

**COMMONWEALTH OF MASSACHUSETTS
OFFICE OF THE SECRETARY OF THE COMMONWEALTH
SECURITIES DIVISION
ONE ASHBURTON PLACE, 17TH FLOOR
BOSTON, MASSACHUSETTS 02108**

IN THE MATTER OF:)
)

RAHUL V. SINGH,)

RESPONDENT.)
_____)

DOCKET NO. E-2003-55

ADMINISTRATIVE COMPLAINT

I. PRELIMINARY STATEMENT

The Enforcement Section of the Massachusetts Securities Division of the Office of the Secretary of the Commonwealth (respectively, "Enforcement Section" and "Division") files this complaint ("Complaint") in order to commence an adjudicatory proceeding against Rahul V. Singh the above-named Respondent ("Respondent or Respondent Singh") for violating the Massachusetts Uniform Securities Act, M.G.L. c. 110A ("Act"), and 950 C.M.R. 10.00 *et seq.* ("Regulations").

II. SUMMARY

This is an enforcement action arising from violations of securities laws by Respondent, the manager of the Dhunn-Carr Hedge Fund, L.P. ("DC Hedge Fund"). Specifically, the Division brings this action to prevent Respondent Singh from continuing to act as an unregistered investment adviser in the Commonwealth of Massachusetts.

The Act specifically excludes from the definition of investment advisers those advisers whose only clients are institutional buyers. The DC Hedge Fund filed a Regulation D Notice Filing (“notice filing”) with the Division to perfect the offering. The Notice Filing stated that the offering would be made to solely accredited investors with a minimum subscription amount of half a million dollars. Given the nature of the investors coupled with a minimum investment requirement, Respondent Singh could rely on the institutional buyer exclusion from registration as an investment adviser.

However, and in direct contradiction to the statement made to the Division in the Notice Filing, Respondent Singh offered and sold interests in the DC Hedge Fund to non-accredited investors for amounts less than \$50,000.00. The two non-accredited individual investors invested \$10,000.00 and \$43,000.00 each. Neither investor’s financial situation was such that they could incur the total loss of their investment. Respondent Singh never amended his Notice Filing with the Division to state his intention of selling to unaccredited investors in the Commonwealth. Neither before nor after allowing two non-institutional investors to invest less than \$50,000.00, did Respondent Singh seek, as required, registration as an investment adviser.

Consequently, Respondent Singh was illegally acting as an unregistered investment adviser in the Commonwealth of Massachusetts. The Enforcement Section seeks an Order of the Division requiring Respondent to permanently cease and desist from violations of the Act, requiring Respondent to properly register as an investment adviser or an investment adviser representative, pay an administrative fine, offer rescission to non-accredited investors and take any other appropriate actions that may be in the public interest and necessary for the protection of Massachusetts investors.

III. JURISDICTION AND AUTHORITY

1. The Massachusetts Securities Division is a division of the Office of the Secretary of the Commonwealth with jurisdiction over matters relating to securities, as provided for by the Act.
2. The Act authorizes the Division to regulate: a) the offers and/or sales of securities; b) Those individuals offering and/or selling securities; and c) those individuals transacting business as investment advisers within the Commonwealth.
3. This proceeding is brought in accordance with sections 201, 203A, 204 and 407A of the Act and its Regulations.
4. The acts and practices constituting violations alleged in this Complaint occurred primarily in the Commonwealth of Massachusetts.
5. The Division brings this action pursuant to the enforcement authority conferred upon it by section 407A of the Act and M.G. L. c. 30A, wherein the Division has the authority to conduct an adjudicatory proceeding to enforce the provisions of the Act and all Regulations and rules promulgated thereunder.
6. The Division specifically reserves the right to amend this Complaint and/or bring additional administrative complaints to reflect information developed during the current and ongoing investigation.

IV. FINDINGS OF FACT

7. Respondent Singh is currently a resident of the Commonwealth of Massachusetts.
8. Respondent Singh is a registered representative of Legend Securities, Incorporated.
9. Respondent Singh's CRD Number is 2265753.
10. Respondent Singh has never been registered as an investment adviser, or an investment adviser representative at the state or federal level.
11. Respondent Singh is the Chairman and Managing Director of the DC Hedge Fund.

12. The DC Hedge Fund was organized on April 3, 1998 as a Delaware limited partnership.
13. The principal place of business for the DC Hedge Fund is One Financial Center, Suite 1600, Boston, Massachusetts, 02111.
14. The offer and sale of investment interests in the DC Hedge Fund were initially made pursuant to the private placement exemption from registration provided in Section 4(2) of the Act and Rule 506 of Regulation D of the corresponding Federal Regulations.
15. The filings required to perfect the above registration were filed with the Securities and Exchange Commission and the Division in 1998.
16. The DC Hedge Fund has never been registered as an investment adviser or an investment adviser representative at the state or federal level.
17. The General Partner of the DC Hedge Fund is DCMR LLC ("General Partner").
18. The principal place of business for General Partner is One Financial Center, Suite 1600, Boston, Massachusetts, 02111.
19. Respondent Singh is the Manager of the General Partner.
20. In his role as manager of the General Partner, Respondent Singh is responsible for the operation and management of the DC Hedge Fund, including the offering of investment advice and the making of investment decisions for the DC Hedge Fund.
21. The General Partner has never been registered as an investment adviser or an investment adviser representative at the state or federal level.
22. Respondent, Singh was compensated for offering investment advice to the DC Hedge Fund.
23. On May 1, 2003, the Division received a telephone inquiry from Keith Lepor, an individual previously associated with the DC Hedge Fund.

