

STATE OF NEW JERSEY
BUREAU OF SECURITIES
P.O. Box 47029
Newark, New Jersey 07101
(973)504-3600

IN THE MATTER OF: :

Hedge Fund Capital Partners, LLC :
(CRD#113326, and :
Howard G. Jahre (CRD#2238671) :

SUMMARY
REVOCATION ORDER

Pursuant to the authority granted to the Chief of the New Jersey Bureau of Securities (“Bureau”) by the Uniform Securities Law, as amended, L. 1997. C. 276 N.J.S.A. 49:3-47 et seq., (“Law”), more particularly, N.J.S.A. 49:3-58, and after careful review and due consideration of the Financial Industry Regulatory Authority’s Extended Hearing Panel Decision In the Matter of Hedge Fund Capital Partners, LLC and Howard G. Jahre (“Extended Hearing Panel Decision”) dated January 26, 2011 and the Financial Industry Regulatory Authority’s National Adjudicatory Council Decision In the Matter of Hedge Fund Capital Partners, LLC and Howard G. Jahre (“National Adjudicatory Council Decision”) dated May 1, 2012, the Bureau Chief has determined that the broker-dealer registration of Hedge Fund Capital Partners, LLC and the agent registration of Howard G. Jahre shall be **REVOKED** based upon the following:

FINDINGS OF FACT

1. Hedge Fund Capital Partners, LLC (CRD#113326) (“HedgeCap”) was registered with the Bureau as a broker-dealer since June 11, 2002. It has a principle place of business at 100 Jay Street Suite 21A, Brooklyn, New York 11201.

2. HedgeCap provided services to hedge funds. The firm solicited hedge fund managers to rent office space from HedgeCap, introduced hedge fund tenants as well as other hedge fund managers to potential investors, and operated a trading desk. Some individuals registered with HedgeCap worked to raise capital for HedgeCap's hedge fund customers and were employed by outside marketers. HedgeCap compensated these outside marketers with a portion of the fees they generated.
3. Howard G. Jahre (CRD# 2238671) ("Jahre") residing in New York, New York, was registered with the Bureau as an agent of various broker-dealers since April 1999. He was most recently registered with the Bureau as an agent of HedgeCap since March, 2006.
4. Jahre became president of HedgeCap in February 2004 and acquired a majority ownership interest in HedgeCap in April 2005. Jahre also served as Chief Compliance Officer for HedgeCap from mid-2005 until November 2005. Jahre was the sole supervisor at HedgeCap during all relevant time periods.
5. Robert Mudry (CRD#1200820) ("Mudry") residing in Ridgewood, New Jersey, was registered with the Bureau as an agent of various broker-dealers from September 1995 to December 1998. In a Consent Judgment dated May 4, 2004, Mudry consented to, among other things, the revocation of his registration with the Bureau as an agent.
6. The FINRA Department of Enforcement filed an eleven-cause complaint with the Office of Hearing Officers on March 27, 2009. A hearing was held in May 2010 and the Extended Hearing Panel issued findings of fact and conclusions of law.
7. The FINRA Extended Hearing Panel Decision findings included that HedgeCap and Jahre disseminated exaggerated, misleading, and unbalanced institutional sales materials and failed to retain copies of institutional sales materials, allowed unregistered persons to

act in registered capacities, employed a statutorily disqualified individual, permitted a registered representative to “park” her license at the firm, willfully filed misleading Forms U4, failed to retain firm-associated emails and instant messages, failed to establish and maintain adequate supervisory systems and procedures, made false statements to FINRA, and improperly allowed a hedge fund tenant to pay its rent with soft dollars. The Hearing Panel expelled HedgeCap and barred Jahre in all capacities.

