

**BEFORE THE
NATIONAL FUTURES ASSOCIATION**

In the Matter of:)	
)	
RALEIGH CAPITAL MANAGEMENT, INC.)	
(NFA ID #191172))	
)	NFA Case No. 09-MRA-006
and)	
)	
RICHMOND H. HAMILTON, JR.)	
(NFA ID #96750))	
)	

**NOTICE OF MEMBER RESPONSIBILITY ACTION AND ASSOCIATE
RESPONSIBILITY ACTION
UNDER NFA COMPLIANCE RULE 3-15**

National Futures Association ("NFA") hereby gives notice to Raleigh Capital Management, Inc. ("RCM"), a commodity pool operator ("CPO") NFA Member, and Richmond H. Hamilton, Jr. ("Hamilton"), the sole owner, principal, and associated person ("AP") of RCM and an NFA Associate, that, pursuant to NFA Compliance Rule 3-15, the President of NFA, with the concurrence of NFA's Executive Committee, has taken a Member Responsibility Action ("MRA") against RCM and an Associate Responsibility Action ("ARA") against Hamilton, whereby:

1. RCM and Hamilton are prohibited from soliciting or accepting any customer or pool participants' funds;
2. RCM and Hamilton are prohibited from placing trades or transactions on behalf of any customers or pools, except for liquidation purposes;
3. RCM and Hamilton are prohibited from disbursing or transferring any funds from any accounts (bank, trading, or any other types of accounts) in the name of RCM or any pools operated by RCM, including but not limited to, the Raleigh Fund, L.P. (the "Fund") without prior approval from NFA; and
4. RCM and Hamilton are required to provide copies of this MRA via overnight courier to the following: (i) all pool participants in any pools that RCM or Hamilton operates or over which they exercise control; (ii) all banks and other financial institutions with which money is on deposit in the name of RCM; and (iii) any pool that RCM or Hamilton operates or over which they exercise control.

This action is effective immediately and is deemed necessary to protect the commodity futures markets, customers, or other NFA Members or Associates because Hamilton has provided information to NFA regarding his ability to honor redemption requests from participants in the Fund that contradicts the information provided by participants in the Fund. Additionally, Hamilton took money from the Fund, which he has characterized as loans, although there are no loan documents and, for almost a year now, he has failed to pay interest on these purported loans. This is contrary to RCM's representation to the Fund's participants that Hamilton was paying interest. Moreover, at least a portion of these purported loans appears to have been used for purposes inconsistent with the Fund's private placement memorandum ("PPM").

It also appears that RCM and Hamilton have acted in a manner that is contrary to the interests of the Fund and its participants by purchasing property from Hamilton that included the assumption of mortgages on these properties without providing participants with a full disclosure of the transactions, including certain conflicts of interest posed by Hamilton's self-dealing. Additionally, RCM has failed to properly disclose or record investments by the Fund in a venture in which at least one owner is Hamilton's relative, and failed to properly disclose another investment in a venture with these same persons.

In support of these actions, NFA attaches the affidavit of James Woo ("Woo"), who is a Field Supervisor in NFA's Compliance Department, and based thereon alleges as follows:

Background

1. RCM is a CPO Member of NFA that lists its office as being located in Morocco. RCM has been registered as a CPO since August 1986. Hamilton is the sole owner, principal, and AP of RCM and an NFA Associate.
2. RCM operates the Fund and has filed an exemption for the Fund pursuant to Commodity Futures Trading Commission ("CFTC") Regulation 4.7.
3. In May 2009, NFA was contacted by a participant in the Fund who represented to NFA that Hamilton was not honoring full redemption requests.
4. During this same time period, NFA received the unaudited annual financial statement for the Fund for the years ending December 31, 2007 and 2008 (the "Financial Statement"). Hamilton signed this Financial Statement. NFA's review of the Financial Statement revealed a "receivable balance" from Hamilton of almost \$790,000. According to the Financial Statement, interest on this amount is accrued monthly and paid by Hamilton at a rate of 1% per annum.

