

**UNITED STATES DISTRICT COURT
FOR THE MIDDLE DISTRICT OF FLORIDA**

**U. S. COMMODITY FUTURES
TRADING COMMISSION,**

Plaintiff,

v.

**ANTHONY J. KLATCH II;
LINDSEY HEIM; &
ASSURANCE CAPITAL
MANAGEMENT, LLC,**

Defendants.

Case No. _____

**COMPLAINT FOR INJUNCTIVE RELIEF,
CIVIL MONETARY PENALTIES, AND OTHER
EQUITABLE RELIEF UNDER THE COMMODITY EXCHANGE ACT**

Plaintiff, U.S. Commodity Futures Trading Commission (Commission), alleges as follows:

I. SUMMARY

1. Since at least June 2014 and continuing until at least December 2015 (the Relevant Period), Anthony J. Klatch II (Klatch), at times using the company Assurance Capital Management LLC (ACM), and at times acting together with Lindsey Heim (collectively, Defendants), defrauded at least 11 individuals and entities through at least 3 separate fraudulent schemes that collectively caused investor losses of more than \$556,000. The first of these 3 schemes set forth below involved all Defendants, whereas in the second and third schemes, Klatch acted alone.

2. The schemes described herein are not Klatch's first instances of defrauding the investing public. Indeed, from 2007-2011, Klatch orchestrated a massive Ponzi scheme that resulted in criminal charges being brought against him by the

Department of Justice, as well as civil charges being brought against him by the Commission and an administrative action being brought against him by the Securities and Exchange Commission.

3. On September 14, 2012, Klatch was sentenced to 60 months in prison, followed by 3 years of supervised release, by the U.S. District Court for the Southern District of Alabama on charges of securities fraud, wire fraud, money laundering, and conspiracy to defraud the United States. *See United States v. Klatch*, No. 1:11-cr-00202-WS-N, Judgment in a Criminal Case, Dkt. No. 103 (S.D. Ala. Sept. 14, 2012).

4. In a parallel civil proceeding in the U.S. District Court for the Southern District of New York, the Commission sought and obtained an Order of Final Judgment on March 10, 2014 (the Judgment) charging Klatch and other defendants with violations of the Commodity Exchange Act (Act), 7 U.S.C. §§ 1 *et seq.* (2012), and Commission Regulations (Regulations), 17 C.F.R. §§ 1.1 *et seq.* (2016). *See CFTC v. Klatch*, Case No. 1:11-cv-05191-DBD, Dkt. No. 48 (S.D.N.Y. Mar. 10, 2014) (“*Klatch I*”). The Judgment permanently enjoined Klatch from further violations of the Act and Regulations, as charged, and further enjoined Klatch from:

- a) trading on or subject to the rules of any registered entity;
- b) entering into any transactions involving commodity futures, options on commodity futures, commodity options, security futures products, and/or foreign currency (forex);
- c) having any commodity futures, options on commodity futures, commodity options, security futures products, and/or forex contracts traded on his behalf;

- d) controlling or directing the trading for or on behalf of any other person or entity, whether by power of attorney or otherwise, in any account involving commodity futures, options on commodity futures, commodity options, security futures products, and/or forex contracts; or
- e) soliciting, receiving or accepting any funds from any person for the purpose of purchasing or selling any commodity futures, options on commodity futures, commodity options, security futures products, and/or forex contracts.

See Judgment from *Klatch I*, Dkt. No 48 at 2. The Judgment also ordered Klatch to pay, on a joint and several basis with other defendants in the case, \$12,919,739 in restitution to the victims of his Ponzi scheme. *Id.* at 4.

5. Klatch was incarcerated from approximately July 29, 2011 to April 1, 2014. On or about April 1, 2014, Klatch was released from prison and placed on supervised release. Even before he was released, Klatch began planning new investment frauds, which he implemented shortly after his release. Klatch's schemes alleged herein only ceased when Klatch was remanded back into custody in September 2015 for violating the terms of his supervised release. *United States v. Klatch*, Case No. 8:15-cr-00359-SDM-MAP, Judgment in a Criminal Case for Revocation of Supervised Release, Dkt. No. 14 (M.D. Fla. Oct. 2, 2015).

6. On or about February 26, 2016, after approximately 5 months in prison for violating the terms of his supervised release, Klatch was transferred to a half-way house. Subsequently, on or about February 29, 2016, Klatch, with assistance from Lindsey Heim, fled from custody after severing his required ankle monitoring bracelet. On July 19, 2016, a federal grand jury in the Southern District of Florida indicted Klatch and

Lindsey Heim for various crimes related to an identity theft scheme. *See United States v. Klatch and Heim*, No. 16-cr-20541, Indictment, Dkt. No. 8 (S.D. Fla.). Both pleaded guilty to two felony charges each in the U.S. District Court for the Southern District of Florida related to that identity theft scheme. *See Id.*, Plea Agreements, Dkt. Nos. 27 (Klatch) & 34 (Heim) (each pleading guilty to violations of 18 U.S.C. §§ 1029(a)(2) (theft through use of an access device) & 1028A (aggravated identity theft)).

7. The first of Klatch's alleged schemes during the Relevant Period pertained to a commodity pool operated by ACM (the pool) that traded commodity futures contracts (futures) and options on futures (options), among other things. Klatch directed the formation of ACM and, along with Lindsey Heim, controlled its operations. Klatch and Lindsey Heim established a corporate bank account in the name of ACM with Lindsey Heim as the sole signatory on the account.

