

**UNITED STATES OF AMERICA**  
**Before the**  
**SECURITIES AND EXCHANGE COMMISSION**  
**March 30, 2006**

**ADMINISTRATIVE PROCEEDING**  
**File No. 3-12250**

**In the Matter of**

**GLOBAL CROWN CAPITAL,  
LLC,  
J&C GLOBAL SECURITIES  
INVESTMENTS, LLC,  
RANI T. JARKAS, AND  
ANTOINE K. CHAYA,**

**Respondents.**

**ORDER INSTITUTING ADMINISTRATIVE  
AND CEASE-AND-DESIST PROCEEDINGS  
PURSUANT TO SECTIONS 203(e), 203(f),  
AND 203(k) OF THE INVESTMENT  
ADVISERS ACT OF 1940 AND SECTIONS  
15(b)(4) AND 15(b)(6) OF THE SECURITIES  
EXCHANGE ACT OF 1934**

**I.**

The Securities and Exchange Commission (“Commission”) deems it appropriate and in the public interest that public administrative and cease-and-desist proceedings be, and hereby are, instituted pursuant to Sections 203(e), 203(f), and 203(k) of the Investment Advisers Act of 1940 (“Advisers Act”) and Sections 15(b)(4) and 15(b)(6) of the Securities Exchange Act of 1934 (“Exchange Act”) against Global Crown Capital, LLC (“Global Crown”), J&C Global Securities Investments, LLC (“J&C”), Rani T. Jarkas (“Jarkas”), and Antoine K. Chaya (“Chaya”) (collectively “Respondents”).

**II.**

After an investigation, the Division of Enforcement alleges that:

**Nature of Proceeding**

1. This matter involves hedge fund managers who exaggerated the fund’s performance in order to conceal trading losses from the fund’s investors. In the first three months of operation in early 2003, the value of the hedge fund, Cogent Capital Management, LLC (“Cogent”), declined by over 20%. In response, the fund’s managers decided to form a purported “redemption reserve” of \$228,000 (about 15% of the fund’s value at the time) and planned to use their own cash to fund the reserve. They then calculated the fund’s performance, obscuring the substantial trading loss by adding the \$228,000 amount to the fund’s total value. The managers never disclosed this to investors, nor did they fund the \$228,000 reserve at the

time. Cogent's managers then sent Cogent investors quarterly and year-end account statements that included the purported "reserve" but failed to disclose that the reserve increased Cogent's reported performance. The statements understated the fund's actual losses by as much as 90%. By providing Cogent investors with misleading account statements for the last three quarters of 2003, the managers caused violations of Sections 206(1) and 206(2) of the Advisers Act.

### **Respondents**

2. Global Crown Capital, LLC, a Delaware company founded in 2001, is based in San Francisco, California and is dually registered with the Commission as a broker-dealer and an investment adviser. Global Crown maintains approximately 300 active brokerage accounts, has approximately 70 advisory clients and about \$30 million in assets under management. Global Crown, which has about 15 employees, is majority-owned and operated by two managing members, Rani T. Jarkas and Antoine K. Chaya. Global Crown served as Cogent's manager from January through July 2003.

3. J&C Global Securities Investments, LLC is a Delaware company formed in 2003 by Jarkas and Chaya, the two principals of Global Crown. J&C is not registered with the Commission or any state securities regulator. J&C has served as Cogent's manager from July 2003 to the present.

4. Rani T. Jarkas is a managing member and an associated person of Global Crown and serves as Global Crown's Chief Investment Officer. Jarkas is also a managing member of J&C. Jarkas holds the Series 7, 24, and 63 securities licenses. Jarkas, 33 years old, is a resident of San Francisco, California.

5. Antoine K. Chaya is a managing member and an associated person of Global Crown and serves as Global Crown's Chief Operating Officer and Chief Financial Officer. Chaya is also a managing member of J&C. Chaya holds or has held the Series 3, 4, 7, 24, and 66 securities licenses. Chaya, 40 years old, is resident of San Francisco, California.

### **Facts**

6. In January 2003, Jarkas and Chaya formed a hedge fund, Cogent, with almost \$1.4 million in capital contributions from six of Global Crown's existing clients. At least five additional clients invested in Cogent subsequent to its formation. The stated objective of the fund was to achieve consistent returns in all market environments by trading equities and equity options in a manner consistent with capital preservation.

7. In its first three months of operations, January through March 2003, the fund's value declined by over 20%. Although Cogent's offering memorandum stated that investors would receive quarterly performance summaries, Jarkas and Chaya did not provide account statements or otherwise report Cogent's first quarter performance to investors.

8. As the end of Cogent's second quarter approached, Jarkas and Chaya established a purported "redemption reserve" to be added to Cogent's total assets on its financial statements. The "redemption reserve" was created to reimburse Cogent's initial investors for losses should any of them redeem their investment during Cogent's first year of operation. After estimating market performance for the rest of 2003 along with what they could afford to contribute, Jarkas and Chaya set the reserve amount at \$228,000. However, no money was actually paid into the reserve at the time.

9. Jarkas and Chaya never informed investors of the existence of the "redemption reserve." Nonetheless, they prepared second-quarter reports for certain investors that added this undisclosed "redemption reserve" in calculating Cogent's performance. On July 29, 2003, Jarkas and Chaya sent account statements to investors that reported the investor's net income or loss to date on his or her Cogent investment. As a consequence of adding the unfunded and undisclosed \$228,000 "redemption reserve," Jarkas and Chaya reported to investors that they had losses ranging from 2% to 5% when in reality, without the "redemption reserve," some investors had lost as much as 18% of their investment to date.

