

STATE OF WASHINGTON
DEPARTMENT OF FINANCIAL INSTITUTIONS
SECURITIES DIVISION

IN THE MATTER OF DETERMINING) Order Number S-12-1059-13-TO01
Whether there has been a violation of the)
Securities Act of Washington by:) SUMMARY ORDER SUSPENDING
) INVESTMENT ADVISER
Satyen Chatterjee;) REGISTRATION AND INVESTMENT
Strategic Capital Management, Inc.;) ADVISER REPRESENTATIVE
) REGISTRATION AND NOTICE OF
Respondents) INTENT TO REVOKE REGISTRATION,
) AND ENTER ORDER TO CEASE AND
) DESIST, IMPOSE FINES, AND
) RECOVER COSTS
)

THE STATE OF WASHINGTON TO: Satyen Chatterjee (CRD No. 2755758)
Strategic Capital Management, Inc.
(IARD No. 115989)

STATEMENT OF CHARGES

Please take notice that the Securities Administrator of the State of Washington has reason to believe that Respondent Satyen Chatterjee has violated the Securities Act of Washington and engaged in dishonest and unethical practices while employed as an investment adviser representative for Strategic Capital Management, Inc., an investment adviser solely owned by Satyen Chatterjee, and that those practices and violations justify the suspension and revocation of Satyen Chatterjee's investment adviser representative registration and Strategic Capital Management, Inc.'s investment adviser registration under RCW 21.20.110(1)(b) and (g). The Securities Administrator further has reason to believe that those violations justify the entry of an order of the Securities Administrator under RCW 21.20.390 to cease and desist from such

SUMMARY ORDER SUSPENDING
INVESTMENT ADVISER AND INVESTMENT
ADVISED REPRESENTATIVE REGISTRATION AND
NOTICE OF INTENT TO REVOKE REGISTRATION
AND ENTER ORDER TO CEASE AND DESIST,
IMPOSE FINES, AND RECOVER COSTS

1 DEPARTMENT OF FINANCIAL INSTITUTIONS
Securities Division
PO Box 9033
Olympia, WA 98507-9033
360-902-8760

1 violations and to recover costs, and under RCW 21.20.395 and RCW 21.20.110 to impose
2 fines.

3 The Securities Administrator finds that delay in suspending Respondent Strategic Capital
4 Management, Inc.'s registration and Satyen Chatterjee's registration would be hazardous to the
5 public interest and is necessary or appropriate for the protection of investors and that a
6 Summary Order should be entered immediately. The Securities Administrator finds as follows:
7

8 **TENTATIVE FINDINGS OF FACT**

9 Respondents

10 1. Strategic Capital Management, Inc. (IARD No. 115989) is a Washington
11 business incorporated in 1996 that is located at 1001 4th Avenue, Suite 3200, in Seattle,
12 Washington. Strategic Capital Management, Inc. has been registered as an investment adviser
13 with the State of Washington since February 1993. According to the Washington Secretary of
14 State website, Strategic Capital Management, Inc. became an inactive corporation on July 1,
15 2013.

16 2. Satyen Chatterjee ("Chatterjee") (CRD No. 1983613) is a Washington resident,
17 who is also known as Chatterjee Chattopadhyay, Satyen Chattopadhyay, Satyendranath
18 Chattopadhyay, and Sutyendranath Chattopadhyay. Chatterjee is the founder, sole owner, and
19 president of Strategic Capital Management, Inc. Chatterjee has been registered with the State
20 of Washington as investment adviser representative since 1999.
21

1 Background and Overview

2 3. Strategic Capital Management, Inc. is in the business of providing securities
3 portfolio management to a small number of clients that reside primarily in Washington and
4 California. According to its January 29, 2013 Form ADV filing, Strategic Capital
5 Management Inc. managed 14 accounts on a discretionary basis, with total assets under
6 management of \$865,000. Strategic Capital Management, Inc. is compensated for its
7 advisory services by either charging fees based on a percentage of assets under management
8 or by charging a performance-based fee.
9

