STATE OF WASHINGTON DEPARTMENT OF FINANCIAL INSTITUTIONS SECURITIES DIVISION

IN THE MATTER OF DETERMINING whether there has been a violation of the Securities Act of Washington by:

Market4Cast Hedge Fund, LP; Michael George Calhoun,

Respondents.

Order Number S-09-200-10-SC01

STATEMENT OF CHARGES AND NOTICE OF INTENT TO ISSUE AN ORDER TO CEASE AND DESIST, IMPOSE FINES. AND RECOVER COSTS

THE STATE OF WASHINGTON TO:

Market4Cast Hedge Fund, LP Michael George Calhoun

STATEMENT OF CHARGES

Please take notice that the Securities Administrator of the State of Washington has reason to believe that the Respondents, Market4Cast Hedge Fund, LP and Michael George Calhoun have each violated the Securities Act of Washington and that their violations justify the entry of an order of the Securities Administrator under RCW 21.20.390 against each to cease and desist from such violations, and to impose fines and recover costs. The Securities Administrator finds as follows:

TENTATIVE FINDINGS OF FACT

Respondents

1. Market4Cast Hedge Fund, LP ("Market4Cast Hedge Fund") was established in December 2007. Michael George Calhoun operated the Market4Cast Hedge Fund from his former residence on Bainbridge Island, Washington.

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STATEMENT OF CHARGES AND NOTICE OF INTENT TO ISSUE AN ORDER TO CEASE AND DESIST, IMPOSE FINES, AND RECOVER COSTS DEPARTMENT OF FINANCIAL INSTITUTIONS Securities Division PO Box 9033 Olympia, WA 98507-9033 360-902-8760

2. Michael George Calhoun ("Calhoun") is an individual believed to be residing in California. Calhoun previously resided in Washington until approximately March 2010. Calhoun is the founder and fund manager of the Market4Cast Hedge Fund.

Nature of the Conduct

Introduction

- 3. It is believed that while residing in Washington, Respondent Calhoun offered and sold limited partnership interests in the Market4Cast Hedge Fund to at least 12 investors, including at least one Oregon resident. The limited partnership interests were sold for \$10,000. Respondent Calhoun operated the hedge fund from his residence on Bainbridge Island, Washington.
- 4. Investments in the Market4Cast Hedge Fund were advertised on a blog Respondent Calhoun maintained at http://Market4Cast.blogspot.com. On the blog, Respondent Calhoun also offered a weekly trading forecast service, for \$90 per forecast, for traders who either wanted to trade their own account or didn't have the capital necessary to invest in the hedge fund.

Sale of Limited Partnership Interest to Oregon Resident

5. In November 2008, an Oregon resident saw a posting on the craigslist.org website about the weekly trading forecast service offered by Respondent Calhoun. The Oregon resident was interested in the service, and soon began corresponding with Respondent Calhoun via email. The Oregon resident was directed to the Market4Cast blog for more information. According to the blog, with 25% of capital invested in each weekly trade, the service has a win/loss ratio of 3:1, an average win of 104%, and an average loss of 46%.

6. On November 11, 2008, Respondent Calhoun sent the Oregon resident a compounding table via email. The compounding table calculated the weekly return for 24 weeks, on a \$1,000 initial investment, using Respondent Calhoun's trading methodology. The weekly forecasts ranged from a 16% return in week two, to a 2,101% return by week twenty-four. The total projected return was \$105,412 at the end of twenty-four weeks.

7. The Oregon resident saw that investments in the Market4Cast Hedge Fund were advertised on the blog, and requested additional information about the investment from Respondent Calhoun. Respondent Calhoun represented to the Oregon resident that the Market4Cast Hedge Fund currently had eleven members. Respondent Calhoun further represented that the Market4Cast Hedge Fund took the same trades as the weekly trading forecast service he offered.

- 8. On November 19, 2008, Respondent Calhoun emailed the Oregon resident a cover letter, Market4Cast Hedge Fund Application, Market4Cast Hedge Fund Private Memorandum Offering, and a Market4Cast Hedge Fund Limited Partnership Agreement. Respondent Calhoun represented in the cover letter that the hedge fund would be devoted exclusively to derivatives swing trading.
- 9. According to the Market4Cast Hedge Fund Private Memorandum Offering, which consisted of two pages, the hedge fund is compensated through a 2.5% annual administrative fee plus capital gains commissions.
- 10. The Oregon resident decided to purchase a limited partnership interest in the hedge fund for \$10,000. The Oregon resident completed the forms and mailed the Market4Cast Hedge Fund Application and Market4Cast Hedge Fund Limited Partnership Agreement to Respondent Calhoun's

Washington address. On November 26, 2008, the Oregon resident sent a \$10,000 cashier's check to Respondent Calhoun in California, where Respondent Calhoun was vacationing at the time.

