

1 STATE OF WASHINGTON
2 DEPARTMENT OF FINANCIAL INSTITUTIONS
3 SECURITIES DIVISION

4 IN THE MATTER OF DETERMINING) Order Number S-05-005-05-TO01
5 Whether there has been a violation of the)
6 Securities Act of Washington by:) STATEMENT OF CHARGES AND NOTICE
7) OF INTENT TO ENTER AN ORDER TO
8) CEASE AND DESIST AND TO IMPOSE
9 Runnymede Capital Partners, L.P.; Runnymede) FINES
10 Capital Management, L.L.C.; and Richard S.)
11 Dalberth,)

12 Respondents

13 THE STATE OF WASHINGTON TO: Runnymede Capital Partners, L.P.;;
14 Runnymede Capital Management, L.L.C.;;
15 Richard S. Dalberth, CRD # 1504169

16 **STATEMENT OF CHARGES**

17 Please take notice that the Securities Administrator of the State of Washington has reason
18 to believe that Respondents, Runnymede Capital Partners, L.P.; Runnymede Capital Management,
19 L.L.C.; and Richard S. Dalberth, have each violated the Securities Act of Washington and that
20 their violations justify the entry of an order of the Securities Administrator under RCW
21 21.20.390 against each to cease and desist from such violations. The Securities Administrator
22 finds as follows:

23 **TENTATIVE FINDINGS OF FACT**

24 Respondents

1. Runnymede Capital Partners, L.P., a New York limited partnership,
("Runnymede Partners") was formed to pool its limited partners' capital for the purpose of

STATEMENT OF CHARGES AND NOTICE OF INTENT TO ENTER AN ORDER TO CEASE AND DESIST AND TO IMPOSE FINES

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DEPARTMENT OF FINANCIAL INSTITUTIONS
Securities Division
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1 investing substantially all of its assets at the sole and absolute discretion of Runnymede
2 Partners' general partner.

3 2. Runnymede Capital Management, LLC, a New York limited liability company,
4 ("Runnymede Management") was the sole general partner of Runnymede Partners.

5 3. Richard S. Dalberth ("Dalberth") was the managing member and owner of
6 Runnymede Management.

7 Background

8 4. Dalberth offered and sold limited partnerships in Runnymede Partners. The limited
9 partners did not have the ability to take part in the management or control of the partnership and
10 had no authority to act for or bind the partnership.

11 5. Runnymede Partners invested the limited partners' capital in the Runnymede
12 Master Fund, Ltd., a British Virgin Island company, ("Runnymede Fund") through Runnymede
13 Partners' investment manager.

14 6. Runnymede Partners' investment manager was Runnymede Advisors, LLC, a New
15 York limited liability company ("Runnymede Advisors"). Dalberth was the managing member
16 and principal owner of the Runnymede Advisors. Runnymede Management was responsible for
17 the supervision of Runnymede Advisors.

18 7. The Runnymede Fund was a hedge fund formed to pool risk capital for the primary
19 purpose of investing, trading, and dealing in U.S. and foreign equity securities and equity security
20 derivatives. Dalberth was the Chief Investment Officer, Chief Market Strategist, and Senior Trader
21 for the Runnymede Fund.

22 8. Runnymede Offshore Advisors, LLC, a New York limited liability company,
23 invested and managed the Runnymede Fund's assets, subject to the general oversight of the

1 Runnymede Fund’s Board of Directors. There were three members of Board of Directors one of
2 which was Dalberth. Dalberth was also the managing member and principal owner of Runnymede
3 Offshore Advisors, LLC.

4 Nature of the Offering

5 9. In March 2003, a 73 year-old Washington resident (“Investor”) entered his
6 telephone number into a website directed at people interested in investing in hedge funds. Soon
7 after Investor received a call from Evan Rapoport (“Rapoport”). Investor told Rapoport that he
8 was in his 70’s, semi-retired, and in need of a suitable investment as he moved toward full
9 retirement. Investor also told Rapoport that he was confident in his ability to make “long”
10 investment decisions but not in his ability to “short” stocks and wished to find a fund that could do
11 both. Rapoport made only one recommendation, the Runnymede Fund. Rapoport said that he
12 personally knew the Runnymede manager, Dalberth, whom had an excellent track record and good
13 character.