10 4. In addition to providing these traditional portfolio management services,
11 Chatterjee also offered and sold promissory note investments to his advisory clients and to
12 other persons. Chatterjee referred to some of these as promissory note investments as a “fixed
13 investment” or “fixed income investment.” Chatterjee also sold an investment in what was
14 referred to as “the Mutual Fund project” and another investment in what was referred to as the
15 “Supplement Project.” In the offer and sale of these investments, Chatterjee misled investors
16 about the risk and provided false or misleading guarantees.
17

18 5. Between 2007 and 2012, Chatterjee offered and sold at least \$800,000 worth of
19 these investments to at least five investors, including four advisory clients. Chatterjee failed
20 to disclose some of these investments and his related business activities on the firm’s Form
21 ADV, or to Securities Division examination staff. Strategic Capital Management, Inc. filed
22 false and misleading balance sheets that failed to disclose these promissory notes as liabilities.
23

1 Strategic Capital Management, Inc. also failed to maintain its required minimum net worth
2 and failed to maintain books and records relating to these investments.

3 Offer and Sale of "Fixed Investment" Promissory Notes

4 6. Beginning in approximately 2007, Chatterjee solicited advisory clients and
5 recommended that they invest in what he referred to as a "fixed investment" or "fixed income
6 investment." Chatterjee provided investors with promissory notes that included a guaranty,
7 which Chatterjee signed as personal guarantor. The promissory notes had a term of
8 approximately one year. After the one year term, any unpaid balance was subject to an
9 interest rate of between 5% and 7.5% per annum. At the end of the one year term, Chatterjee
10 provided some investors with a new promissory note, which included a new principal amount
11 and a new due date.
12

13 7. Investors paid for their investments through checks made payable to Strategic
14 Capital Management, Inc. Beginning in at least October 2009, Chatterjee deposited checks
15 from advisory clients for these investments into a business checking account in the name of
16 Strategic Capital Management, Inc.
17

18 8. In approximately April 2007, Chatterjee solicited an advisory client, Client A,
19 regarding a fixed investment opportunity. Chatterjee stated that the investment had no risk
20 associated with it, was personally guaranteed, and would earn returns of approximately 8% to
21 9%. Chatterjee told Client A that he would issue a promissory note and did not disclose
22 where the funds would be specifically invested. In May 2007, Client A wrote a check to
23

1 Strategic Capital Management, Inc. with “fixed investment opportunity” written in the memo
2 line. In approximately 2008, Client A invested an additional \$35,000.

3 9. On June 26, 2009, Chatterjee sent an e-mail to Client B, with the subject line
4 “Fixed investment.” In his e-mail, Chatterjee stated that “in addition to our normal
5 investment plan we also arrange for funding for others” which he described as “fixed
6 investment opportunities.” Chatterjee further stated “we are in the process of closing a fixed
7 deposit package for \$1 million to 1.25 million” and indicated that the invested amount was
8 guaranteed.
9

10 10. Days later, Chatterjee sent a follow-up e-mail to Client B with additional details
11 regarding the investment. In his e-mail, Chatterjee represented that Strategic Capital
12 Management worked as a “mediator for our established big clients” and negotiated the “rate
13 on our clients’ behalf and get it guaranteed to protect the investment.” Chatterjee represented
14 that the investment opportunity was available to only a few select clients and that he was
15 personally investing \$50,000 as a diversification. The next day, Client B wrote a \$50,000
16 check to Strategic Capital Management, Inc. with “fixed return investment” written in memo
17 line of the check. A few days later, Client B sent an e-mail to Chatterjee that stated: “This is a
18 fixed return investment guaranteed at 7.5% percent for 12 months. After the initial 12 months
19 I will have the opportunity to reinvest or pull the funds out as per my needs. Strategic Capital
20 Management will provide a promissory note detailing the above points to me.” Chatterjee
21 responded with an e-mail to Client B that stated: “That’s exactly the agreement.”
22
23

1 11. In August 2009, Chatterjee issued a \$160,000 promissory note to Client C.
2 Between approximately 2007 and 2009, Chatterjee had previously managed a discretionary
3 trading account for Client C that had declined in value from more than \$300,000 to less than
4 \$30,000. Chatterjee provided Client C with a promissory note, which listed a principal
5 amount of \$60,000. The note indicated that this figure constituted the remaining funds in the
6 managed brokerage account, along with additional funds that were to be deposited into
7 another brokerage account. According to the terms of the note, Chatterjee promised to pay
8 Client C \$160,000 in one year, a return on investment of more than 150%.
9

