
 IN THE MATTER OF:
 JAMES WELSH
 GHC FUND ONE LLC
 a/k/a GILBERT HILL FUND I, LLC
 (Collectively, “Respondents”)

ORDER TO CEASE AND DESIST
ORDER TO MAKE RESTITUTION
NOTICE OF INTENT TO FINE
AND
NOTICE OF RIGHT TO HEARING
DOCKET NO. CRF-19-8311-S

I. PRELIMINARY STATEMENT

1. The Banking Commissioner (“Commissioner”) is charged with the administration of Chapter 672a of the General Statutes of Connecticut, the Connecticut Uniform Securities Act (“Act”), and Sections 36b-31-2 to 36b-31-33, inclusive, of the Regulations of Connecticut State Agencies (“Regulations”) promulgated under the Act.

2. Pursuant to Section 36b-26(a) of the Act, the Commissioner, through the Securities and Business Investments Division (“Division”) of the Department of Banking, has conducted an investigation into the activities of Respondents to determine if Respondents have violated, are violating or are about to violate provisions of the Act or Regulations (“Investigation”).

3. As a result of the Investigation, the Commissioner has reason to believe that Respondents have violated certain provisions of the Act.

4. As a result of the Investigation, the Commissioner has reason to believe that a basis exists to issue a cease and desist order against Respondents pursuant to Section 36b-27(a) of the Act.

5. As a result of the Investigation, the Commissioner has reason to believe that a basis exists to order that Respondents make restitution pursuant to Section 36b-27(b) of the Act.

6. As a result of the Investigation, the Commissioner has reason to believe that a basis exists to impose a fine upon Respondents pursuant to Section 36b-27(d) of the Act.

II. RESPONDENTS

7. James Welsh (“Welsh”) is an individual whose address last known to the Commissioner is 637 Driftwood Drive, Woodstock, Georgia 30189. During the relevant period of time, Welsh was a resident of Norwalk, Connecticut. Welsh is not and has not been registered in any capacity under the Act.

8. GHC Fund One LLC a/k/a Gilbert Hill Fund I, LLC (“GHC”) is a currently defunct and inactive Connecticut limited liability company that was located at 49 Richmondville Avenue, Westport, Connecticut 06880 during the relevant period of time. Welsh was the managing member and control person of GHC.

III. STATEMENT OF FACTS

9. Investor A is a resident of Massachusetts. In approximately July 2008, Tom Brown, Investor A’s relative by marriage, introduced Investor A to Welsh. Brown and Welsh had formed GHC as an investment fund that would be based on day trading, and they solicited Investor A to invest in GHC through the purchase of GHC membership interests (“GHC Securities”). Brown and Welsh represented to Investor A that he (Investor A) would be the initial investor and that their goal was to use Investor A’s investment to attract other investors. Brown and Welsh represented that Investor A’s investment would be used by GHC to engage in its day trading strategy. Investor A was given a Confidential Private Placement Memorandum (“PPM”) which represented that GHC was “an investment fund that seeks to utilize a distinct trading strategy within the United States and foreign stock exchanges to maximize short term returns for its investors. The investment strategy focuses on obtaining an allocation of shares to be offered in initial and secondary stock offerings. . . . [m]ost positions are held for a very short period of time in order to maximize profits.”

10. On August 14, 2008 Investor A purchased \$300,000 of GHC Securities. Investor A's \$300,000 investment was deposited into a bank account belonging to GHC at JP Morgan Chase Bank, N.A. ("GHC's Bank Account"). Over the next several weeks, \$300,000 was transferred out of GHC's Bank Account and was used to purchase shares of an unrelated entity based in Waterbury, Connecticut ("Company X"). These shares were purchased under the name of an unrelated limited partnership, not under the name of Investor A or GHC. This was neither contemplated nor permitted by the PPM nor was Investor A informed that his monies were used to purchase shares of Company X.

11. Brown died suddenly in 2009 and Welsh took over the management of GHC, including its Bank Account. In December 2009, Welsh contacted Investor A and represented to him that GHC needed additional funds to attract investors. As a result, Investor A invested another \$50,000 in GHC Securities on December 21, 2009.

12. On approximately December 21, 2009, the shares of Company X that were purchased by GHC in August 2008 with Investor A's funds were transferred and/or sold to an unrelated third party individual, in exchange for \$208,000, which was wired into GHC's Bank Account.