14 10. Within an hour, Dalberth contacted Investor by telephone and identified himself as
15 the manager of the Runnymede Fund. Investor told Dalberth the same things he had told Rapoport,
16 that he was in his 70’s, semi-retired, and in need of a suitable investment as he moved toward full
17 retirement. Investor also told Dalberth that he planned on investing approximately \$50,000 and
18 that his investment would have to be liquid because would need to withdraw it by fall of 2004,
19 when he retired. Dalberth told Investor that he has had a very successful history as an equity stock
20 trader and assured Investor that if he invested he could have his money back when he needed it.

21 11. Dalberth provided Investor with at least three one-page summaries all claiming
22 Dalberth had “over 30 years of experience with a successful track record and experience at major
23 Wall Street firms including Morgan Stanley”, had consistently achieved above-market returns on

1 invested capital in the four years (calendar years 1999-2002) prior to the creation of Runnymede
2 Fund, and had achieved overall above-market returns with the Runnymede Fund.

3 12. Dalberth also provided Investor with a Confidential Private Placement
4 Memorandum (“PPM”) for Runnymede Partners which stated, among other things, that each
5 limited partner would receive a quarterly statement of their capital account. The PPM did not
6 include specific information on Dalberth’s investing track record.

7 13. In a letter dated April 11, 2003, Dalberth promised Investor full liquidity and
8 redemption on a two weeks notice; that the Runnymede Fund’s objective was to preserve capital
9 while generating superior gains; and that the Runnymede Fund had a lower risk profile than that of
10 the overall market through its established system of disciplined trading and professional
11 management. The letter further stated that the Runnymede Fund provided diversification and risk
12 management and that the management team had a historical track record of producing investment
13 return of no less than 35% from 1999 through January 2003.

14 14. In a letter dated April 16, 2003, Dalberth agreed that Investor would be able to
15 withdraw all or part of the value of his capital account at any time upon no less than fourteen (14)
16 days prior written notice to Runnymede Partners and that the Investor’s capital account shall not be
17 charged a withdrawal charge for any partial of full withdrawals made by Investor through March
18 31, 2004.

19 15. In reliance on Dalberth’s representations, Investor wired \$50,000 to Runnymede
20 Partners’ account at JP Morgan on April 17, 2003.

21 16. In a June 5, 2003 email to Investor, Dalberth claimed that after all fees and
22 expenses Investor’s \$50,000 investment had earned a net return of 15.61% while the S&P 500 had
23 returned 5.06%. On June 6, 2003, in reliance on this and Dalberth’s earlier representations,

1 Investor wired \$21,000 to Runnymede Partners' account at JP Morgan and wired an additional
2 \$24,157.39 on June 25, 2003. In total Investor wired \$95,157.39 to Runnymede Partners' account
3 at JP Morgan.

4 17. After many unsuccessful attempts to obtain an accounting, per the PPM, Investor
5 requested withdrawal \$45,000, approximately half his investment, on or about August 23, 2003;
6 August 25, 2003; August 26, 2003; September 4, 2003; and September 10, 2003. Investor did not
7 receive return of the \$45,000.

8 18. On or about September 15, 2003; October 31, 2003; and December 10, 2003,
9 Investor requested full withdrawal of the investment funds. To date, no money has been returned
10 to Investor.

11 19. In April 2004, Dalberth was arrested and charged by the United States Attorney
12 for the Southern District of New York with wire fraud arising from the Runnymede scheme.
13 The complaint charged Dalberth with diverting as much as approximately \$600,000 of hedge
14 fund investors' funds to his own use, through cash withdrawals at ATM machines, checks written
15 to himself, personal travel expenses, the purchase of jewelry and approximately \$400,000 paid to
16 Dalbert's prior creditors.

17 **REGISTRATION STATUS**

18 20. Dalberth was not licensed as a broker-dealer or securities salesperson in the State of
19 Washington.

20 21. Runnymede Management was not licensed as a broker-dealer in the State of
21 Washington.

22 22. Runnymede Partners was not registered to sell its securities in the State of
23 Washington.

