.

Prior to the devastating losses of the 1999 year end, Littell received $590,000 in incentive fees from MFIILtd. Littell later turned all of those incentive fees as well as sizeable trading profits from the investment of those fees over to MMG.

Upon discovering Littell's fraud, Meckel and the other principal of MMG engaged in a year-long effort to keep MPI and MPII afloat and to restore investor losses. Their efforts proved unsuccessful and MPI and MPII ceased operations on March 31, 2001 with no money left to distribute to their remaining investors.

On March 26, 2001, Meckel and the other principal of MMG sold their interests in MMCM. Most of the proceeds from the sale of MMCM were used to satisfy outstanding obligations to creditors of MMG. Meckel and the other principal of MMG provided the remaining proceeds to MPI and MPII for the benefit of their investors. Meckel paid $593,882 and the other principal paid $535,172 to MPI and MPII, for a total of $1,129,054, which exceeded the $828,078.35 of management and incentive fees MMG collected from the Hedge Funds.

### Meckel Failed Reasonably to Supervise Littell

Throughout the relevant period, Littell was subject to Meckel's supervision. Meckel and Littell both worked in MMG's small suite of offices. Meckel investigated Littell's background and trading strategy before Littell was hired. Meckel then helped Littell establish the Hedge Funds, attended some pitch meetings for the Hedge Funds, and reviewed the initial Primers, which included Meckel in the description of the "management" of the Hedge Funds. Meckel restricted the marketing of Littell's trading strategy until the third quarter of 1998 when he and an assistant used a common performance measurement software system to review performance information provided by Littell. Meckel communicated with Littell regularly about the Hedge Funds and their investments.

Meckel failed reasonably to supervise Littell with a view to preventing violations of the federal securities laws. Meckel failed to take reasonable supervisory actions, which could include maintaining accurate records of investments into and distributions from the Hedge Funds, review of daily trading activity, valuation of the Hedge Funds' positions, and separation of the Hedge Funds' trading and back office functions. Instead, Meckel relied on Littell's reporting and did not independently verify the performance information and other representations Littell made to the Hedge Funds' investors. Meckel's reliance on Littell's reports without independently verifying their accuracy delayed his discovery of Littell's misconduct and enabled Littell to continue his fraudulent activities.

### LEGAL FINDINGS

As a result of the conduct described above, Littell willfully violated Section 17(a) of the Securities Act of 1933 ("Securities Act"), Section 10(b) of the Securities Exchange Act of 1934 ("Exchange Act"), and Rule 10b-5 thereunder, which prohibit fraudulent conduct in the offer and sale of securities and in connection with the purchase or sale of securities.

As a result of the conduct described above, MMG willfully violated, and Littell willfully aided and abetted and caused MMG's violations of, Sections 206(1) and 206(2) of the Advisers Act, which prohibit an investment adviser from employing any device, scheme, or artifice to defraud or to engage in any transaction, practice, or course of business which operates as a fraud or deceit upon any client or prospective client.

Section 203(f) of the Advisers Act authorizes the Commission to sanction any person associated with an investment adviser where such person has failed reasonably to supervise as set forth in Section 203(e)(6), with a view to preventing violations of the federal securities laws, another person who commits a violation, if such other person is subject to his supervision. The Commission repeatedly has emphasized that the duty to supervise is a critical component of the federal regulatory scheme. In re Rhumbline Advisers, Advisers Act Rel No. 1765 (Sept. 29, 1998); In re Western Asset Management Co., Advisers Act. Rel No. 1980 (Sept. 28, 2001).

