

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934

Release No. 56737 / November 2, 2007

INVESTMENT ADVISERS ACT OF 1940

Release No. 2676 / November 2, 2007

ADMINISTRATIVE PROCEEDING

File No. 3-12885

In the Matter of

CHARLES N. WATSON,

Respondent.

**ORDER INSTITUTING
ADMINISTRATIVE PROCEEDINGS
PURSUANT TO SECTION 15(b) OF THE
SECURITIES EXCHANGE ACT OF 1934,
AND SECTION 203(f) OF THE
INVESTMENT ADVISERS ACT OF 1940,
MAKING FINDINGS, AND IMPOSING
REMEDIAL SANCTIONS**

I.

The Securities and Exchange Commission (“Commission”) deems it appropriate and in the public interest that public administrative proceedings be, and hereby are, instituted pursuant to Section 15(b) of the Securities Exchange Act of 1934 (“Exchange Act”) and Section 203(f) of the Investment Advisers Act of 1940 (“Advisers Act”) against Charles N. Watson (“Watson” or “Respondent”).

II.

In anticipation of the institution of these proceedings, Respondent has submitted an Offer of Settlement (the “Offer”) which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, and without admitting or denying the findings herein, except as to the Commission’s jurisdiction over him and the subject matter of these

proceedings, and the findings contained in Section III.2 below, which are admitted, Respondent consents to the entry of this Order Instituting Administrative Proceedings Pursuant to Section 15(b) of the Securities Exchange Act of 1934 and Section 203(f) of the Investment Advisers Act of 1940, Making Findings, and Imposing Remedial Sanctions (“Order”), as set forth below.

III.

On the basis of this Order and Respondent’s Offer, the Commission finds that

1. Watson, 39 years old, is presently incarcerated and was formerly a resident of Orlando, Florida. From October 1, 2004 until March 22, 2005, Watson was a registered representative associated with an entity that was registered with the Commission as a broker-dealer and registered with the State of West Virginia as an investment adviser. At various times from January 1993 through October 2002, Watson was a registered representative associated with five other broker-dealers registered with the Commission. From November 2002 to March 2005, Watson offered and sold limited partnership interests in two different hedge funds that he formed, Global Capital Fund, Ltd. (“Global Capital”) and Summit Capital Trading, LLC (“Summit”).

2. On April 21, 2006, Watson pled guilty to one count of money laundering in violation of Title 18 United States Code, Section 1957, before the United States District Court for the Eastern District of Florida, in United States v. Watson, Crim. Information No. 6:06-cr-44-Orl-28KRS, and on April 26, 2006, the Court accepted his plea. On September 28, 2006, a judgment in the criminal case was entered against Watson. He was sentenced to a prison term of 50 months followed by 3 years probation and ordered to make restitution of \$6,624,000.

3. The count of the criminal information to which Watson pled guilty alleged that Watson did knowingly engage and attempt to engage in a monetary transaction in criminally derived property of a value greater than \$10,000 by means of mail fraud, wire fraud, and interstate transportation of stolen property. Watson admitted in his plea agreement that he was involved in a scheme to defraud investors in Global Capital and Summit. In his plea agreement, Watson also admitted each of the following facts. From November 2002 to January 2005, he raised \$6,813,500 from at least 36 investors through the offer and sale of interests in these two hedge funds. Investors in Global Capital were provided with a private placement memorandum representing that the hedge funds’ assets, less certain expenses, would be used to engage in securities trading, and that Watson would receive no compensation if there was a decrease in the hedge fund’s asset value. Contrary to these representations, Watson, who lost money making trades, spent \$1.4 million of Global Capital’s assets for his personal use, gave \$745,000 to another individual associated with Global Capital and loaned a total of \$841,000 to two other entities. Watson then mailed investors false financial statements containing materially inflated rates of return which failed to disclose his trading losses and misuse of investor funds. Watson used Global Capital’s false rates of return to induce people to invest in Summit. Then, after losing more than 70% of Summit’s assets through trading, Watson mailed investors a letter guaranteeing the return of their original investments, knowing that he did not have sufficient assets to repay these funds.

IV.

In view of the foregoing, the Commission deems it appropriate and in the public interest to impose the sanctions agreed to in Respondent Watson's Offer.

Accordingly, it is hereby ORDERED:

Pursuant to Section 15(b)(6) of the Exchange Act and Section 203(f) of the Advisers Act, that Respondent Watson be, and hereby is barred from association with any broker, dealer or investment adviser.

Any reapplication for association by the Respondent will be subject to the applicable laws and regulations governing the reentry process, and reentry may be conditioned upon a number of factors, including, but not limited to, the satisfaction of any or all of the following: (a) any disgorgement ordered against the Respondent, whether or not the Commission has fully or partially waived payment of such disgorgement; (b) any arbitration award related to the conduct that served as the basis for the Commission order; (c) any self-regulatory organization arbitration award to a customer, whether or not related to the conduct that served as the basis for the Commission order; and (d) any restitution order by a self-regulatory organization, whether or not related to the conduct that served as the basis for the Commission order.

By the Commission.

Nancy M. Morris
Secretary