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MISREPRESENTATIONS AND OMISSIONS

23. Contrary to his representations, Dalberth did not have 30 years investment experience with a successful track record and experience at major Wall Street firms. Dalberth had been the sole principal, President and Chief Executive Officer of an apparel business that went bankrupt in 1986 and had been President of a real estate development business that went bankrupt in 1997. Dalberth had actually worked less than three years in the securities industry between 1986 and 1990. After 1990, Dalberth's experience on Wall Street was limited to a series of short stints at four firms in the five years preceding the creation of the Runnymede Fund.

24. Dalberth's representations of the Runnymede Fund's 2003 returns were false. In truth and fact, he did not have any assets under management until March 11, 2003, and once the Runnymede Fund was funded it experienced substantial losses.

25. Dalberth failed to disclose to Investor that he had declared personal bankruptcy in 1986 and again in 1993.

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

CONCLUSIONS OF LAW

1. The offer and sale of Runnymede Capital Partners L.P. limited partnership interests described above constitutes the offer or sale of a security as defined in RCW 21.20.005(10) and (12).

2. As described above, Richard Dalberth acted as a securities broker-dealer or salesperson as defined in RCW 21.20.005(2) and (3).

1 3. As described above, Runnymede Capital Management L.L.C. acted as a securities
2 broker-dealer as defined in RCW 21.20.005 (3).

3 4. The offer and/or sale of said securities was made in violation of RCW 21.20.010
4 because, as set forth above, Respondents, Runnymede Capital Partners, L.P.; Runnymede Capital
5 Management, L.L.C.; and Richard S. Dalberth, in connection with the offer or sale of a security,
6 made untrue statements of material fact or omitted to state material facts necessary in order to
7 make the statements made, in light of the circumstances under which they are made, not
8 misleading.

9 5. The conduct described above constitutes a violation of RCW 21.20.040 because
10 Respondent, Runnymede Capital Management, L.L.C., has transacted business in Washington as a
11 broker-dealer without being registered as such in the State of Washington.

12 6. The conduct described above constitutes a violation of RCW 21.20.040 because
13 Respondent, Richard S. Dalberth, transacted business in Washington as a broker-dealer or
14 salesperson without being registered as such in the State of Washington.

15 7. Respondents, Runnymede Capital Partners, L.P.; Runnymede Capital Management,
16 L.L.C.; and Richard S. Dalberth, have each violated RCW 21.20.140 by offering and/or selling an
17 unregistered security.

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19 **NOTICE OF INTENT TO ORDER THE RESPONDENT TO CEASE AND DESIST**

20 Based on the above Tentative Findings of Fact and Conclusions of Law, the Securities
21 Administrator intend to order Respondents, Runnymede Capital Partners, L.P.; Runnymede Capital
22 Management, L.L.C.; and Richard S. Dalberth, their agents and employees each cease and desist
23 from violations of RCW 21.20.010, RCW 21.20.040, and RCW 21.20.140.

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2 **NOTICE OF INTENT TO IMPOSE FINES**

3 Pursuant to RCW 21.20.110(1) and RCW 21.20.395, and based upon the Tentative
4 Findings of Fact and Conclusions of Law, the Securities Administrator intends to order that
5 Respondents, Runnymede Capital Partners, L.P.; Runnymede Capital Management, L.L.C.; and
6 Richard S. Dalberth, shall be liable to pay a fine and costs.

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8 **AUTHORITY AND PROCEDURE**

9 This Statement of Charges is entered pursuant to the provisions RCW 21.20.390 and is
10 subject to the provisions of RCW 21.20.120 and Chapter 34.05 RCW. The respondents,
11 Runnymede Capital Partners, L.P.; Runnymede Capital Management, L.L.C.; and Richard S.
12 Dalberth; may each make a written request for a hearing as set forth in the NOTICE OF
13 OPPORTUNITY TO DEFEND AND OPPORTUNITY FOR HEARING accompanying this
14 order.

15 If a respondent does not request a hearing, the Securities Administrator intends to adopt
16 the above Tentative Findings of Fact and Conclusions of Law as final and enter an order to cease
17 and desist permanent as to that respondent and to impose a fine and charge costs to that
18 respondent.

19 Dated this 31st day of January, 2005.

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22 MICHAEL E. STEVENSON
23 Securities Administrator

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Approved by:

/s/
Suzanne Sarason
Chief of Compliance

Presented by:

/s/
Kristen Culbert
Financial Legal Examiner