Meckel was Littell's supervisor and an associated person of MMG, an investment adviser. Meckel failed reasonably to supervise Littell with a view toward preventing Littell's violations of the federal securities laws. Furthermore, Meckel does not have a defense to a failure to supervise charge because he failed to establish procedures and a system for applying such procedures, which would reasonably be expected to prevent and to detect any such violation by Littell. Meckel did not create or implement procedures to detect violations by Littell, such procedures could have included reviewing confirmations and statements, valuing positions, and properly calculating fund performance. It is essential that advisers implement policies reasonably designed, under the circumstances of the particular investment strategies employed by the firms, to detect and prevent violations of the federal securities laws by even their most experienced employees. Oechsle International Advisors, L.L.C., Advisers Act Rel. No. 1966 (August 10, 2001). The Commission has recognized that the "delicate fiduciary relationship" between an investment adviser and a client imposes an obligation on an adviser to review and to monitor its activities and the activities of its employees. Shearson Lehman Brothers, Inc. and Stein Roe & Farnham, Exchange Act Rel. No. 23640, 36 SEC Docket 1075 (September 24, 1996). Accordingly, an investment adviser that does not reasonably supervise its associated persons with a view towards preventing violations of the federal securities laws may be subject to sanction by the Commission. See Nicholas-Applegate Capital Management, Advisers Act Rel. No. 1741, 67 SEC Docket 2312 (August 12, 1998). Similarly, associated persons of an investment adviser in supervisory positions may be subject to sanctions for failing reasonably to supervise any person subject to their supervision. Quest Capital Strategies, Inc., 76 SEC Docket 102 (October 15, 2001).

As a result of the conduct described above, Meckel failed reasonably to supervise Littell, with a view to preventing violations of the federal securities laws while Littell was subject to his supervision, within the meaning of Sections 203(e)(6) and 203(f) of the Advisers Act.

**Disgorgement and Civil Penalties**

Littell has submitted a sworn Statement of Financial Condition dated August 21, 2002 and other evidence and has asserted his inability to pay a civil penalty.

**Remedial Efforts**

In determining to accept the Offers, the Commission considered remedial acts promptly undertaken by Meckel and the cooperation he afforded the Commission staff.

**IV.**

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

ACCORDINGLY, IT IS HEREBY ORDERED THAT:

Pursuant to Section 203(k) of the Advisers Act, Littell shall cease and desist from committing or causing any violations and any future violations of Section 17(a) of the Securities Act, Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, and Sections 206(1) and 206(2) of the Advisers Act.

Littell shall, within ten days of the entry of this Order, pay a civil money penalty in the amount of $15,000 to the United States Treasury. Such payment shall be: (A) made by United States postal money order, certified check, bank cashier's check or bank money order; (B) made payable to the Securities and Exchange Commission; (C) hand-delivered or mailed to the Office of Financial Management, Securities and Exchange Commission, Operations Center, 6432 General Green Way, Stop 0-3, Alexandria, VA 22312; and (D) submitted under cover letter that identifies Littell as a Respondent in these proceedings, the file number of these proceedings, a copy of which cover letter and money order or check shall be sent to Caren N. Pennington, Assistant Regional Director, Division of Enforcement, Securities and Exchange Commission, 233 Broadway, New York, NY 10279.

Pursuant to Section 203(f) of the Advisers Act, Littell be, and hereby is, barred from association with any investment adviser.

Pursuant to Section 203(f) of the Advisers Act, Meckel shall be censured.

Pursuant to Section 203(f) of the Advisers Act, Meckel be, and hereby is, suspended from association in any supervisory capacity with any investment adviser for a period of six months effective on the second Monday following the entry of this Order.

By the Commission.

Jonathan G. Katz
Secretary

**Footnotes**

1 MMG ceased operations in March 2001 and has no assets. Any assets that existed in March 2001 were used to satisfy creditors and pay investors.

2 MMCM and Marque Millennium Financial Services, Ltd. were not involved in the matters giving rise to this proceeding or Order.

3 Section 203(b)(3) of the Advisers Act exempts an investment adviser from registration if over the previous twelve months it had fewer than fifteen clients and neither holds itself out as an investment adviser to the general public nor acts as an investment adviser to an investment company.

4 The actual performance numbers are based on calculations by the Hedge Funds' independent accountant.