8. Klatch fraudulently marketed ACM to at least some prospective and actual participants in the pool (the pool participants) by using the pseudonym "Larry J. Heim" in phone calls, email correspondence, and social media interactions with pool participants in order to hide his true identity and past wrongdoing. The supposed Larry J. Heim was listed in ACM marketing materials as its "Chief Investment Officer" and purportedly held two honors degrees from the Massachusetts Institute of Technology and an MBA from Harvard Business School. In fact, Larry J. Heim is a fictitious individual created by Klatch to further his fraudulent schemes. Klatch assumed the Larry J. Heim identity, in part, because ACM was registered with the state of Florida in the name of Lindsey Heim. Klatch and Lindsey Heim lived together while they operated ACM. At times, Klatch represented to prospective investors that Lindsey Heim was his wife. At all times

relevant hereto, Lindsey Heim was aware that Klatch was falsely representing himself to potential investors as Larry J. Heim.

9. While Klatch used the Larry J. Heim alias in many of his solicitations with pool participants, with others, Klatch used his real identity. However, even when he used his real name, Klatch misrepresented, or failed to disclose, to the pool participants the nature and extent of the permanent injunction entered against him in *Klatch I*. In some instances, for example, Klatch acknowledged that he had legal trouble in the past, but claimed that he was still permitted to trade on behalf of others (despite the clear prohibition of such in the *Klatch I* injunction).

10. In their solicitations of pool participants, Defendants marketed ACM as an established “investment vehicle” and claimed that ACM had over \$18 million under management. Defendants further claimed that ACM had been in operation since July 2013. These claims, however, were false. In reality, ACM was little more than a shell company that had only been in existence since June 2015. Klatch and Lindsey Heim were responsible for ACM’s operations, which, from beginning to end, spanned approximately 7 months. Further, ACM never raised, or otherwise held, capital in amounts anywhere close to \$18 million as Defendants claimed.

11. In addition, Defendants falsely claimed to pool participants that ACM generated investment returns of 17.7% in 2013, 64.3% in 2014, and 19.9% in 2015. Defendants completely fabricated this performance history. The majority of Defendants’ trading activity took place during a 3-month period in 2015 and their overall trading showed consistent losses, despite the rosy picture they painted.

12. Defendants made numerous other material misrepresentations and/or omissions to pool participants about Klatch's identity, his past trading success, the risk tolerance of ACM, and ACM having a risk manager. Through these and other material misrepresentations and omissions, Defendants successfully solicited at least 8 individuals and entities to contribute approximately \$92,000 to the pool operated by ACM.

13. Additionally, Klatch, acting on behalf of ACM, in connection with an effort to solicit a prospective ACM investor, made material misrepresentations and omissions in order to gain control over the prospective investor's personal trading account. As part of the solicitation, Klatch offered to demonstrate successful trading in the victim's personal account as a means of attempting to convince the potential investor to make a \$100,000 investment in ACM. Among other things, during this solicitation, Klatch misrepresented his identity as Larry J. Heim to prevent the individual from discovering Klatch's true identity. The individual granted Klatch, acting on behalf of ACM, access to his trading account and, in less than 3 days of trading, Defendants caused the victim's account to lose at least \$367,613.

14. While ACM was operating, Defendants prepared and distributed to pool participants false account statements. These false account statements purported to show profitable trading and account balances that had increased in value. These statements, however, were complete fabrications. The pool participants' accounts never increased in value.

15. Defendants lost all of the capital contributed by the pool participants, either through the unprofitable trading of futures and options or through Klatch's and Lindsey Heim's misappropriation of funds for their own personal use. In total, during the

Relevant Period, Defendants misappropriated at least \$68,000 of the money contributed to ACM by pool participants and lost additional monies through the unprofitable trading of futures and options. Defendants have failed to return any money to the pool participants.

16. Klatch's second alleged scheme perpetrated during the Relevant Period involved fraud in connection with the managed trading of futures and options. In this scheme, Klatch, while acting as a commodity trading advisor, and through means and instrumentalities of interstate commerce, made material misrepresentations and/or omissions in order to gain control over and direct the trading of others' trading accounts. With regard to at least one victim, Klatch misrepresented and/or failed to disclose, among other things, the nature and extent of the permanent injunction entered in *Klatch I*, which bars Klatch from, among other things, controlling or directing the trading of futures and options for or on behalf of any other person or entity. By virtue of this conduct, Klatch caused trading losses of at least \$41,709 to this individual and Klatch fraudulently obtained payments from this individual of at least \$5,164.

17. In the third of Klatch's alleged schemes during the Relevant Period, Klatch convinced a former fellow inmate to provide at least \$50,000 to KAPA Management Corp. (KAPA), an entity that Klatch controlled. Klatch utilized KAPA, including this victim's funds, for the purpose of trading futures and options, as well as to misappropriate funds for his own personal use. With regard to this investor, and possibly others, in convincing the individual to contribute funds, Klatch misrepresented and/or failed to disclose the nature and extent of the permanent injunction entered in *Klatch I*. Additionally, Klatch misrepresented that the investor would receive a 10% monthly

return on his investment. All \$50,000 of these solicited funds were lost, through either trading futures and options or through misappropriation of the funds for personal use.

18. In some instances, Defendants were able to advance the schemes described herein by making false statements to futures commission merchants (FCMs). In particular, Defendants misrepresented the true identity of the person controlling the trading account or provided false identification documents to FCMs, hampering the FCMs' ability to discover Klatch's operation and his control of trading accounts.