8. HedgeCap and Jahre appealed the FINRA Extended Hearing Panel Decision. FINRA’s National Adjudicatory Panel affirmed the Hearing Panel’s findings and sanctions.
9. The FINRA National Adjudicatory Council affirmed findings that HedgeCap and Jahre violated FINRA’s advertising rules by sending misleading and unbalanced emails to institutional investors and distributing unbalanced institutional sales materials in violation of NASD Rules 2211(d)(1) and 2110, and by failing to retain institutional sales materials in violation of NASD Rules 2211(b)(2)(A) and 2110.
10. The FINRA National Adjudicatory Council affirmed findings that HedgeCap and Jahre violated FINRA’s registration requirements by allowing unregistered persons to act in registered capacities and permitting a registered individual to “park” her license at the firm in violation of NASD Rules 1031 and 2110, and by employing a statutorily disqualified individual in violation of Article III, section 3(b) of NASD By-laws and NASD Rule 2110.
11. The findings included that HedgeCap and Jahre improperly employed a statutorily disqualified individual, Mudry, beginning in November 2005 and failed to file a Form U4 for 6 months. Mudry was employed to open trading accounts, provide Capital Introduction Services, open soft-dollar brokerage accounts, and raise capital for hedge

fund clients that were not current HedgeCap clients. Although Mudry informed the firm in April 2006 that he had a disciplinary history and was barred in all capacities by the New York Stock Exchange, HedgeCap and Jahre permitted Mudry to continue working in the same capacity through the end of 2006. No one at HedgeCap performed a background check, inquired as to any regulatory history or issues, or obtained CRD records with regard to Mudry. Mudry associated with HedgeCap and engaged in the firm's securities business for more than 14 months while remaining statutorily disqualified.

12. The FINRA National Adjudicatory Council affirmed findings that HedgeCap and Jahre willfully filed misleading Forms U4 in violation of Article V, Section 2 of NASD By-laws, NASD Rule 2110, and NASD IM-1000-1.
 - a. Jahre and HedgeCap willfully filed misleading Forms U4 with regard to Mudry's employment with the HedgeCap. Despite Mudry having begun work for HedgeCap in November 2005, the Forms U4 filed for Mudry in May 2006 all stated that he had been unemployed from November 1, 2005, until May 2006. The Forms U4 also falsely represented that Mudry's initial employment date at HedgeCap was May 18, 2006, although Mudry already had worked at the firm for almost seven months by that date. Jahre was responsible for ensuring the accuracy of the Forms U4 and signed each of the inaccurate Forms U4 without verifying their accuracy and completeness. Furthermore, Jahre knew the facts surrounding this issue and that they were stated inaccurately on Mudry's Forms U4.

13. The FINRA National Adjudicatory Council affirmed findings that HedgeCap failed to retain emails and instant messages in violation of NASD Rules 3110 and 2110, Exchange Act Section 17(a)(1), and Exchange Act Rule 17a-4.

- a. From May 2005 through September 2006, HedgeCap did not have any system to ensure that emails and instant messages were retained and backed up, in contravention of its own written supervisory procedures.
- b. HedgeCap employees used non-HedgeCap email to conduct firm business and the firm was unable to retain their emails.
- c. HedgeCap did not assign HedgeCap emails to marketers employed by and registered with HedgeCap, and the marketers did not use HedgeCap's email system. Thus, the firm could not directly access, nor did it preserve in its record, the marketers' emails.
- d. HedgeCap failed to maintain an archive server, and only those emails kept or saved by individuals at the firm were preserved.

14. The FINRA National Adjudicatory Council also affirmed findings that HedgeCap and Jahre:

- a. failed to establish and maintain an adequate supervisory system in violation of NASD Rules 3010(a) and 2110 and failed to establish, maintain, and enforce written supervisory procedures in violation of NASD Rules 3010(b) and 2110;
- b. improperly permitted a hedge fund customer to pay rent to HedgeCap with soft dollars in violation of NASD Rule 2110; and
- c. made false statements to FINRA in violation of NASD Rules 8210 and 2110.

15. The FINRA National Adjudicatory Council Decision affirmed the Extended Hearing

Panel sanctions, including:

- a. HedgeCap was expelled from FINRA membership;
- b. Jahre was barred in all capacities; and
- c. HedgeCap and Jahre pay jointly and severally \$15,119.90 in costs and appeal costs of \$1,705.90.