- 11. Subsequent to his investment, the Oregon resident received an account statement for December 2008, via mail from Respondent Calhoun's Washington address. Included with the December 2008 statement was a check payable to the Oregon resident for \$856.02, representing his share of gains earned that month.
- Account statements for January and February 2009 were emailed to the Oregon resident. In January 2009, the investment was down 12.6%.
- The Oregon resident did not receive an account statement for March 2009. When the 13. Oregon resident requested a statement, Respondent Calhoun failed to respond to him. In May 2009, the Oregon resident notified Respondent Calhoun that he wanted to withdraw his investment from the hedge fund. Again, the Oregon resident failed to receive a response from Respondent Calhoun.

Misrepresentations and Omissions

- 14. The Respondents failed to provide material information regarding the limited partnership interests, including, but not limited to: financial statements, a complete description of Calhoun's business background and experience, the general and specific risks involved, and a reasonable basis for the profit projections and limitations on the profit projections.
- 15. Respondent Calhoun represented to the Oregon resident that he was an attorney, without disclosing that he had been disbarred in California in 1998.

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Registration Status

- 16. Michael George Calhoun is not currently registered as a securities salesperson, broker-dealer, investment adviser, or investment adviser representative in the State of Washington and has not previously been so registered.
- 17. Market4Cast Hedge Fund, LP is not currently registered to sell its securities in Washington nor is it registered as an investment adviser in the State of Washington. It has not previously been so registered.

Based upon the above Tentative Findings of Fact, the following Conclusions of Law are made:

CONCLUSIONS OF LAW

- 1. The offer and/or sale of the limited partnership interests, as described above, constitutes the offer and/or sale of a security as defined by RCW 21.20.005(10) and (12).
- 2. The offer and/or sale of said securities were in violation of RCW 21.20.140 because the limited partnership interests were not registered in the State of Washington.
- 3. The offer and/or sale of said securities were in violation of RCW 21.20.040 because Michael George Calhoun offered and/or sold said securities while not registered as a securities salesperson or broker-dealer in the State of Washington.
- 4. The offer and/or sale of said securities were made in violation of RCW 21.20.010 because, as set forth in the Tentative Findings of Fact, Respondents Michael George Calhoun and Market4Cast Hedge Fund, LP omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading.

- 5. Respondents Market4Cast Hedge Fund, LP and Michael George Calhoun acted as an investment adviser and an investment adviser representative, respectively, as defined in RCW 21.20.005(6) and (14) by maintaining the hedge fund.
- 6. Respondents Market4Cast Hedge Fund, LP and Michael George Calhoun violated RCW 21.20.040 by transacting business as an investment adviser and investment adviser representative, respectively, while not registered in the State of Washington.

NOTICE OF INTENT TO ISSUE AN ORDER TO CEASE AND DESIST

Pursuant to RCW 21.20.390(1), and based upon the above Tentative Findings of Fact and Conclusions of Law, the Securities Administrator intends to order that the Respondents Market4Cast Hedge Fund, LP and Michael George Calhoun, and their agents and employees, shall each cease and desist from violations of RCW 21.20.010, RCW 21.20.040 and RCW 21.20.140.

NOTICE OF INTENT TO IMPOSE FINES

Pursuant to RCW 21.20.395, and based upon the above Tentative Findings of Fact and Conclusions of Law, the Securities Administrator intends to order that the Respondents Market4Cast Hedge Fund, LP and Michael George Calhoun shall each be liable for and pay a fine of \$10,000.

NOTICE OF INTENT TO CHARGE COSTS

Pursuant to RCW 21.20.390(5), and based upon the above Tentative Findings of Fact and Conclusions of Law, the Securities Administrator intends to order that the Respondents Market4Cast Hedge Fund, LP and Michael George Calhoun shall be liable for and pay the Securities Division the costs, fees and other expenses incurred in the conduct of the investigation of this matter in an amount not less than \$1,000.

AUTHORITY AND PROCEDURE

This Statement of Charges is entered pursuant to the provisions of RCW 21.20.390 and RCW 21.20.395, and is subject to the provisions of RCW 34.05. The Respondents may each make a written request for a hearing as set forth in the NOTICE OF OPPORTUNITY TO DEFEND AND OPPORTUNITY FOR HEARING accompanying this Statement of Charges.

If a Respondent does not request a hearing, the Securities Administrator intends to adopt the above Tentative Findings of Fact and Conclusions of Law as final, enter a permanent cease and desist order as to that Respondent, and impose the fines and costs sought.

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DATED AND ENTERED this <u>28th</u> day of February, 2011.

By:

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William M. Beatty
Securities Administrator

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Suzanne Sarason

Chief of Enforcement

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Presented by:

Bridgett Fisher

Enforcement Attorney

Bridgett Fisher