10. Jarkas and Chaya continued to report misleading returns to investors in subsequent quarters. On October 29, 2003, Jarkas and Chaya provided account statements to six of its ten investors for the third quarter of 2003 that once again calculated Cogent's performance using the undisclosed "redemption reserve" and significantly understated the fund's losses to date.

11. In the second half of 2003, Cogent's investment performance improved slightly. As a result, Jarkas and Chaya reduced the "redemption reserve" amount to \$158,000 (although the "redemption reserve" continued to exist solely on paper—Jarkas and Chaya had not yet paid any funds into the Cogent reserve). Again, this amount was used to calculate the performance of investors' investments for the year ended December 31, 2003 but was not disclosed to the investors. The inclusion of the undisclosed "redemption reserve" allowed Jarkas and Chaya to report losses of only 3.5% to certain investors when, in reality, they had lost as much as 16% year to date.

12. In March 2004, in connection with an independent audit of Cogent's 2003 financial statements, Jarkas and Chaya made a cash deposit to Cogent to fund the "redemption reserve." However, Cogent investors were never informed of the cash infusion, and Jarkas and Chaya continued to report performance that reflected the cash infusion without disclosing that Cogent's returns were derived in part from the cash infusion rather than from the actual investment performance of the fund.

13. At all relevant times, Respondents made use of the mails or means or instrumentalities of interstate commerce in connection with the conduct described above.

## Violations

14. As a result of the conduct described above, Global Crown and J&C willfully violated Section 206(1) of the Advisers Act, which makes it unlawful for an investment adviser to employ any device, scheme, or artifice to defraud any client or prospective client, and Section 206(2) of the Advisers Act, which makes it unlawful for an investment adviser to engage in any transaction, practice, or course of business which operates as a fraud or deceit upon any client or prospective client.

15. As a result of the conduct described above, Jarkas and Chaya willfully aided and abetted and caused Global Crown's and J&C's violation of Section 206(1) of the Advisers Act, which makes it unlawful for an investment adviser to employ any device, scheme, or artifice to defraud any client or prospective client, and Section 206(2) of the Advisers Act, which makes it unlawful for an investment adviser to engage in any transaction, practice, or course of business which operates as a fraud or deceit upon any client or prospective client.

### **III.**

In view of the allegations made by the Division of Enforcement, the Commission deems it necessary and appropriate in the public interest that public administrative and cease-and-desist proceedings be instituted to determine:

A. Whether the allegations set forth in Section II are true and, in connection therewith, to afford Respondents an opportunity to establish any defenses to such allegations;

B. What, if any, remedial action is appropriate in the public interest against Global Crown pursuant to Section 203(e) of the Advisers Act and Section 15(b)(4) of the Exchange Act including, but not limited to, civil penalties pursuant to Section 203(i) of the Advisers Act and Section 21B of the Exchange Act;

C. What, if any, remedial action is appropriate in the public interest against J&C pursuant to Section 203(e) of the Advisers Act and Section 15(b)(6) of the Exchange Act including, but not limited to, civil penalties pursuant to Section 203(i) of the Advisers Act and Section 21B of the Exchange Act;

D. What, if any, remedial action is appropriate in the public interest against Chaya and Jarkas pursuant to Section 203(f) of the Advisers Act and Section 15(b)(6) of the Exchange Act including, but not limited to, civil penalties pursuant to Section 203(i) of the Advisers Act and Section 21B of the Exchange Act; and

E. Whether, pursuant to Section 203(k) of the Advisers Act, Respondents should be ordered to cease and desist from committing or causing violations of and any future violations of Sections 206(1) and 206(2) of the Advisers Act.

#### IV.

IT IS ORDERED that a public hearing for the purpose of taking evidence on the questions set forth in Section III hereof shall be convened not earlier than 30 days and not later than 60 days from service of this Order at a time and place to be fixed, and before an Administrative Law Judge to be designated by further order as provided by Rule 110 of the Commission's Rules of Practice, 17 C.F.R. § 201.110.

IT IS FURTHER ORDERED that Respondents shall file an Answer to the allegations contained in this Order within twenty (20) days after service of this Order, as provided by Rule 220 of the Commission's Rules of Practice, 17 C.F.R. § 201.220.

If Respondents fail to file the directed answer, or fail to appear at a hearing after being duly notified, the Respondents may be deemed in default and the proceedings may be determined against them upon consideration of this Order, the allegations of which may be deemed to be true as provided by Rules 155(a), 220(f), 221(f), and 310 of the Commission's Rules of Practice, 17 C.F.R. §§ 201.155(a), 201.220(f), 201.221(f), and 201.310.

This Order shall be served forthwith upon Respondents personally or by certified mail.

IT IS FURTHER ORDERED that the Administrative Law Judge shall issue an initial decision no later than 300 days from the date of service of this Order, pursuant to Rule 360(a)(2) of the Commission's Rules of Practice.

In the absence of an appropriate waiver, no officer or employee of the Commission engaged in the performance of investigative or prosecuting functions in this or any factually related proceeding will be permitted to participate or advise in the decision of this matter, except as witness or counsel in proceedings held pursuant to notice. Since this proceeding is not "rule making" within the meaning of Section 551 of the Administrative Procedure Act, it is not deemed subject to the provisions of Section 553 delaying the effective date of any final Commission action.

By the Commission.

Nancy M. Morris  
Secretary