19. By virtue of this conduct and the further conduct described herein, Defendants have engaged, are engaging, or are about to engage in acts and practices in violation of the Act and Regulations. Specifically, Defendants have engaged, are engaging or are about to engage in acts or practices in violation of Sections 4b(a)(1)(A)-(C), 4c(b), 4o(1), and 6(c)(1) of the Act, 7 U.S.C. §§ 6b(a)(1)(A)-(C), 6c(b), 6o(1), and 9(1) (2012); and Regulations 4.20, 33.10, and 180.1(a), 17 C.F.R. §§ 4.20, 33.10, and 180.1(a) (2016).

20. When Klatch and Lindsey Heim committed the acts, omissions, and failures described herein that comprised the ACM scheme, they did so within the scope of their agency, employment, and office with ACM; therefore, those acts, omissions, and failures are deemed those of ACM pursuant to Section 2(a)(1)(B) of the Act, 7 U.S.C. § 2(a)(1)(B) (2012), and Regulation 1.2, 17 C.F.R. § 1.2 (2016).

21. At all times relevant to this Complaint, Klatch and Lindsey Heim controlled ACM, directly or indirectly, and did not act in good faith or knowingly induced, directly or indirectly, the acts of ACM described herein; therefore, Klatch and

Lindsey Heim are liable for the violations by ACM of the Act and Regulations described herein pursuant to Section 13(b) of the Act, 7 U.S.C. § 13c(b) (2012).

22. Accordingly, pursuant to Section 6c of the Act, 7 U.S.C. § 13a-1 (2012), the Commission brings this action to permanently enjoin Defendants' unlawful acts and practices, to compel their compliance with the Act and the Regulations, and to permanently enjoin Defendants from engaging in any commodity-related activity. In addition, the Commission seeks civil monetary penalties and remedial ancillary relief, including, but not limited to, trading and registration bans, disgorgement, restitution, pre- and post-judgment interest, and such other relief as the Court may deem necessary and appropriate.

23. Unless restrained and enjoined by this Court, Defendants are likely to continue to engage in the acts and practices alleged in this Complaint and similar acts and practices, as more fully described below.

II. JURISDICTION AND VENUE

24. The Court has jurisdiction over this action pursuant to Section 6c of the Act because it appears to the Commission that Defendants have engaged, are engaging, or about to engage in conduct that constitutes a violation of the Act and the Regulations.

25. Venue properly lies with the Court pursuant to Section 6c(e) of the Act, in that Defendants resided and transacted business in this District and the acts and practices in violation of the Act and Regulations occurred within this District.

III. PARTIES

26. Plaintiff **U.S. Commodity Futures Trading Commission** is an independent federal regulatory agency that is charged by Congress with the

administration and enforcement of the Act and the Regulations promulgated thereunder. The Commission maintains its principal office at Three Lafayette Centre, 1155 21st Street, NW, Washington, D.C. 20581.

27. Defendant **Assurance Capital Management, LLC** is a Florida limited liability company whose last known address is 2914 W. Gandy Blvd, Unit E, Tampa, FL 33611. ACM was engaged in a business that is of the nature of a commodity pool, investment trust, syndicate, or similar form of enterprise, and in connection therewith, solicited, accepted, or received from others, funds, securities, or property, for the purpose of trading in commodity interests. Since its inception in June 2015, ACM was a commodity pool operator (CPO). ACM has never been registered with the Commission in any capacity.

28. Defendant **Anthony J. Klatch, II** is a resident of Sunny Isles Beach, Florida and was a resident of Tampa, Florida during the Relevant Period. Klatch exercised control over ACM, directing its operation and conduct. Klatch solicited investors for ACM and other enterprises, authored and distributed disclosure documents and other marketing materials used to solicit ACM investors, executed or directed others to execute futures and options trades on behalf of ACM and others, and created and distributed false account statements. At all times relevant hereto, Klatch was an associated person (AP) of ACM, though he has never been registered with the Commission in any capacity.

29. Defendant **Lindsey Heim** is a resident of Tampa, Florida. Lindsey Heim was the manager, principal, and registered agent of ACM. Lindsey Heim exercised ownership and control over ACM, directing its operation and conduct. Lindsey Heim

served as the sole signatory on ACM bank accounts and the sole authorized person on ACM's trading account. Lindsey Heim solicited investors for ACM and held herself out as being involved in managing ACM's risk. At all times relevant hereto, Lindsey Heim was an AP of ACM, though she has never been registered with the Commission in any capacity.

IV. FACTS

A. Defendants' Commodity Pool Fraud

30. Even before ACM was formed as a limited liability company, Klatch began soliciting investors online by posting numerous messages that he was raising money for a "hedge fund."

31. In June 2015, ACM was established by Klatch and Lindsey Heim as a limited liability company and a bank account was opened by Lindsey Heim, at Klatch's direction, in ACM's name.

32. Throughout the Relevant Period, Defendants, acting directly or through their agents, employees, or officers, solicited approximately \$92,000 from at least 8 individuals and entities for the purpose of investing in the pool operated by ACM.

33. Defendants also caused losses of at least \$367,613 in a prospective investor's trading account as a direct result of Klatch's solicitation of this individual to invest with ACM.

1. Defendants' Fraudulent Solicitation of Pool Participants

34. Defendants utilized various social media and Internet sites to promote ACM and fundraising efforts for the pool, including stocktwits.com, Twitter, Craigslist, and potentially others. In many instances, where these efforts resulted in prospective

pool participants contacting Klatch, he responded using the Larry J. Heim pseudonym. By responding as Larry J. Heim, Klatch began a series of lies that imbued with deceit the solicitations of pool participants from the very outset. By responding as Larry J. Heim, Klatch concealed both his true identity and the injunctive order entered in *Klatch I* that prohibited him from trading futures and options.