10 12. By 2011, Chatterjee was unable to repay investors the funds they were due
11 under the terms of their promissory notes, and he began offering various excuses for his
12 inability to pay them. In November 2011, Chatterjee contacted Client B and stated that he
13 was in the process of sorting out “very huge losses, which I had never expected.” In
14 December 2011, Chatterjee sent an e-mail to Client C that stated he had experienced a
15 “serious jolt” from “our fixed investment side.” Chatterjee explained that he had been
16 “setting aside funds” with an unnamed “California Group” that had invested in “European
17 Govt. Sovereign Debts for more or less guaranteed return.” [sic] Chatterjee reported that the
18 “California Group” had defaulted and that “This has been a major shock to me.”
19

20 13. In February 2012, Chatterjee met a prospective advisory client, Client D, at his
21 home in California. Chatterjee stated that he operated an investment company and could
22 assist him with wealth management. After signing an investment advisory agreement,
23 Chatterjee solicited Client D regarding a \$20,000 promissory note investment. Chatterjee
24

1 represented that his funds would be invested in bonds and did not involve any risks.
2 Chatterjee represented that the promissory note would pay a return of 5% and would mature
3 in one year. Chatterjee provided Client D with a “SCM Promissory Note” dated February 18,
4 2012 that identified himself as the President of Strategic Capital Management, Inc. and
5 included the firm’s name, business address, phone number, and facsimile number. The
6 promissory note indicated that the funds “will be mainly invested in highly rated bonds to
7 ensure capital protection.” Chatterjee deposited the funds into the Strategic Capital
8 Management, Inc. business checking account. Chatterjee sent an executed copy of the
9 promissory note to Client D by e-mail and represented that his funds had been “put in the
10 Fixed Income investment.”
11

12 14. Chatterjee made periodic payments to some of his promissory note investors,
13 using checks written from the Strategic Capital Management, Inc. business account and from
14 his personal checking account. While some investors received repayments on some of their
15 notes, other investors have not been fully repaid, in spite of several attempts to recoup their
16 investments.
17

18 Investment in the “Mutual Fund Project”

19 15. In June 2010, Investor A, a Washington resident who has since moved to India,
20 Investor A, paid \$500,000 to Strategic Capital Management, Inc., as part of an investment in
21 what Chatterjee referred to as the “Mutual Fund project.” Chatterjee represented that the
22 investor’s funds would be used for a mutual fund investment company that would be started
23 by Strategic Capital Management, Inc. Chatterjee represented that as part of starting the
24

1 mutual fund, the Securities and Exchange Commission and/or the Washington State
2 Department of Financial Institutions required that funds be deposited into a collateral account.

3 16. Chatterjee provided Investor A with a one-year promissory note and agreed to
4 repay the investor \$530,000 by June 2011, a 6% return on investment. The note specified that
5 Investor A would not be a part of the mutual fund business and would remain a “passive
6 participant.” The promissory note further stated that details of the mutual fund would be “fine
7 tuned as we progress in our registration filing” and that the fund would “have some market
8 value, depending on the total investment in the fund.”
9

10 17. As part of his investment, Investor A provided Chatterjee with a \$500,000
11 official check payable to Strategic Capital Management. Chatterjee signed the check as
12 President of Strategic Capital Management, Inc., and the funds were deposited into the
13 business checking account of Strategic Capital Management, Inc.

14 18. By February 2012, Chatterjee had failed to fully repay Investor A and he
15 provided a letter on Strategic Capital Management Inc. letterhead, stating that the firm’s only
16 brokerage account at E*Trade would “stand as the collateral” for the promissory note.
17 Chatterjee later provided Investor A with an addendum to the June 2010 promissory note.
18 The addendum, which was dated June 7, 2012, stated that Strategic Capital Management and
19 Chatterjee, in his personal capacity, were committed to maintaining sufficient collateral for
20 the June 2010 promissory note and that a specified E*Trade brokerage account in the name of
21 Strategic Capital Management Inc., would serve as collateral for the note. The addendum
22 provided the brokerage account number and represented that Strategic Capital Management
23

