

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 87604 / November 22, 2019

ADMINISTRATIVE PROCEEDING
File No. 3-19606

In the Matter of

THOMAS H. VETTER

Respondent.

**ORDER INSTITUTING ADMINISTRATIVE
PROCEEDINGS PURSUANT TO SECTION
15(b) OF THE SECURITIES EXCHANGE
ACT OF 1934 AND NOTICE OF HEARING**

I.

The Securities and Exchange Commission (“Commission”) deems it appropriate and in the public interest that public administrative proceedings be, and hereby are, instituted pursuant to Section 15(b) of the Securities Exchange Act of 1934 (“Exchange Act”) against Thomas H. Vetter (“Respondent”).

II.

After an investigation, the Division of Enforcement alleges that:

1. Respondent was a member of the Board of Directors of the National Association of Home Builders (“NAHB”) and introduced investors to North Star Finance, LLC (“NSF”) in late 2013 and 2014. Respondent is 67 years old and resides in Danville, California. Respondent has not been registered with the Commission in any capacity.

2. On May 11, 2015, the Commission filed a complaint against Respondent and others in the civil action entitled SEC v. North Star Finance, LLC, et al., 8:15-cv-01339, in the U.S. District Court for the District of Maryland. The Commission’s complaint alleged that from at least January 2013 until May 2015, NSF, Capital Source Lending, LLC (“CSL”), Capital Source Funding, LLC (“CSF”), and their respective principals engaged in a prime bank scheme defrauding investors of at least \$5 million. The complaint alleged that Respondent introduced NAHB builders to NSF and its loan program involving prime bank instruments, made false representations about the existence and legitimacy of the instruments and related transactions, and lulled investors. The complaint also alleged that the Respondent acted as an unregistered broker or dealer.

3. On August 15, 2019, the court issued an opinion in SEC v. North Star Finance, LLC, et al. granting summary judgment in favor of the Commission and finding that Respondent violated Section 20(e) of the Exchange Act by recklessly providing substantial assistance to the investment scheme perpetrated by NSF, CSL, and their respective principals in violation of Section 10(b) and Rule 10b-5 of the Exchange Act and Section 17(a) of the Securities Act of 1933 (“Securities Act”). The court also found that Respondent violated Section 15(a) of the Exchange Act. On October 17, 2019, the court issued an amended order and final judgment that permanently enjoined Respondent from future violations of Section 15(a) of the Exchange Act and from aiding and abetting violations of Section 10(b) and Rule 10b-5 of the Exchange Act and Section 17(a) of the Securities Act. The final judgment also imposed monetary relief that included disgorgement of \$143,326.03 with prejudgment interest of \$19,771.95 and a civil penalty of \$163,097.98.

The court’s opinion also found that from July 2014 until November 2014, Respondent acted recklessly by continuing to be involved with NSF despite red flags such as the knowledge that investors had failed to receive funding from NSF. The court further stated that Respondent acted recklessly by not conducting due diligence into CSL and its principal when they offered a new loan program with NSF whereby the builders would not need to make any repayments; Respondent described such a program as crazy and bizarre. The court also found that Respondent offered substantial assistance to the primary violators by introducing builders to NSF, making statements about the transactions with NSF and CSL without any basis to know whether the representations were true, and lulling investors about the status of the transactions. In so doing, Respondent aided and abetted the fraudulent conduct of NSF, CSL, and their principals. The Respondent also acted, per the court’s findings, as an unregistered broker or dealer because he received commissions, advised NAHB builders, and actively recruited these builders for the prime bank transactions.

III.

In view of the allegations made by the Division of Enforcement, the Commission deems it necessary and appropriate in the public interest that public administrative proceedings be instituted to determine:

- A. Whether the allegations set forth in Section II hereof are true and, in connection therewith, to afford Respondent an opportunity to establish any defenses to such allegations;
- B. What, if any, remedial action is appropriate in the public interest against Respondent pursuant to Section 15(b) of the Exchange Act;
- C. Whether, pursuant to Section 15(b) of the Exchange Act, it is appropriate and in the public interest to suspend or bar Respondent from participating in any offering of penny stock, including: acting as a promoter, finder, consultant, agent or other person who engages in activities with a broker, dealer or issuer for purposes of the issuance or trading in any penny stock; or inducing or attempting to induce the purchase or sale of any penny stock.

IV.

IT IS ORDERED that a public hearing before the Commission for the purpose of taking

evidence on the questions set forth in Section III hereof shall be convened at a time and place to be fixed by further order of the Commission, pursuant to Rule 110 of the Commission's Rules of Practice, 17 C.F.R. § 201.110.