35. In responding to other inquiries from pool participants concerning ACM, however, Klatch used his real name. Even when Klatch used his real name, however, he made affirmative, material misrepresentations to pool participants concerning the scope and nature of the injunction entered in *Klatch I*, including representing that his trading ban had been lifted by court order.

36. Defendants made numerous misrepresentations of material fact to pool participants in order to convince them to invest and to remain invested. Specifically, Defendants falsely told existing and potential pool participants:

- a. That ACM launched in July 2013;
- b. Since ACM's launch in July 2013, it generated returns of 131.8% (net of fees);
- c. ACM generated returns of 17.7% in 2013, 64.3% in 2014, and 19.9% in 2015;
- d. ACM had over \$18 million of assets under investment;
- e. There was an individual named Larry J. Heim, II, who was the Chief Investment Officer of ACM;
- f. Lindsey Heim managed risk for ACM;
- g. The pool participants' investments were growing in value;

- h. ACM employed a risk manager; and
- i. Klatch was allowed to trade futures and options on behalf of others.

37. Throughout the Relevant Period, Defendants failed to disclose material facts to pool participants, including that:

- a. Defendants were sustaining significant losses trading futures and options;
- b. There is risk, including the risk of loss of principal, associated with the trading of futures and options;
- c. Klatch was barred from trading futures and options on behalf of others by virtue of the permanent injunction entered in *Klatch I*; and
- d. Klatch was the subject of a restitution order entered in *Klatch I* in excess of \$12 million dollars.

38. Defendants' material misrepresentations and omissions caused pool participants to invest and add to their initial investments.

39. Defendants made all of these false statements to pool participants knowingly or with reckless disregard for the truth.

2. Defendants' False Statements and Documents

40. To further their fraudulent scheme, Defendants regularly sent periodic account statements via email to pool participants. These statements falsely indicated that the pool participants' interests in the pool were consistently growing in value. In these statements, Defendants represented gains of over 30% in less than 2 months. In reality, because of the overall trading losses and the misappropriation that took place, ACM was never able to generate a profit for the pool participants. To the contrary, what little

trading did actually take place in ACM's trading account resulted in consistent trading losses.

41. In addition, Defendants created and provided to pool participants falsified trading account statements purportedly issued by an FCM showing an inflated account value and false trade information. Specifically, Defendants utilized a falsified trading statement that was purportedly issued on August 21, 2015 and represented that ACM had an account balance of \$126,258.33. In reality, as of August 21, 2015, ACM had an account balance with the FCM of less than \$500.

42. Defendants utilized these falsified trading account statements and falsified accounting spreadsheets in their solicitation efforts with potential pool participants, as well as in reassuring existing pool participants as to the profitability of ACM's trading. Specifically, in an accounting spreadsheet sent to pool participants on August 23, 2015, Defendants falsified the account value and profit of each investor to match the falsified trading account statement provided on the same day. In another accounting spreadsheet, Defendants represented that ACM's trading resulted in a 52% return on base capital as of September 7, 2015.

43. Defendants created, distributed, or otherwise utilized all of the false documents described herein knowingly or with reckless disregard for the truth.

3. Defendants Commingled and Misappropriated Pool Funds

44. Defendants misappropriated at least \$68,000 of pool participants' contributions via cash withdrawals and transfers to personal accounts controlled by Klatch and Lindsey Heim. Klatch and Lindsey Heim also used pool participants' funds for personal expenses, including, among other items, car insurance, health insurance,

rent, multiple cash withdrawals at a casino, car payments for two BMW automobiles, and country club fees.

45. Defendants also failed to operate the pool as a separate legal entity. In particular, Defendants never formed a separate entity for the pool and never opened a separate bank account for the pool.

46. With at least one pool participant, Defendants received the pool participant's contributions through a PayPal account in Klatch's name. With another pool participant, Defendants received the pool participant's contribution via a PayPal account associated with yet another entity under Klatch's control, Artlu Media Net Corp.

47. With still other pool participants, Defendants deposited pool participant funds directly into ACM's bank account, where such funds were then subsequently transferred to a trading account in the name of ACM or misappropriated for Klatch's and/or Lindsey Heim's personal use.

48. In the case of all pool participants, Defendants treated the funds received from pool participants for investment in the pool as belonging to ACM, or to Klatch and Lindsey Heim personally, rather than keeping them segregated for the represented purpose of investing in the pool.

49. Defendants committed these acts of misappropriation knowingly or with reckless disregard for the truth.

4. Defendants' Fraudulent Solicitation of Prospective Client P.L.

50. In July 2015, Klatch met P.L. through the online investor forum stocktwits.com.

51. Klatch falsely presented himself to P.L. as Larry J. Heim. Klatch, acting as Larry J. Heim, falsely claimed that he held 2 honors engineering degrees from the Massachusetts Institute of Technology and an MBA from the Harvard Business School. Klatch also falsely claimed that he (Larry J. Heim) had spent the prior 17 years developing an algorithmic approach to equity selection.

52. Klatch's on-line profile for Larry J. Heim on stocktwits.com—which was in the name of ACM—contained a link to a website containing a one-page fund overview of ACM. The fund overview contained Larry J. Heim's phony biography and ACM's false performance history.