1 would keep the funds in the account invested in “conservative, cash equivalent investments”
2 and would not make any transfers out of the account, except to make payments towards the
3 promissory note. The addendum further pledged that other assets of Strategic Capital
4 Management would stand as additional collateral for the note “if needed.” Chatterjee and
5 Strategic Capital Management, Inc. failed to fully repay Investor A pursuant to the promissory
6 note and addendum.
7

8 Investments in “Supplement Project”

9 19. Between at least 2010 and 2013, Chatterjee also offered and sold investments to
10 Washington residents in what he referred to as the “Supplement Project.” Chatterjee solicited
11 one advisory client by e-mail and provided information relating to a dietary supplement that
12 he was developing. Chatterjee represented that he was seeking to raise approximately \$2
13 million for a product launch and indicated that the funds would be “kept in secured
14 investments.” The advisory client did not invest.

15 20. Between 2010 and 2013, Chatterjee raised more than \$100,000 through the sale
16 of investments in the Supplement Project to another advisory client, Client E. Chatterjee did
17 not provide Client E with a promissory note or other written documentation of his investment.
18 Client E paid for some of his Supplement Project investments through checks that were made
19 payable to Strategic Capital Management, Inc. These checks were deposited in the Strategic
20 Capital Management, Inc.’s business checking account. Other investment funds were paid to
21 Chatterjee personally or were transferred to an account in the name of Metamune, Inc., a
22
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1 Washington corporation that Chatterjee formed in March 2012. The investor understood he
2 would be a co-owner of the business, along with Chatterjee and one other investor.

3 Securities Division Examinations and Recent Communications

4 21. In February 2011, the Securities Division conducted a routine examination of
5 Strategic Capital Management, Inc. As part of the examination, a DFI examiner questioned
6 Chatterjee about his communications with advisory clients. Chatterjee falsely indicated to the
7 examiner that he did not communicate with his advisory clients via e-mail, when in fact, he
8 regularly contacted some of his clients by e-mail.
9

10 22. In September 2012, the Securities Division conducted a cause examination of
11 Strategic Capital Management, Inc. In connection with the examination, a DFI examiner
12 requested that Chatterjee provide the names of all clients that had loaned money to Strategic
13 Capital Management, Inc., as well as copies of all written agreements that were entered into
14 with such clients. In response, Chatterjee sent an e-mail to the DFI examiner stating that “No
15 one has ever loaned money to SCM” (emphasis in original) and that “No loan was made to
16 SCM.” Chatterjee further represented that no promissory notes were ever issued by Strategic
17 Capital Management. Chatterjee failed to disclose, and failed to provide the examiner with
18 copies of some of the promissory notes described above, including, but not limited to, the
19 promissory notes with Investor A and Client D.
20

21 23. A few months later, in June 2013, Chatterjee sent an e-mail to Client D that
22 stated: “Last year during my absence things went out of my control and on top of it due to
23

1 serious family health issues I'm still recuperating from the mess. I'm not managing any
2 outside accounts now and have put SCM [Strategic Capital Management, Inc.] on hold."

3 24. In July 2013, Chatterjee sent a letter to the Securities Division indicating that he
4 had borrowed funds from some of his advisory clients. Chatterjee's letter claimed that
5 Strategic Capital Management Inc. "never entered into a promissory note with any past or
6 present investment advisory clients." Chatterjee's letter further stated that the funds were
7 "lent to me with me as personal guarantor."
8

9 Misrepresentations and Omissions Regarding Investments

10 25. In the offer and sale of the investments described above, Chatterjee and
11 Strategic Capital Management, Inc. failed to disclose material information regarding the
12 investments, including information regarding the prior and intended use of proceeds, his prior
13 track record of repaying promissory note investors, and information regarding the financial
14 condition of Chatterjee and Strategic Capital Management, Inc., and their ability to guarantee
15 or repay the promissory notes.

16 26. Chatterjee represented to Client B that he was closing a fixed deposit package
17 with a "well tested and well acquainted group" but failed to disclose the identity of the group.
18 Chatterjee represented to Client C that he had invested funds with a "California Group" but
19 failed to disclose the specific name of the group and its members.
20

21 27. Chatterjee and Strategic Capital Management, Inc. made false or misleading
22 statements regarding the risks associated with the promissory note investments, by leading
23 investors to believe that the investments were "guaranteed" or had no risk, when in fact, the
24

1 investments were unsecured and involved a substantial risk of loss. Chatterjee also failed to
2 disclose the risks associated with bond investments and the purported mutual fund that he was
3 starting.