CONCLUSIONS OF LAW

HEDGE FUND CAPITAL PARTNERS, LLC AND HOWARD G. JAHRE ARE THE
SUBJECT OF A DECISION BY THE FINANCIAL INDUSTRY REGULATORY
AUTHORITY EXPELLING THEM FROM A NATIONAL SECURITIES ASSOCIATION

N.J.S.A. 49:3-58(a)(1)

N.J.S.A. 49:3-58(a)(2)(vi)

16. The preceding paragraphs are incorporated by reference as though set forth verbatim herein.

17. Pursuant to N.J.S.A. 49:3-58(a):

[t]he bureau chief may by order deny, suspend, or revoke any registration if he finds: (1) that the order is in the public interest; and (2) that the applicant or registrant . . . (vi) is the subject of an order of the Securities and Exchange Commission, a self-regulatory organization, the Commodity Futures Trading Commission, an insurance regulator, or a federal or state banking regulator, suspending or expelling him from a national securities or commodities exchange or national securities or commodities association registered under the “Securities Exchange Act of 1934”

18. Hedge Fund Capital Partners, LLC and Howard G. Jahre are subject of a FINRA Decision expelling Hedge Fund Capital Partners, LLC from FINRA membership and barring Howard G. Jahre in all capacities. This is cause, pursuant to N.J.S.A. 49:3-58(a)(2)(vi), to revoke the broker-dealer registration of Hedge Fund Capital Partners, LLC and the agent registration of Howard G. Jahre.

19. Based upon the foregoing, the revocation of the broker-dealer registration of Hedge Fund Capital, LLC, and the agent registration of Howard G. Jahre is in the public interest and necessary for the protection of investors.

CONCLUSION

For the reasons stated above, it is on this ^{4TH} DAY of September 2013 **ORDERED** that:

1. The broker-dealer registration of Hedge Fund Capital Partners, LLC is hereby **REVOKED** pursuant to N.J.S.A. 49:3-58(a)(1) and N.J.S.A. 49:3-58(a)(2)(vi);
2. The agent registration of Howard G. Jahre is hereby **REVOKED** pursuant to N.J.S.A. 49:3-58(a)(1) and N.J.S.A. 49:3-58(a)(2)(vi);
3. Hedge Fund Capital Partners, LLC and Howard G. Jahre are denied all exemptions contained in N.J.S.A. 49:3-50 subsection (a) paragraphs 9, 10, and 11 and subsection (b); and further,
4. The exemptions to the registration requirements provided by N.J.S.A. 49:3-56(b), N.J.S.A. 49:3-56(c), and N.J.S.A. 49:3-56(g) are hereby revoked as to Hedge Fund Capital Partners, LLC and Howard G. Jahre.



Abbe R. Tiger

Chief, Bureau of Securities

NOTICE OF RIGHT TO HEARING

Pursuant to the Uniform Securities Law (1997), N.J.S.A. 49:3-47 et seq., specifically, N.J.S.A. 49:3-58(c), the bureau chief shall entertain on notice of no less than three (3) days, a written application to lift the summary revocation on written application of the applicant or registrant and in connection therewith may, but need not, hold a hearing and hear testimony, but shall provide to the applicant or registrant a written statement of the reasons for the summary revocation.

This matter will be set down for a hearing if a written request for such a hearing is filed with the Bureau within 15 days after the respondent receives this Order. A request for a hearing must be accompanied by a written response, which addresses specifically each of the allegations set forth in the Order. A general denial is unacceptable. At any hearing involving this matter, an individual respondent may appear on his/her own behalf or be represented by an attorney.

Orders issued pursuant to this subsection to suspend or revoke any registration shall be subject to an application to vacate upon 10 days' notice, and a preliminary hearing on the order to suspend or revoke any registration shall be held in any event within 20 days after it is requested, and the filing of a motion to vacate the order shall toll the time for filing an answer and written request for a hearing.

If no hearing is requested, the Order shall be become a Final Order and will remain in effect until modified or vacated. If a hearing is held, the Bureau Chief shall affirm, vacate or modify the order in accord with the findings made at the hearing.

NOTICE OF OTHER ENFORCEMENT REMEDIES

You are advised that the Uniform Securities Law provides several enforcement remedies, which are available to be exercised by the Bureau Chief, either alone or in combination. These remedies include, in addition to this action revoking your registration, the right to seek and obtain injunctive and ancillary relief in a civil enforcement action, N.J.S.A. 49:3-69, and the right to seek and obtain civil penalties in an administrative or civil action, N.J.S.A. 49:3-70.1.

You are further advised that the entry of the relief requested does not preclude the Bureau Chief from seeking and obtaining other enforcement remedies against you in connection with the claims made against you in this action.