53. Through a series of telephone and email communications, Klatch—all the while holding himself out to be Larry J. Heim—solicited P.L. to invest in ACM.

54. In furtherance of the solicitation, Klatch provided P.L. with ACM offering documents, bank wire instructions, and a side letter agreement offering to waive fees for a period of time in exchange for an immediate investment.

55. As further evidence of ACM's purported current assets under management, Klatch provided P.L. with a fake account statement from an FCM purporting to show that ACM had over \$18 million in a trading account in ACM's name.

56. In furtherance of his efforts to have P.L. invest in ACM, Klatch, still holding himself out as Larry J. Heim, also offered to trade P.L.'s trading account in exchange for a 20% bi-weekly performance fee on net gains to the account above a \$190,000 initial hurdle rate. P.L.'s trading account balance at the time was approximately \$510,000.

57. Klatch represented to P.L. that he would trade P.L.'s account consistent with ACM's trading account, which was falsely represented in both the materials on-line and those sent directly to P.L. to be up 131.8% (net of fees) since July 2013 and with an average 4.8% monthly return on investment.

58. From July 27, 2015, through July 29, 2015, P.L. granted Klatch (still holding himself out to be Larry J. Heim) access to trade in his trading account and Klatch proceeded to trade the account. Over the course of 3 days, Klatch executed numerous futures and options transactions, among other instruments, resulting in more than \$367,613 in losses. P.L. then revoked the trading authorization and decided not to invest in ACM.

59. By virtue of Klatch's misrepresentations about his identity, his misrepresentations about the performance history of ACM, his failure to disclose the existence of the injunction entered against him in *Klatch I*, and his failure to disclose that he was convicted of securities fraud (among other charges) and presently on supervised release, and as a direct result of Defendants' solicitations of P.L. to invest in ACM and in furtherance of their efforts to obtain a contribution to ACM from P.L., Klatch fraudulently obtained authorization to trade P.L.'s accounts. As a result, none of the trades Klatch subsequently placed in P.L.'s accounts was authorized. Defendants made all of these false statements knowingly or with reckless disregard for the truth.

B. Klatch's Managed Account Fraud

60. During the Relevant Period, Klatch began advertising his "expertise" in trading, among other things, futures and options. Klatch began offering on-line classes to the public that would purportedly teach individuals how to trade futures and options

based on techniques Klatch claimed he developed over years of successful trading and study.

61. Klatch initially offered courses he described as teaching the basics of trading futures. After a short time, Klatch expanded his class offering to include private trading lessons. In these private sessions, Klatch provided personalized trading advice to clients tailored to the trading interests of the particular client. Klatch charged per session fees for reviewing the customer's trading performance for the week and planned trading for the upcoming week. Additionally, Klatch sold subscriptions to his on-line trading room, in which he both forecasted market movements and made real-time buy/sell recommendations.

62. Klatch used these trading courses and his trading room as a way to bolster his image as a knowledgeable trader and to gain direct access to potential investors—individuals that would either invest money into an entity operated by Klatch or permit Klatch to manage their trading accounts.

63. In addition to his trading courses, upon his release from prison, Klatch began promoting himself as a knowledgeable trader through social media sites and other online forums devoted to futures and securities trading markets. Klatch utilized his on-line postings about market activity and predictions to identify individuals with potential interest in his trading courses, trading room, and investing in his fraudulent schemes.

Victim R.R.

64. In early 2015, Klatch met R.R. through the online investor forum stocktwits.com.

65. Klatch invited R.R. to access Klatch's website, where Klatch provided investment advice and trade recommendations, and told R.R. about the books Klatch had published on trading that touted Klatch's market expertise.

66. Through Klatch's website, Klatch offered trading courses in which Klatch provided personalized trading advice for users who paid a subscription fee. R.R. signed up for Klatch's trading classes and paid Klatch approximately \$1,000 for 5 weeks of classes over the course of their arrangement.

67. Through communications between Klatch and R.R., and despite the injunction entered against him in *Klatch I*, Klatch misrepresented to R.R. that he was allowed to trade futures and options on behalf of others and failed to disclose the true nature of the *Klatch I* injunction, including that he was prohibited from acting as a commodity trading advisor for compensation. Klatch made these false statements knowingly or with reckless disregard for the truth.

68. Beginning on March 10, 2015, and only after connecting with Klatch on stocktwits.com and at Klatch's suggestion, R.R. began trading futures in two different trading accounts. First, R.R. funded and began trading in an account in R.R.'s name and then in an account in the name of a company R.R. controlled (R.R.'s accounts).

69. In connection with setting up the accounts, and on Klatch's offer to trade the accounts for a fee, R.R. granted Klatch direct access to trade R.R.'s accounts. Klatch executed numerous futures trades in R.R.'s accounts.

70. On March 13, 2015, R.R. advanced approximately \$4,100 in fees to Klatch for Klatch's anticipated successful management of R.R.'s accounts.

71. In addition to placing trades in the accounts himself, Klatch instructed R.R. on what trades R.R. should place in the accounts. As a result, all of the trades placed in R.R.'s accounts were the direct result of Klatch's trading of the account or of Klatch's investment advice and trade recommendations.

72. Over the course of the next several weeks, R.R.'s accounts suffered significant losses, rather than gains.

73. By virtue of Klatch's misrepresentations about his ability to trade futures and options on behalf of others, as well as his failure to disclose the true nature of the injunction entered against him in *Klatch I*, Klatch fraudulently obtained authorization to trade R.R.'s accounts. Accordingly, none of the trades Klatch placed in R.R.'s accounts was authorized.