4 False and Misleading Balance Sheets

5 28. In accordance with WAC 460-24A-060, each investment adviser registered with
6 the Securities Division is required to file with the Securities Division a balance sheet prepared
7 in accordance with generally accepted accounting principles. The balance sheet must be filed
8 no more than ninety days after the end of the adviser's fiscal year.

9 29. On March 30, 2011, Chatterjee filed a balance sheet for 2010 with the Securities
10 Division on behalf of Strategic Capital Management, Inc. The balance sheet listed \$149,372
11 in assets and \$1,865 in liabilities.

12 30. On March 27, 2012, Chatterjee filed a balance sheet for 2011 with the Securities
13 Division on behalf of Strategic Capital Management, Inc. The balance sheet listed \$65,978 in
14 assets and \$1,155 in liabilities.

15 31. On March 28, 2013, Chatterjee filed a balance sheet for 2012 with the Securities
16 Division on behalf of Strategic Capital Management, Inc. The balance sheet listed \$66,173 in
17 assets and \$467 in liabilities.

18 32. The balance sheets filed by Strategic Capital Management, Inc. failed to disclose
19 any of the promissory notes described above, including, but not limited to, the \$530,000
20 promissory note entered with Investor A on June 10, 2010; the February 18, 2012 \$20,000
21

1 promissory note with Client D; and the June 7, 2012 addendum to the promissory note with
2 Investor A, which pledged the assets of Strategic Capital Management, Inc.

3 Failure to Promptly Disclose Custody on Form ADV

4 33. Pursuant to WAC 460-24A-205, each investment adviser registered with the
5 Securities Division must file a Form ADV, which provides information about its advisory
6 business and other business activities that it is engaged in. An updated Form ADV must be
7 filed annually within ninety days of the end of the investment adviser's fiscal year.
8

9 34. Under 460-24A-105, a registered investment adviser must promptly notify the
10 Securities Division on the adviser's Form ADV if it takes custody of client funds. Under 460-
11 24A-005(1), an adviser has custody of client funds when it holds client funds directly or
12 indirectly.

13 35. As described above, beginning in at least October 2009 and continuing through
14 at least 2012, Strategic Capital Management, Inc. had custody of client funds. Chatterjee
15 received checks from advisory clients who made promissory note investments, and deposited
16 those investment checks into the business checking account of Strategic Capital Management,
17 Inc. Strategic Capital Management, Inc. failed to promptly file an amended Form ADV to
18 disclose the fact that it had custody of client funds.

19 36. Item 9 of Form ADV Part 1 requires a registered investment adviser to disclose
20 whether it has custody of any cash from an advisory client. In Form ADV filings that were
21 made on March 24, 2010; January 28, 2011; March 26, 2012; and January 29, 2013;
22 Respondent Strategic Capital Management falsely represented that it did not have custody of
23

1 any advisory client's cash, when in fact, it had received custody of client funds as part of the
2 sale of the investments described above.

3 Failure to Maintain Minimum Net Worth

4 37. Under WAC 460-24A-170(1), an investment adviser who has custody of client
5 funds or securities is required to maintain a minimum net worth of \$35,000 at all times. An
6 investment adviser that has discretionary authority over client funds or securities, but does not
7 have custody of client funds or securities, is required to maintain a minimum net worth of
8 \$10,000 at all times.
9

10 38. As described above, Strategic Capital Management, Inc. failed to disclose
11 various promissory notes as liabilities on the balance sheets it filed with the Securities
12 Division, including, but not limited to, the \$530,000 promissory note entered with Investor A
13 in June 2010; the \$20,000 promissory note with entered with Client D in February 2012; and
14 the addendum to the promissory note with Investor A that was entered in June 2012. If these
15 notes had been properly disclosed as liabilities on the firm's balance sheets, Strategic Capital
16 Management, Inc. would have had a negative net worth.