5. The Financial Statement further indicated that \$2.1 million of the Fund's assets were pledged to RBC Centura Bank ("RBC") in connection with a loan by RBC to Little Creek Ventures, LLC ("Little Creek Ventures"). According to the Financial Statement, the Fund pledged the assets to RBC to guarantee a portion of the loan and in exchange received a one-third interest in Little Creek Ventures.
6. Based on the representation from the participant as well as the unusual items listed in the Fund's Financial Statement, NFA began an investigation of RCM and Hamilton.

Limitation of Redemptions

7. During its investigation, NFA spoke with a second participant in the Fund who also indicated that Hamilton was restricting redemptions from the Fund. This participant provided NFA with an e-mail from Hamilton dated February 25, 2009, in which he wrote that he had "decided in late January to restrict redemptions on a temporary basis. . . . This is and has applied to everyone including family members that had wanted to redeem."
8. However, in a conversation on June 3, 2009, Hamilton represented to NFA that he had not previously placed any restrictions on redemptions from the Fund.
9. On June 10, 2009, NFA requested, among other things, that Hamilton provide NFA with all withdrawal requests that had been made since 2007. On June 12th, NFA again reiterated its request. On June 15th, RCM's accountant provided a list of redemptions paid between March 2007 and April 2009 and indicated that all redemption requests are handled by Hamilton or John Davidson ("Davidson"), a former principal and AP of RCM.
10. In a letter dated June 19th, NFA asked Hamilton to explain the discrepancy between the e-mail he had sent to the participant on February 25th and his representation to NFA that he had not restricted redemptions.
11. In a letter dated June 24th, Hamilton represented that with regard to the seeming contradiction between his statements and the e-mail he sent to the participant, that he had not suspended redemptions but only limited them "to a level that would not damage the Fund, but also accommodate investors as much as possible."
12. In the same letter, Hamilton indicated that three participants, Harvie Hamilton (Hamilton's brother), Donna Pflieger, and Susan Schipper (Davidson's sister), had requested redemptions, which he

characterized as them expressing an "interest in redemptions." Hamilton represented that he was "concerned that a large withdrawal by a 'related' party and a subsequent restriction of redemptions imposed on others may place us in an untenable position with regard to equality of treatment." Hamilton indicated that all three had agreed to partial payments spread out over a period of time.

13. According to Hamilton, Harvie Hamilton would receive redemptions of ten percent of his interest in the Fund to be paid on June 30, September 30, and December 31, 2009. Hamilton represented that Donna Pflieger agreed to receive \$10,000 per month, which had been paid in January, February, March, April, and May 2009. Hamilton further represented that Susan Schipper had agreed to receive \$10,000, each quarter, with a payment having been made on March 31, 2009.
14. Hamilton's letter also indicated that in addition to these three participants, two others had made redemption requests, Leola Howard and Banque Franck. Hamilton represented that Leola Howard redeemed \$5,190 and Banque Franck redeemed \$573,421.43, each as of March 31, 2009. Therefore, at the same time that he was limiting redemptions paid to Harvie Hamilton, Donna Pflieger, and Susan Schipper, Hamilton redeemed Banque Franck's interest in the Fund of more than \$500,000. Based on the records provided by RCM and Hamilton this appears to have been Banque Franck's entire interest in the Fund. Hamilton has represented to NFA that he has a sizeable personal loan outstanding with Banque Franck.
15. On July 8th, during a conversation with NFA, Hamilton further explained that he had only recently contemplated limiting redemptions and that the Fund could not afford having to pay all the participants. He stated that if the Fund received a number of redemptions he would have to either liquidate the Fund or restrict redemptions.
16. Hamilton indicated that he did not feel it was necessary to send a letter to all the participants "formally" restricting redemptions because only three participants had requested to redeem their interests. This, however, contradicts Hamilton's June 24th letter in which he indicated that five participants had requested to redeem their interests since the beginning of the year.
17. During a conversation on July 10th, Hamilton again represented that there were only the three participants who had requested to redeem their interests in the Fund. In this same conversation,

Hamilton indicated that if ten participants were to make redemption requests, the Fund would not be able to honor them.