74. In total, Klatch's trades and investment advice resulted in at least \$41,709 in trading losses in R.R.'s accounts. Klatch also fraudulently obtained payments of at least \$5,164 from R.R. for commodity trading advice.

Victim P.L.

75. In addition, Klatch's fraudulent solicitation of P.L. for ACM set forth above, which allowed Klatch (claiming to be Larry J. Heim) to obtain access to trade in P.L.'s trading account, and which, as indicated, resulted in trading losses of \$367,613, is also an example of Klatch's managed account fraud.

C. Klatch's Fraud in Connection with the Trading of Futures and Options (Non-Managed Account)

Victim D.F.

76. While in prison, Klatch regularly touted his market theories and trading expertise to other inmates. Klatch even held informational classes, teaching fellow inmates how to invest and trade futures and options.

77. Prior to his release in April 2014, Klatch promised at least one inmate, D.F., that Klatch would provide D.F. with an investment opportunity after they were both released from prison.

78. Around July 2014, Klatch contacted D.F. about KAPA. Klatch represented to D.F. that KAPA was a firm engaged in trading and investment in the market. Klatch represented to D.F. that he was a member of KAPA's "upper management team" and promised D.F. a 10% per month return on investment.

79. Klatch never disclosed to D.F. that he was not allowed to trade futures or that there were any restrictions on his ability to invest or trade on behalf of himself or others.

80. On August 29, 2014, D.F. wired \$50,000 to KAPA's bank account. Klatch had access to and control over KAPA's bank account. The same day, Klatch transferred \$49,500 to a trading account at an FCM in KAPA's name. Klatch controlled and directed the trading in KAPA's account, which consisted of futures and options trades.

81. On September 5, 2014, Klatch transferred \$20,500 from the KAPA trading account back to KAPA's bank account. The vast majority of the \$20,500 was misappropriated for personal expenses (*e.g.*, to purchase furniture), or withdrawn as cash. On information and belief, the remaining funds D.F. invested in KAPA were lost through Klatch's trading in futures and options.

82. D.F. never received any return on his investment and his investment was never returned to him.

83. Klatch made these material misstatements and omissions and committed these acts of misappropriation knowingly or with reckless disregard for the truth.

**V. VIOLATIONS OF THE COMMODITY EXCHANGE ACT
AND THE REGULATIONS**

Count I – Futures Fraud

**Violations of Section 4b(a)(1)(A)-(C) of the Act, 7 U.S.C. § 6b(a)(1)(A)-(C) (2012)
(All Defendants)**

84. The allegations set forth in Paragraphs 1 through 83 are re-alleged and incorporated herein by reference.

85. Section 4b(a) of the Act, makes it unlawful:

(1) for any person, in or in connection with any order to make, or the making of, any contract of sale of any commodity in interstate commerce or for future delivery that is made, or to be made, on or subject to the rules of a designated contract market, for or on behalf of any other person;

* * *

(A) to cheat or defraud or attempt to cheat or defraud the other person;

(B) willfully to make or cause to be made to the other person any false report or statement or willfully to enter or cause to be entered for the other person any false record;

(C) willfully to deceive or attempt to deceive the other person by any means whatsoever in regard to any order or contract or the disposition or execution of any order or contract, or in regard to any act of agency performed, with respect to any order or contract for . . . the other person

86. As described above, Klatch violated Section 4b(a)(1)(A)-(C) of the Act, by, among other things, in or in connection with futures contracts made for or on behalf

of other persons, providing false account statements or misrepresenting or omitting material facts that caused individuals or entities to send money to Klatch, including by and through entities he controlled, for the purpose of trading futures; to allow Klatch to trade futures on their behalf; or to grant Klatch access to trading accounts.

87. In addition, as described above, Defendants violated Section 4b(a)(1)(A)-(C) of the Act, by, among other things, in or in connection with futures contracts made for or on behalf of other persons, misappropriating pool funds; providing false account statements that misrepresented profitability and/or the value of participants' interest in the pool; and misrepresenting and omitting material facts.

88. Defendants engaged in the acts and practices described above knowingly or with reckless disregard for the truth.

89. When Klatch and Lindsey Heim committed the acts, omissions, and/or failures described above in connection with ACM, each was acting within the scope of his/her agency, employment, and office at ACM; therefore, such acts, omissions, and/or failures are deemed to be those of ACM pursuant to Section 2(a)(1)(B) of the Act, 7 U.S.C. § 2(a)(1)(B) (2012), and Regulation 1.2, 17 C.F.R. § 1.2 (2016).

90. At all times relevant to this Complaint, Klatch and Lindsey Heim controlled ACM, directly or indirectly, and did not act in good faith or knowingly induced, directly or indirectly, ACM's conduct alleged in this Count; therefore, pursuant to Section 13(b) of the Act, 7 U.S.C. § 13c(b) (2012), Klatch and Lindsey Heim are each liable for ACM's violations of Section 4b(a)(1)(A)-(C) of the Act.

91. Each act of misappropriation, issuance of a false report or account statement, and misrepresentation or omission of material fact, including, but not limited

to, those specifically alleged herein, is alleged as a separate and distinct violation of Section 4b(a)(1)(A)-(C) of the Act.