17 Other Information Not Disclosed on Form ADV Filings

18 39. In addition to providing notice of custody, under WAC 460-24A-205, each
19 investment adviser must also promptly file a notice of other changes regarding the adviser's
20 business through the adviser's Form ADV. An amendment is considered promptly filed if it
21 is filed within thirty days of the event that requires the filing of the amendment.
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1 40. Item 6 of Form ADV Part 1 requires investment advisers to provide information
2 regarding other business activities that the adviser is engaged in (in addition to providing
3 investment advice) and to disclose whether it sells any products or provides any services
4 (other than investment advice) to its advisory clients. In Form ADV filings that were made on
5 March 24, 2010; January 28, 2011; March 26, 2012; and January 29, 2013, Respondent
6 Strategic Capital Management, Inc. falsely represented that it did not have any other
7 businesses besides giving investment advice, and that it did not sell any other products or
8 services besides investment advice to its advisory clients. Respondent Strategic Capital
9 Management, Inc. failed to disclose other businesses that it was engaged in and other
10 investment products that it sold to clients, including “fixed investment” and other promissory
11 note investments and investments in the “Mutual Fund Project” and the “Supplement Project.”

13 41. Item 8 of Form ADV Part 1 requires investment advisers to disclose whether the
14 investment adviser, or any of its related persons (including its officers and directors) has any
15 proprietary (ownership) interest in the securities or other investment products that it
16 recommends to its advisory clients. In its Form ADV filings that were made on March 24,
17 2010; January 28, 2011; March 26, 2012; and January 29, 2013; Respondent Strategic Capital
18 Management, Inc. falsely represented that it did not have any proprietary interest in the
19 securities and other investment products that recommends, in when in fact, it had a
20 proprietary interest in the fixed investment and supplement business investments that it
21 recommended to clients.
22

1 Books and Records Violations

2 42. Every investment adviser registered in the State of Washington must make and
3 keep true, accurate, and current books and records as specified in WAC 460-24A-200(1).

4 43. WAC 460-24A-200(1)(g) requires investment advisers to maintain originals of
5 all written communications received and copies of all written communications sent by the
6 investment adviser relating to (i) any recommendation made or proposed to be made and any
7 advice given or proposed to be given; and (ii) any receipt, disbursement or delivery of funds or
8 securities.
9

10 44. WAC 460-24A-200(1)(j) requires investment advisers to maintain written copies
11 of all agreements between the investment adviser and its clients, and all other written
12 agreements otherwise relating to the investment adviser's business as an investment adviser.

13 45. Investment advisers must maintain and preserve the records required by WAC
14 460-24A-200(1) in an easily accessible place for at least five years from the end of the fiscal
15 year, during which the last entry was made on the record. Records from the most recent two
16 years must be maintained on the premises of the principal office of the investment adviser.

17 46. Strategic Capital Management, Inc. failed to properly retain e-mail
18 communications with its advisory clients. As part of the September 2012 Securities Division
19 examination described above, an examiner requested that Chatterjee search his advisory e-
20 mail folders for all incoming and outgoing communications with current and former clients.
21 After conducting this search, Chatterjee was only able to produce approximately three e-mail
22 communications with current and former clients. Chatterjee's advisory clients provided the
23

1 Securities Division with copies of numerous other e-mails sent and received by Chatterjee
2 during the last five years relating to investment recommendations and the receipt of funds.

3 47. The 2012 examination also revealed that Strategic Capital Management had not
4 maintained and could not produce other required business records, including written copies of
5 all agreements entered into by the investment adviser with clients, and written agreements
6 otherwise relating to the investment adviser's business as an investment adviser. Among
7 other things, Chatterjee failed to retain and could not produce copies of all promissory notes
8 that were entered into with advisory clients.
9

10 Registration Status

11 48. The promissory note investments described above are not currently registered in
12 the state of Washington and have not previously been so registered.

13 Emergency

14 49. The Securities Administrator finds that the continued registration of Strategic
15 Capital Management, Inc. as an investment adviser, and the continued registration of Satyen
16 Chatterjee as an investment adviser representative, as described in the above Tentative
17 Findings of Fact presents a threat to the investing public, and that a Summary Order to
18 suspend those registrations is in the public interest and necessary for the protection of the
19 investing public.
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1 Based upon the Tentative Findings of Fact, the following Conclusions of Law are made:

2 **CONCLUSIONS OF LAW**

3 1. The offer and sale of promissory notes investments described above constitutes
4 the offer and/or sale of a security, as defined in RCW 21.20.005(14) and (17).