13. Thereafter from approximately December 2009 through approximately August 2010, the money in GHC's Bank Account, which included at least a portion of Investor A's investment funds, was used by Welsh to pay his personal expenses. Welsh was the control person of the GHC bank account during all relevant times.

14. In 2008 and 2009, Investor A received periodic payments of investment returns from GHC totaling approximately \$24,000. However, after his second investment in GHC was made on December 21, 2009, Investor A neither received any additional payments of investment returns nor was he able to get in touch with Welsh despite multiple attempts to reach Welsh. To date, Investor A has not been repaid the balance of his investment of approximately \$326,000 from either GHC or Welsh, despite Investor A's requests.

15. The GHC Securities were not registered in Connecticut under Section 36b-16 of the Act nor were they the subject of a filed exemption claim or claim of covered security status.

**IV. STATUTORY BASIS FOR ORDER TO CEASE AND DESIST,
ORDER TO MAKE RESTITUTION, AND ORDER IMPOSING FINE**

a. Violation of Section 36b-16 of the Act by Respondents –
Offer and/or Sale of Unregistered Securities

16. Paragraphs 1 through 15, inclusive, are incorporated and made a part hereof as if more fully set forth herein.

17. Respondents offered and sold unregistered securities in or from Connecticut to at least one investor, as more fully described in paragraphs 9 through 15, inclusive. The offer and sale of such securities absent registration or exemption constitutes a violation of Section 36b-16 of the Act, which forms a basis for an order to cease and desist to be issued against Respondents under Section 36b-27(a) of the Act, an order of restitution to be issued against Respondents under Section 36b-27(b) of the Act, and for the imposition of a fine upon Respondents under Section 36b-27(d) of the Act.

b. Violation of Section 36b-4(a) of the Act by Respondents –
Fraud in Connection with the Offer, Sale or Purchase of any Security

18. Paragraphs 1 through 17, inclusive, are incorporated and made a part hereof as if more fully set forth herein.

19. The conduct of Respondents, as more fully described in paragraphs 9 through 13, inclusive, constitutes, in connection with the offer, sale or purchase of any security, directly or indirectly employing any device, scheme or artifice to defraud, making an untrue statement of a material fact or omitting to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they are made, not misleading, or engaging in any act, practice, or course of business which operates or would operate as a fraud or deceit upon any person. Such conduct constitutes a violation of Section 36b-4(a) of the Act, which forms a basis for an order to cease and desist to be issued against Respondents under Section 36b-27(a) of the Act, an order of restitution to be issued against Respondents under Section 36b-27(b) of the Act, and for the imposition of a fine upon Respondents under Section 36b-27(d) of the Act.

**V. ORDER TO CEASE AND DESIST, ORDER TO MAKE RESTITUTION,
NOTICE OF INTENT TO FINE AND NOTICE OF RIGHT TO HEARING**

WHEREAS, as a result of the Investigation, the Commissioner finds that, with respect to the activity described herein, Welsh has committed at least one violation of Section 36b-16 of the Act, and at least one violation of Section 36b-4(a) of the Act;

WHEREAS, as a result of the Investigation, the Commissioner finds that, with respect to the activity described herein, GHC has committed at least one violation of Section 36b-16 of the Act, and at least one violation of Section 36b-4(a) of the Act;

WHEREAS, the Commissioner further finds that the issuance of an Order to Cease and Desist, Order to Make Restitution, and the imposition of a fine upon Respondents is necessary or appropriate in the public interest or for the protection of investors and consistent with the purposes fairly intended by the policies and provisions of the Act;

WHEREAS, notice is hereby given to each Respondent that the Commissioner intends to impose a fine not to exceed the maximum allowed by statute of one hundred thousand dollars (\$100,000) per violation upon each Respondent;

WHEREAS, the Commissioner **ORDERS** that **JAMES WELSH CEASE AND DESIST** from directly or indirectly violating the provisions of the Act, including without limitation: (1) offering and selling unregistered securities in or from Connecticut; and (2) in connection with the offer, sale or purchase of any security, directly or indirectly employing any device, scheme or artifice to defraud, making an untrue statement of a material fact or omitting to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they are made, not misleading, or engaging in any act, practice, or course of business which operates or would operate as a fraud or deceit upon any person;