Count II – Options Fraud

**Violations of Section 4c(b) of the Act, 7 U.S.C. § 6c(b) (2012),
and Regulation 33.10, 17 C.F.R. § 33.10 (2016)
(All Defendants)**

92. The allegations set forth in Paragraphs 1 through 91 are re-alleged and incorporated herein by reference.

93. Section 4c(b) of the Act provides:

No person shall offer to enter into, enter into or confirm the execution of, any transaction involving any commodity regulated under this Act which is of the character of, or is commonly known to the trade as, an “option” . . . contrary to any rule, regulation, or order of the Commission prohibiting any such transaction or allowing any such transaction under such terms and conditions as the Commission shall prescribe. . . .

94. Regulation 33.10 provides:

It shall be unlawful for any person directly or indirectly—

(a) To cheat or defraud or attempt to cheat or defraud any other person;

(b) To make or cause to be made to any other person any false report or statement thereof or cause to be entered for any person any false record thereof;

(c) To deceive or attempt to deceive any other person by any means whatsoever

in or in connection with an offer to enter into, the entry into, the confirmation of the execution of, or the maintenance of, any commodity option transaction.

95. As described above, Klatch violated Section 4c(b) of the Act and Regulation 33.10 by, among other things, in or in connection with options on futures

made for or on behalf of other persons, providing false account statements or misrepresenting or omitting material facts that caused individuals or entities to send money to Klatch, including by and through entities he controlled, for the purpose of trading options; to allow Klatch to trade options on their behalf; or to grant Klatch access to trading accounts.

96. As described above, Defendants violated Section 4c(b) of the Act and Regulation 33.10 by, among other things, in or in connection with options on futures made for or on behalf of other persons, misappropriating pool funds; providing false account statements that misrepresented profitability and/or the value of participants' interest in the pool; and misrepresenting and omitting material facts.

97. Defendants engaged in the acts and practices described above knowingly or with reckless disregard for the truth.

98. When Klatch and Lindsey Heim committed the acts, omissions, and/or failures described above in connection with ACM, each was acting within the scope of his/her agency, employment, and office at ACM; therefore, such acts, omissions, and/or failures are deemed to be those of ACM pursuant to Section 2(a)(1)(B) of the Act and Regulation 1.2.

99. At all times relevant to this Complaint, Klatch and Lindsey Heim controlled ACM, directly or indirectly, and did not act in good faith or knowingly induced, directly or indirectly, ACM's conduct alleged in this Count; therefore, pursuant to Section 13(b) of the Act, 7 U.S.C. § 13c(b) (2012), Klatch and Lindsey Heim are each liable for ACM's violations of Section 4c(b) of the Act and Regulation 33.10.

100. Each act of misappropriation, issuance of a false report or account statement, and misrepresentation or omission of material fact, including, but not limited to, those specifically alleged herein, is alleged as a separate and distinct violation of Section 4c(b) of the Act and Regulation 33.10.

Count III – Fraudulent and Deceptive Practices

**Violations of Section 6(c)(1) of the Act, 7 U.S.C. § 9(1) (2012),
and Regulation 180.1(a), 17 C.F.R. § 180.1(a) (2016)
(All Defendants)**

101. The allegations set forth in Paragraphs 1 through 100 are re-alleged and incorporated herein by reference.

102. Section 6(c)(1) of the Act renders it unlawful for any person, directly or indirectly, to:

use or employ, or attempt to use or employ, in connection with any swap, or a contract of sale of any commodity in interstate commerce, or for future delivery on or subject to the rules of any registered entity, any manipulative or deceptive device or contrivance, in contravention of such rules and regulations as the Commission shall promulgate by not later than 1 year after the date of enactment of the Dodd-Frank Wall Street Reform and Consumer Protection Act [July 21, 2010] . . .

103. Regulation 180.1(a) provides:

It shall be unlawful for any person, directly or indirectly, in connection with any swap, or a contract of sale of any commodity in interstate commerce, or contract for future delivery on or subject to the rules of any registered entity, to intentionally or recklessly:

- (1) Use or employ, or attempt to use or employ, any manipulative device, scheme, or artifice to defraud;
- (2) Make, or attempt to make, any untrue or misleading statement of material fact or to omit to state a material fact necessary in order to make the statements made not untrue or misleading;
- (3) Engage, or attempt to engage, in any act, practice, or course of business, which operates or would operate as a fraud or deceit upon any person

104. As described above, Klatch violated Section 6(c)(1) of the Act and Regulation 180.1(a) by, among other things, in connection with futures contracts, providing false account statements or misrepresenting or omitting material facts that caused individuals or entities to send money to Klatch, including by and through entities

he controlled, for the purpose of trading futures; to allow Klatch to trade futures on their behalf; or to grant Klatch access to trading accounts.

105. As described above, Defendants violated Section 6(c)(1) of the Act and Regulation 180.1(a) by, among other things, in connection with futures contracts, misappropriating pool funds; providing false account statements that misrepresented profitability and/or the value of participants' interest in the pool; and misrepresenting and omitting material facts.

106. Defendants engaged in the acts and practices described above intentionally or recklessly.

107. When Klatch and Lindsey Heim committed the acts, omissions, and/or failures described above in connection with ACM, each was acting within the scope of his/her agency, employment, and office at ACM; therefore, such acts, omissions, and/or failures are deemed to be those of ACM pursuant to Section 2(a)(1)(B) of the Act and Regulation 1.2.

108. At all times relevant to this Complaint, Klatch and Lindsey Heim controlled ACM, directly or indirectly, and did not act in good faith or knowingly induced, directly or indirectly, ACM's conduct alleged in this Count; therefore, pursuant to Section 13(b) of the Act Klatch and Lindsey Heim are each liable for ACM's violations of Section 6(c)(1) of the Act and Regulation 180.1(a).