5 2. Satyen Chatterjee violated RCW 21.20.140, the securities registration provision of
6 the Securities Act of Washington, by offering or selling securities for which there was no
7 registration on file.

8 3. In connection with the offer and sale of such securities, Strategic Capital
9 Management, Inc. and Satyen Chatterjee each violated RCW 21.20.010 by making
10 misstatements of material facts or omitting to state material facts necessary in order to make the
11 statements made, in light of the circumstances under which they were made, not misleading.

12 4. Strategic Capital Management, Inc. violated RCW 21.20.020, the investment
13 adviser anti-fraud provision of the Securities Act, by engaging in an act, practice, or course of
14 business which operates or would operate as a fraud, by failing to promptly file an amended
15 Form ADV regarding the fact that it had custody of client funds, as required by WAC 460-24A-
16 105, and by engaging in other dishonest or unethical practices, including, but not limited to,
17 providing guarantees to clients.

18 5. Pursuant to RCW 21.20.450 and WAC 460-24A-047, the Form ADV filings that
19 Satyen Chatterjee made on behalf of Strategic Capital Management, Inc. through the Investment
20 Adviser Registration Depository (“IARD”) constitute filings with the director for purposes of
21 RCW 21.20.350.

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24 SUMMARY ORDER SUSPENDING
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1 6. Strategic Capital Management, Inc. willfully violated RCW 21.20.350 by making
2 Form ADV filings on March 24, 2010, January 28, 2011, March 26, 2012, and January 29, 2013
3 that were materially false or misleading, as described above in the Tentative Findings of Fact.
4 Strategic Capital Management, Inc. also violated RCW 21.20.350 by filing false and misleading
5 balance sheets with the Securities Division on March 30, 2011, March 27, 2012, and March 28,
6 2013.

7
8 7. Strategic Capital Management, Inc. and Satyen Chatterjee each willfully violated
9 WAC 460-24A-140 by making guarantees to clients regarding investments that were
10 recommended as part of the advisory services of Strategic Capital Management, Inc.

11 8. Strategic Capital Management, Inc. violated WAC 460-24A-170 by failing to
12 maintain at all times a minimum net worth of \$35,000, which is required of an investment
13 adviser with custody of client funds or securities, and/or by failing to maintain at all times a
14 minimum net worth of \$10,000, which is required of an investment adviser that does not have
15 custody of client funds or securities.

16 9. Strategic Capital Management, Inc. willfully violated 460-24A-200 by failing to
17 maintain the books and records required by investment advisers registered in the State of
18 Washington, including all written communications sent by the investment adviser relating to
19 recommendations made, advice given, and the receipt of funds; and written copies of each
20 agreement entered into by the investment adviser with any client and all other written agreements
21 otherwise relating to the investment adviser's business as an investment adviser.
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1 10. Strategic Capital Management, Inc. violated WAC 460-24A-205 because it failed
2 to promptly file amendments to its Form ADV to reflect changes to its advisory business,
3 including, but not limited to the fact that it had custody of client funds; engaged in other business
4 activities; and had a proprietary interest in the securities and investment products that it
5 recommended to its advisory clients.

6 11. As set forth in the Tentative Findings of Fact, Strategic Capital Management, Inc.
7 has willfully violated RCW 21.20.010, RCW 21.20.020, RCW 21.20.350, WAC 460-24A-140,
8 WAC 460-24A-170, WAC 460-24A-200, and WAC 460-24A-205. Such conduct each
9 constitutes a ground for the entry of an order suspending and/or revoking the registration of
10 Strategic Capital Management, Inc. as an investment adviser, to deny future registration
11 applications, and to impose a fine under RCW 21.20.110(1).

12 12. As set forth in the Tentative Findings of Fact, Satyen Chatterjee has willfully
13 violated RCW 21.20.010 and WAC 460-24A-140. Pursuant to RCW 21.20.110(6), as the sole
14 control person of Strategic Capital Management, Inc., Satyen Chatterjee is also responsible for
15 Strategic Capital Management Inc's violations of RCW 21.20.020, RCW 21.20.350, WAC 460-
16 24A-170, WAC 460-24A-200, and WAC 460-24A-205. Such conduct constitutes grounds for an
17 order to suspend and revoke the investment adviser representative registration of Satyen
18 Chatterjee, and to deny future registration applications, and to impose a fine under 21.20.110(1).