24. Mr. Lepor was previously a vice president of business development for the DC Hedge Fund earning \$24,000.00 per year plus commissions.
25. In December 2000, Mr. Lepor invested \$43,000.00 in the DC Hedge Fund.
26. According to Mr. Lepor this investment represented his life savings.
27. In December 2000, another individual previously associated with the DC Hedge Fund as an analyst invested \$10,000.00.
28. DC Hedge Fund's acceptance of investments of less than \$50,000.00 immediately required the fund be managed by a properly registered investment adviser or an investment adviser representative who would abide by all regulations relating to investment advisers and fiduciaries.
29. Consequently, Respondent Singh, who was not properly registered, could no longer advise the DC Hedge Fund without violating the Act.
30. Prior to allowing the two non-accredited individuals to invest less than \$50,000.00 Respondent Singh did not conduct an analyses of the individuals financial situations to determine whether they were suitable candidates to invest in a high-risk investment vehicle such as the DC Hedge Fund.
31. Since accepting the two investments in December 2000 for less than \$50,000.00 each, Respondent Singh has been providing the DC Hedge Fund with investment advice in violation of the Act.

V. VIOLATION OF MASSACHUSETTS SECURITIES LAWS

COUNT I

32. Violation of §201(c) of the Act in connection with Respondent's failure to register as investment adviser in the Commonwealth.
 - a. Definition of "Investment Adviser"

Section 401(m) of the Act defines the term "Investment adviser" to mean:

...Any person who, for compensation, engages in the business of advising others, either directly or through publications or writings, as to value of securities or as to the advisability of investing in, purchasing, or selling securities, or who, for compensation and as a part of a regular business, issues or promulgates analyses or reports concerning securities. ... "Investment adviser" shall not include ... a person whose *only* clients in this state are ... *institutional buyers*. [*emphasis added*]

b. Definition of "Institutional Buyer"

950 CMR §12.205 (1)(a)(6) defines "Institutional Buyer" to mean:

- (a) An organization described in Section 501(c)(3) of the Internal Revenue Code with a securities portfolio of more than \$25 million.
- (b) An investing entity whose only investors are accredited investors as defined in Rule 501(a) under the Securities Act of 1933 (17 CFR 230.501(a)) each of whom has invested a minimum of \$50,000.00.
- (c) An entity whose only investors are financial institutions and institutional buyers as set forth in M.G.L. c. 110A, § 401(m) and 950 CMR 12.205(1)(a)6.a. and b.

c. Registration Requirement of Investment Adviser

Section 201(c) of the Act states:

It shall be unlawful for any person to transact business in this state as an investment adviser or as an investment adviser representative unless he is so registered under this chapter.

33. Respondent's conduct, as described above, requires registration as an investment adviser and his failure to so register constitutes a violation of M.G.L. C. 110A §201(c) and §204.

VI. STATUTORY BASIS FOR RELIEF

34. Denial, Revocation, Suspension, Cancellation and Withdrawal of Registration

Section 204 (a)(2)(B) of the Act provides in pertinent part:

- (a) The secretary may by order impose an administrative fine or censure or deny, suspend, or revoke any registration or take any other appropriate action if he finds (1) that the order is in the public interest and (2) that the applicant or registrant or, in the case of a broker-dealer or investment adviser, any partner, officer, or director, any person

occupying similar status or performing similar functions, or any person directly or indirectly controlling the broker-dealer or investment adviser: —

(B) Has willfully violated or willfully failed to comply with any provision of this chapter or a predecessor chapter or any rule or order under this chapter or a predecessor chapter;

35. Accordingly, Respondent's conduct as alleged above constitutes willful violations of the Act and it is in the public interest for the Secretary to impose an administrative fine and take any other appropriate action necessary to protect Massachusetts investors.

36. Violations, Cease and Desist Orders and Costs

Section 407A(a) of the Act provides in pertinent part that:

(a) If the secretary determines, after notice and opportunity for a hearing, that any person has engaged in or is about to engage in any act or practice constituting a violation of any provision of this chapter or any rule or order issued thereunder, he may order such person to cease and desist from such unlawful act or practice and may take affirmative action, including the imposition of an administrative fine, the issuance of an order for accounting, disgorgement or rescission or any other relief as in his judgment may be necessary to carry out the purposes of [the Act].

37. Accordingly, Respondent has engaged and is engaging in conduct as set forth above that is in violation of the Act and should be ordered to cease and desist from further violations of the Act and any other relief necessary to carry out the purposes of the Act.

VII. PUBLIC INTEREST

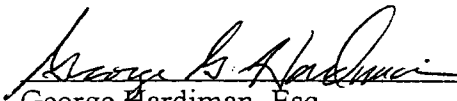
For any and all of the reasons set forth above, it is in the public interest and will protect Massachusetts investors to:

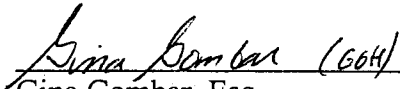
38. WHEREFORE, the Enforcement Section of the Division requests that the Director or Hearing Officer take the following actions:

- i. Find as fact the allegations set forth in paragraph 1 through 37, inclusive, of the Complaint;
- ii. Find that all the sanctions and remedies detailed herein are in the public interest and necessary for the protection of Massachusetts investors;
- iii. Enter a permanent order against the Respondent ordering him to cease and desist from further violations of the Act;
- iv. Require the Respondent to properly register with the Division as an investment adviser or an investment adviser representative;
- v. Impose an administrative fine on the Respondent in such amount and upon such terms and conditions as the Director or Hearing Officer may determine;
- vi. Offer rescission to non-accredited investors; and
- vii. Take such further action as may be deemed just and appropriate for the protection of investors as provided by M.G.L. c. 110A, § 407A.

RESPECTFULLY SUBMITTED BY,

**ENFORCEMENT SECTION
MASSACHUSETTS SECURITIES DIVISION**


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Dated August 13th, 2003

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