18. The PPM provides that redemption requests must be in a "manually executed redemption notification form in good order." During the July 10th conversation, however, Hamilton indicated that he did not receive or maintain written redemption requests. In addition to being contrary to the PPM, this contradicted a representation made by Hamilton during his July 8th conversation with NFA in which he stated that all redemption requests must be made in writing. Hamilton has further indicated that he does not directly receive the redemption requests but he receives them through Davidson, or in the case of his brother, from his father.

Loans and Advances from the Fund to Hamilton

19. As noted above, the Fund's Financial Statement reported a "receivable balance" from Hamilton of almost \$790,000. According to the Financial Statement, interest on this amount is accrued monthly and paid by Hamilton at a rate of 1% per annum.
20. RCM and Hamilton represented to NFA that the receivable balance noted in the annual Financial Statement was the total of several loans from the Fund to Hamilton. Specifically, since at least 2000, Hamilton has taken loans of varying amounts from the Fund. As of April 30, 2009, the amount that Hamilton owes the Fund was in excess of \$790,000.
21. Hamilton represented that he had borrowed the money from the Fund to purchase shares for himself in the Fund. He claimed that because the Fund has recently lost money trading, his having borrowed money for his purchase of shares "dilutes the losses and thus benefits the other [participants]."
22. Hamilton represented that these loans were permissible under the PPM for the Fund. NFA's review of the PPM revealed that the Fund's assets may be loaned to, among others, Hamilton. The PPM further provides that in the event of such a loan to Hamilton "the proceeds of such loan will be reinvested in the Partnership" so that Hamilton will "participate in [the Fund] as a Limited Partner." The PPM also provides that Hamilton "will pay interest to the Partnership at a competitive rate." The Financial Statement indicated that interest was being accrued monthly and Hamilton was paying interest at the rate of 1%.

23. Based upon the documents provided by RCM, however, Hamilton has not paid any interest to the Fund since July 2008. Moreover, it does not appear that Hamilton has provided any notice to participants regarding his failure to pay interest.
24. Of the approximately \$790,000 currently owed by Hamilton to the Fund, \$275,000 was transferred from the Fund to Hamilton between May and August 2004. Based on the records provided by RCM and Hamilton, however, it does not appear that these loans were used to purchase shares in the Fund, which is what Hamilton had claimed the loans were used for and would be consistent with the PPM's terms.
25. NFA asked Hamilton to explain the \$275,000 that was transferred to him from the Fund between May and August 2004. In response, Hamilton sent an e-mail to NFA in which he described the transfers as "bizarre." He stated, however, that he did "recall vaguely my debt to the Fund had mysteriously ballooned" and that he had been intending to have RCM's accountant look into it. Hamilton further stated that he was unable to recall why he had transferred the money saying that to do so was "simply ridiculous," that he was "aghast" and that the transfers were "inexplicable." In his e-mail, Hamilton also represented that if the transfers did occur they were "inadvertent." These transfers did, in fact, occur, but because Hamilton has failed to provide a coherent explanation for them, NFA does not know what has happened to the money.
26. In addition to the loans to Hamilton, the Financial Statement also revealed that RCM currently owes the Fund more than \$300,000 for advancement of management and incentive fees. RCM pays no interest on this advancement.
27. Hamilton represented to NFA that he had advanced money from the Fund to RCM to pay for operating expenses. The Fund's PPM provides that RCM will pay all of the Fund's ordinary expenses. However, NFA's review of the financial records for RCM reveals payments for items that would not appear to be Fund operating expenses. For example, from at least 2005, there are monthly payments to BMW and Harley Davidson and payments to plane charter services and other entities that appear unrelated to the Fund's operating expenses.
28. NFA also found that during the same period that Hamilton was taking "advancements" of the management fee, the Fund paid more than \$750,000 in management and incentive fees to RCM.