IT IS FURTHER ORDERED that Respondent shall file an Answer to the allegations contained in this Order within twenty (20) days after service of this Order, as provided by Rule 220(b) of the Commission's Rules of Practice, 17 C.F.R. § 201.220(b).

IT IS FURTHER ORDERED that the Division of Enforcement and Respondent shall conduct a prehearing conference pursuant to Rule 221 of the Commission's Rules of Practice, 17 C.F.R. § 201.221, within fourteen (14) days of service of the Answer. The parties may meet in person or participate by telephone or other remote means; following the conference, they shall file a statement with the Office of the Secretary advising the Commission of any agreements reached at said conference. If a prehearing conference was not held, a statement shall be filed with the Office of the Secretary advising the Commission of that fact and of the efforts made to meet and confer.

If Respondent fails to file the directed Answer, or fails to appear at a hearing or conference after being duly notified, the Respondent may be deemed in default and the proceedings may be determined against him upon consideration of this Order, the allegations of which may be deemed to be true as provided by Rules 155(a), 220(f), 221(f) and 310 of the Commission's Rules of Practice, 17 C.F.R. §§ 201.155(a), 201.220(f), 201.221(f), and 201.310.

This Order shall be served forthwith upon Respondent by any means permitted by the Commission's Rules of Practice.

Attention is called to Rule 151(b) and (c) of the Commission's Rules of Practice, 17 C.F.R. § 201.151(b) and (c), providing that when, as here, a proceeding is set before the Commission, all papers (including those listed in the following paragraph) shall be filed with the Office of the Secretary and all motions, objections, or applications will be decided by the Commission. The Commission requests that an electronic courtesy copy of each filing should be emailed to APFilings@sec.gov in PDF text-searchable format. Any exhibits should be sent as separate attachments, not a combined PDF.

The Commission finds that it would serve the interests of justice and not result in prejudice to any party to provide, pursuant to Rule 100(c) of the Commission's Rules of Practice, 17 C.F.R. § 201.100(c), that notwithstanding any contrary reference in the Rules of Practice to filing with or disposition by a hearing officer, all filings, including those under Rules 210, 221, 222, 230, 231, 232, 233, and 250 of the Commission's Rules of Practice, 17 C.F.R. §§ 201.210, 221, 222, 230, 231, 232, 233, and 250, shall be directed to and, as appropriate, decided by the Commission. This proceeding shall be deemed to be one under the 75-day timeframe specified in Rule of Practice 360(a)(2)(i), 17 C.F.R. § 201.360(a)(2)(i), for the purposes of applying Rules of Practice 233 and 250, 17 C.F.R. §§ 201.233 and 250.

The Commission finds that it would serve the interests of justice and not result in prejudice to any party to provide, pursuant to Rule 100(c) of the Commission's Rules of Practice, 17 C.F.R. § 201.100(c), that the Commission shall issue a decision on the basis of the record in this proceeding, which shall consist of the items listed at Rule 350(a) of the Commission's Rules of

Practice, 17 C.F.R. § 201.350(a), and any other document or item filed with the Office of the Secretary and accepted into the record by the Commission. The provisions of Rule 351 of the Commission's Rules of Practice, 17 C.F.R. § 201.351, relating to preparation and certification of a record index by the Office of the Secretary or the hearing officer are not applicable to this proceeding.

The Commission will issue a final order resolving the proceeding after one of the following: (A) The completion of post-hearing briefing in a proceeding where the public hearing has been completed; (B) The completion of briefing on a motion for a ruling on the pleadings or a motion for summary disposition pursuant to Rule 250 of the Commission's Rules of Practice, 17 C.F.R. § 201.250, where the Commission has determined that no public hearing is necessary; or (C) The determination that a party is deemed to be in default under Rule 155 of the Commission's Rules of Practice, 17 C.F.R. § 201.155, and no public hearing is necessary.

In the absence of an appropriate waiver, no officer or employee of the Commission engaged in the performance of investigative or prosecuting functions in this or any factually related proceeding will be permitted to participate or advise in the decision of this matter, except as witness or counsel in proceedings held pursuant to notice. Since this proceeding is not "rule making" within the meaning of Section 551 of the Administrative Procedure Act, it is not deemed subject to the provisions of Section 553 delaying the effective date of any final Commission action.

For the Commission, by its Secretary, pursuant to delegated authority.

Vanessa A. Countryman
Secretary