19 13. Satyen Chatterjee, as described above, also engaged in one or more dishonest or
20 unethical practices in the investment adviser business, as defined by WAC 460-24A-220(12), by
21 providing guarantees to clients. Such practices are grounds for the suspension or revocation of
22

1 Chatterjee's investment adviser representative registration pursuant to RCW 21.20.110(1)(g).
2 Under WAC 460-24A-220(6), it is also a dishonest or unethical practice in the investment
3 adviser business to borrow money from a client unless the client is a broker-dealer, an affiliate of
4 the investment adviser, or a financial institution engaged in the business of loaning funds.
5 Therefore, even if the investment transactions described above are personal loans, Satyen
6 Chatterjee engaged in one or more dishonest or unethical practices in the investment adviser
7 business, as defined by WAC 460-24A-220(6), by borrowing money from a client. Such
8 practice is an independent ground for the suspension and revocation of Satyen Chatterjee's
9 investment adviser representative registration pursuant to RCW 21.20.110(1)(g).
10

11 **SUMMARY ORDER**

12 Based on the foregoing and finding it in the public interest,

13 NOW, THEREFORE, IT IS HEREBY SUMMARILY ORDERED that the investment
14 adviser representative registration of Satyen Chatterjee, be, and hereby is, summarily suspended
15 pending a final determination in this proceeding.

16 NOW, THEREFORE, IT IS HEREBY SUMMARILY ORDERED that the investment
17 adviser registration of Strategic Capital Management, Inc. be, and hereby is, summarily
18 suspended pending a final determination in this proceeding.

19 **NOTICE OF INTENT TO REVOKE REGISTRATIONS**

20 Pursuant to RCW 21.20.110(1), and based upon the above Tentative Findings of Fact
21 and Conclusions of Law, the Securities Administrator intends to order that the investment
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24 SUMMARY ORDER SUSPENDING
25 INVESTMENT ADVISER AND INVESTMENT
ADVISER REPRESENTATIVE REGISTRATION AND
NOTICE OF INTENT TO REVOKE REGISTRATION
AND ENTER ORDER TO CEASE AND DESIST,
IMPOSE FINES, AND RECOVER COSTS

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1 adviser representative registration of Satyen Chatterjee, and the investment adviser registration
2 of Strategic Capital Management, Inc. be revoked.

3 **NOTICE OF INTENT TO DENY FUTURE REGISTRATIONS**

4 Pursuant to RCW 21.20.110(1), and based upon the above Tentative Findings of Fact
5 and Conclusions of Law, the Securities Administrator intends to deny any investment adviser
6 applications for registration that Strategic Capital Management, Inc. may file in the future.

7 Pursuant to RCW 21.20.110(1), and based upon the above Tentative Findings of Fact
8 and Conclusions of Law, the Securities Administrator intends to deny any investment adviser
9 representative applications for registration that Satyen Chatterjee may file in the future.

10 **NOTICE OF INTENT TO ISSUE AN ORDER TO CEASE AND DESIST**

11 Pursuant to 21.20.390(1) and based on the above Tentative Findings of Fact and
12 Conclusions of Law, the Securities Administrator intends to order, that Strategic Capital
13 Management, Inc., Satyen Chatterjee, and their agents and employees, each cease and desist
14 from violations of RCW 21.20.010, RCW 21.20.020, RCW 21.20.140, and 21.20.350.

15 **NOTICE OF INTENT TO IMPOSE FINES**

16 Pursuant to RCW 21.20.110(1) and RCW 21.20.395, and based upon the above
17 Tentative Findings of Fact and Conclusions of Law, the Securities Administrator intends to
18 order that Respondents, Satyen Chatterjee and Strategic Capital Management, Inc., shall each be
19 liable for and shall each pay a fine of \$30,000.
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Approved by:



Suzanne E. Sarason
Chief of Enforcement

Presented by:



Robert Kondrat
Financial Legal Examiner Supervisor

SUMMARY ORDER SUSPENDING
INVESTMENT ADVISER AND INVESTMENT
ADVISER REPRESENTATIVE REGISTRATION AND
NOTICE OF INTENT TO REVOKE REGISTRATION
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