29. NFA is concerned that one of the reasons the Fund is unable to provide full redemptions to participants is due to the large amount of money that Hamilton has taken from the Fund. Accordingly, on June 19th, NFA requested that Hamilton provide NFA with copies of bank statements from all personal accounts so as to, among other things, determine if he had the wherewithal to repay the amount he owes the Fund. Hamilton provided a statement for a single bank account in Chicago. On July 10th, during a conversation with Hamilton, NFA became aware that he had an additional bank account in Morocco. When NFA asked why he had not provided statements for this account or previously disclosed this account to NFA in response to the June 19th request, he responded that he was telling NFA now.
30. As of July 13, 2009, Hamilton's personal bank account in Chicago had a balance of \$22,000. Despite NFA's request that Hamilton provide copies of the statements for his bank account in Morocco by July 14th, NFA has still not received these statements.
31. NFA is also concerned that RCM is unable to repay the money taken as "advances" of management fees. As of July 13, 2009, RCM's bank account had a balance of approximately \$13,000.

Self-Dealing Real Estate Transactions

32. In addition to the loans he made to himself from the Fund, Hamilton also recently sold the Fund real estate which he owned in Chicago.
33. In June 2009, Hamilton sold to the Fund two condominiums that he owned. According to documents provided by Hamilton, the Fund paid \$140,000 and \$170,000 to Hamilton for these condominiums. The Fund, as part of these transactions, also assumed the mortgages on the properties, which, according to the documents Hamilton provided to NFA, have principal amounts of \$158,469 and \$380,000, respectively.
34. The mortgages on these properties have acceleration clauses that provide that if any interest in the property is sold or transferred without the lender's prior written consent the lender may require immediate payment of the full amount of the loan. It is unclear if Hamilton sought and obtained the prior consent of the lender for these transfers. If he has not, the lender may accelerate the loans on these properties and if the debt is not satisfied move to foreclose on the properties. In such an event, if the properties are not sold for more than the amount of the loans the Fund will receive nothing.

35. In addition to the condominiums, Hamilton also had the Fund purchase his interest in 6641 North Greenview LLC ("NGL"), which owns property at 6641 North Greenview, in Chicago. According to documents provided by Hamilton, the Fund paid \$120,000 to Hamilton for his interest in NGL. The property owned by NGL has a mortgage on it in the amount of \$407,000, in which Hamilton and Davidson are the borrowers and mortgagors. This mortgage has an acceleration clause and, if the lender did not provide consent for the transfer of Hamilton's interest in NGL to the Fund, the lender may accelerate the loan on the property owned by NGL and if the debt is not satisfied move to foreclose on the property.
36. When NFA asked Hamilton if he had disclosed to the Fund's participants details, including the attendant conflicts of interest, relating to the Fund's purchase of these condominiums and the interest in NGL, he represented that some participants did know, but that he has not provided, and does not intend to provide, a disclosure to all of the Fund's participants.

Little Creek

37. The Financial Statement also disclosed an investment by the Fund in Little Creek Ventures and indicates that the Fund has a one-third interest in Little Creek Ventures. The operating agreement for Little Creek Ventures reveals that there are two other members, at least one of whom is a relative of Hamilton.
38. According to the Financial Statement and representations by Hamilton, the Fund obtained its interest in Little Creek Ventures when \$2.1 million of the Fund's assets were pledged to RBC as part of a guarantee of a \$9 million loan by RBC to Little Creek Ventures. Hamilton represented that the loan is being used to develop property in North Carolina, described as Lot 12. According to the Financial Statement and the loan commitment letter, the terms of the agreement with RBC require the Fund to maintain a minimum net worth of at least \$6.85 million. The Fund has failed to meet this requirement, however. According to the Fund's balance sheets provided to NFA by RCM and Hamilton, as of December 31, 2008, the Fund's net worth was approximately \$6.3 million and as of April 30, 2009, the Fund's net worth was approximately \$5.3 million.
39. Although NFA has requested all documents related to this loan, RCM and Hamilton have never provided the actual loan document. NFA has only received the commitment letter and the pledge agreement.