WHEREAS, the Commissioner **ORDERS** that **GHC FUND ONE LLC A/K/A GILBERT HILL FUND I, LLC CEASE AND DESIST** from directly or indirectly violating the provisions of the Act, including without limitation: (1) offering and selling unregistered securities in or from Connecticut; and

(2) in connection with the offer, sale or purchase of any security, directly or indirectly employing any device, scheme or artifice to defraud, making an untrue statement of a material fact or omitting to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they are made, not misleading, or engaging in any act, practice, or course of business which operates or would operate as a fraud or deceit upon any person;

WHEREAS, the Commissioner **ORDERS** that **RESPONDENTS MAKE RESTITUTION** of any sums obtained as a result of Respondents' violations of Sections 36b-4(a) and 36b-16 of the Act, plus interest at the legal rate set forth in Section 37-1 of the General Statutes of Connecticut. Specifically, the Commissioner **ORDERS** that:

1. Within thirty (30) days from the date this Order to Make Restitution becomes permanent, Respondents shall provide the Division with a written disclosure which covers the period from August 2008 to the date this Order to Make Restitution becomes permanent and which contains (a) the name and address of each investor, (b) the amount Respondents collected from each investor, and (c) the amount of any refunds of principal or purported investment returns Respondents made to each investor;
2. Within forty-five (45) days from the date this Order to Make Restitution becomes permanent, Respondents shall reimburse each investor the amount of funds collected from the investor plus interest, less funds returned in the form of purported refunds of principal and purported investment returns made to the investor, with respect to all transactions effected from August 2008 to the date this Order to Make Restitution becomes permanent. Such restitution shall be made by certified check, and shall be sent by certified mail, return receipt requested, to each affected investor; and
3. Within ninety days (90) days from the date this Order to Make Restitution becomes permanent, Respondents shall provide the Division with proof in the form of copies of the certified checks and the return receipts required by paragraph 2 of Section V of this Order to Cease and Desist, Order to Make Restitution, Notice of Intent to Fine and Notice of Right to Hearing (collectively, "Order"), that Respondents have reimbursed each investor the amount of funds collected from each such investor plus interest, less funds returned in the form of purported refunds of principal and purported investment returns, with respect to all transactions effected from August 2008 to the date this Order to Make Restitution becomes permanent.

THE COMMISSIONER FURTHER ORDERS THAT, pursuant to Section 36b-27 of the Act, each Respondent will be afforded an opportunity for a hearing on the allegations set forth above if a written request for a hearing is received by the Department of Banking, Securities and Business Investments Division, 260 Constitution Plaza, Hartford, Connecticut 06103-1800 within fourteen (14) days following each Respondent's receipt of this Order. To request a hearing, complete and return the

enclosed Appearance and Request for Hearing Form to the above address. If any Respondent will not be represented by an attorney at the hearing, please complete the Appearance and Request for Hearing Form as “pro se”. If a hearing is requested, the hearing will be held on July 31, 2019, at 10 a.m., at the Department of Banking, 260 Constitution Plaza, Hartford, Connecticut.

The hearing will be held in accordance with the provisions of Chapter 54 of the General Statutes of Connecticut. At such hearing, each Respondent will have the right to appear and present evidence, rebuttal evidence and argument on all issues of fact and law to be considered by the Commissioner.

If any Respondent does not request a hearing within the time period prescribed or fails to appear at any such hearing, the allegations herein against any such Respondent will be deemed admitted. Accordingly, the Order to Cease and Desist and Order to Make Restitution shall remain in effect and become permanent against any such Respondent and the Commissioner may order that the maximum fine be imposed upon any such Respondent.

Dated at Hartford, Connecticut,
this 25th day of June 2019.

_____/s/_____
Jorge L. Perez
Banking Commissioner

CERTIFICATION

I hereby certify that on this 26th day of June 2019, I caused to be mailed by certified mail, return receipt requested, the foregoing Order to Cease and Desist, Order to Make Restitution, Notice of Intent to Fine and Notice of Right to Hearing to: GHC Fund One LLC a/k/a Gilbert Hill Fund I, LLC c/o James Welsh at 637 Driftwood Drive, Woodstock, Georgia 30189, certified mail no.7016 2710 0000 5892 0835 and James Welsh at 637 Driftwood Drive, Woodstock, Georgia 30189, certified mail no.7016 2710 0000 5892 0842.

_____/s/_____
Christopher Cartelli
Paralegal