40. The pledge agreement NFA received, however, appears to have been altered. Specifically, the description of pledged assets appears to have been whited out. NFA told Hamilton about its concern regarding the apparent alteration and requested that he provide the final pledge agreement. In response, RCM and Hamilton provided NFA with the same copy of the pledge agreement that included the apparent alteration.
41. On June 16th, RCM provided NFA with an October 2008 appraisal for the property owned by Little Creek Ventures. NFA also received a copy of a "newsletter" sent to participants in the Fund discussing the investment with Little Creek Ventures and the activities of Little Creek Ventures. This newsletter also indicated that the Fund had an interest in another property, which was next to the one owned by Little Creek Ventures.
42. This other property, which is described as Lot 11, was owned by Little Creek Eleven LLC ("Little Creek Eleven"). The operating agreement for Little Creek Eleven indicates that, similar to Little Creek Ventures, the Fund has a one-third ownership interest in Little Creek Eleven and the other two members are the same as those in Little Creek Ventures.
43. On July 14, 2009, RCM and Hamilton provided NFA with Little Creek Ventures' balance sheet as of December 31, 2008. The balance sheet showed the equity for each of the members of Little Creek Ventures, including the Fund, as a negative \$207,000.
44. As noted above the Fund also has a one-third interest in Little Creek Eleven. The Fund's balance sheets, however, do not reflect this investment and it does not appear that the Financial Statement does either. Despite requesting all documents related to the Fund's investment in Little Creek Eleven, RCM and Hamilton have not provided a balance sheet for Little Creek Eleven, so NFA has no way of knowing the Fund's equity in this entity.

Conclusion

45. Hamilton appears to be using the Fund to maintain his own liquidity. He takes money from the Fund through loans that he does not repay or pay interest on and has the Fund make "advancements" to RCM that it cannot currently repay. Hamilton also receives money from the Fund by having it purchase, subject to mortgages, real estate that he owns. As a result of bolstering his own liquidity, Hamilton has diminished the Fund's liquidity to such a point that he

is unable to comply with the redemption requests of the Fund's participants. Hamilton's actions are certainly in his best interest and contrary to the best interests of the Fund's participants

The MRA will remain in effect until such time as RCM and Hamilton have demonstrated to the satisfaction of NFA that they are in complete compliance with all NFA requirements.

RCM and Hamilton are entitled to a prompt hearing on this matter before NFA's Hearing Committee if they so request. The request for a hearing shall be made in writing to:

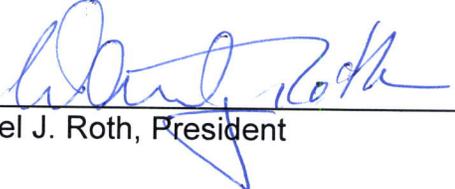
National Futures Association
300 South Riverside Plaza
Suite 1800
Chicago, Illinois 60606
Attn: Legal Department-Docketing

E-Mail: Docketing@nfa.futures.org
Facsimile: 312-781-1672

Aggrieved parties may petition the CFTC for a stay of this MRA pending a hearing pursuant to and in conformity with the terms set forth in CFTC Regulation 171.41.

NATIONAL FUTURES ASSOCIATION

Date: July 23, 2009

By: 
Daniel J. Roth, President

AFFIDAVIT

THE AFFIANT, JAMES WOO, BEING DULY SWORN AND UNDER OATH STATES THAT:

1. My name is James Woo, and I am employed by National Futures Association ("NFA") as a Field Supervisor in the Compliance Department. In my capacity as Field Supervisor, I led the team that is conducting an investigation of Raleigh Capital Management Inc. ("RCM").
2. RCM is a commodity pool operator ("CPO") Member of NFA that lists its office as being located in Morocco. RCM has been registered as a CPO since August 1986. Hamilton is the sole owner, principal, and AP of RCM and an NFA Associate.
3. RCM operates the Raleigh Fund, L.P. (the "Fund") and has filed an exemption for the Fund pursuant to Commodity Futures Trading Commission ("CFTC") Regulation 4.7.
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