109. Each act of misappropriation, issuance of a false report or account statement, and misrepresentation or omission of material fact, including, but not limited to, those specifically alleged herein, is alleged as a separate and distinct violation of

Section 6(c)(1) of the Act, 7 U.S.C. § 9(c)(1) (2012), and Regulation 180.1, 17 C.F.R. § 180.1 (2016).

**Count IV – Fraud by Commodity Pool Operator and Associated Person Thereof;
and Fraud by a Commodity Trading Advisor**

**Violations of Section 4o(1) of the Act, 7 U.S.C. § 6o(1) (2012)
(All Defendants)**

110. The allegations set forth in Paragraphs 1 through 109 are re-alleged and incorporated herein by reference.

ACM Acted as a CPO

111. A “commodity pool” is defined under Section 1a(10)(A) of the Act, 7 U.S.C. § 1a(10) (2012), as “any investment trust, syndicate, or similar form of enterprise operated for the purpose of trading commodity interests,” including for the trading of futures and options.

112. Section 1a(11)(A)(i) of the Act, 7 U.S.C. § 1a(11)(A)(i) (2012), defines a CPO as a person:

engaged in a business that is of the nature of a commodity pool, investment trust, syndicate, or similar form of enterprise, and who, in connection therewith, solicits, accepts, or receives from others, funds . . . for the purpose of trading in commodity interests, including any—

- (I) commodity for future delivery . . . ;
- (II) agreement, contract, or transaction described in Section 2(c)(2)(C)(i) or Section 2(c)(2)(D)(i); [or]
- (III) commodity option authorized under section 4c.

113. ACM has been operating as a CPO because it is engaged in a business that is of the nature of an investment trust, syndicate, or similar form of enterprise, and in

connection therewith, solicited, accepted, or received funds, securities, or property from others for the purpose of trading futures and options.

Klatch and Lindsey Heim Acted as APs of a CPO

114. Regulation 1.3(aa), 17 C.F.R. § 1.3(aa) (2016), defines an associated person (AP) of a CPO as “any natural person who is associated in any of the following capacities with . . . (3) A commodity pool operator as a partner, officer, employee, consultant, or agent (or any natural person occupying a similar status or performing similar functions), in any capacity which involves (i) the solicitation of funds, securities, or property for a participation in a commodity pool or (ii) the supervision of any person or persons so engaged[.]”

115. At all times relevant to this Complaint, Klatch has acted as an associated person of ACM because he was a partner, officer, employee and/or agent of ACM and he solicited and accepted funds, securities, or property from investors for ACM for participation in a commodity pool.

116. At all times relevant to this Complaint, Lindsey Heim acted as an associated person of ACM because she was a partner, officer, employee and/or agent of ACM and she solicited and accepted funds, securities, or property from investors for ACM for ACM for participation in a commodity pool.

Klatch Acted as a CTA

117. Section 1a(12) of the Act, 7 U.S.C. § 1a(12) (2012), defines commodity trading advisor (CTA) as, “any person who—(i) for compensation or profit engages in the business of advising others, either directly or through publications, writing, or electronic media, as to the value of or the advisability of trading in—” futures and options.

118. At all times relevant to this Complaint, Klatch has acted as a CTA by engaging in the business of advising others as to the value or the advisability of trading in any futures and/or options for compensation or profit.

Violations of Section 4o(1) of the Act

119. Section 4o(1) of the Act makes it unlawful for a commodity trading advisor, associated person of a commodity trading advisor, commodity pool operator, or associated person of a commodity pool operator by use of the mails or any means or instrumentality of interstate commerce, directly or indirectly—

(A) to employ any device, scheme, or artifice to defraud any client or participant or prospective client or participant; or

(B) to engage in any transaction, practice, or course of business which operates as a fraud or deceit upon any client or participant or prospective client or participant.

Section 4o(1) of the Act applies to all CTAs, CPOs, and their associated persons, whether registered, required to be registered, or exempted from registration.

120. At all times relevant to this Complaint, ACM acting as a CPO, and Klatch and Lindsey Heim, as APs of ACM, through the use of the mails or other means or instrumentalities of interstate commerce (including through use of telephones and the Internet), violated Section 4o(1) of the Act by, among other things, misappropriating pool funds; providing false account statements that misrepresented profitability and/or the value of participants' interest in the pool; and misrepresenting and omitting material facts to actual and prospective clients.

121. At all times relevant to this Complaint, Klatch, acting as a CTA, through use of the mails or other means or instrumentalities of interstate commerce (including through use of telephones and the Internet), has violated Section 4o(1) of the Act by,

among other things, misrepresenting and omitting material facts to clients concerning Klatch's ability to trade futures and options.

122. Defendants engaged in the acts and practices described above knowingly or with reckless disregard for the truth.

123. When Klatch and Lindsey Heim committed the acts, omissions, and/or failures described above, they acted within the scope of their agency, employment, and office with ACM; therefore, such acts, omissions, and/or failures are deemed to be those of ACM pursuant to Section 2(a)(1)(B) of the Act and Regulation 1.2.

124. At all times relevant to this Complaint, Klatch and Lindsey Heim controlled ACM, directly or indirectly, and did not act in good faith or knowingly induced, directly or indirectly, ACM's conduct alleged in this Count; therefore, pursuant to Section 13(b) of the Act, 7 U.S.C. § 13c(b) (2012), Klatch and Lindsey Heim are each liable for ACM's violations of Section 4o(1) of the Act.

125. Each act of misappropriation, issuance of a false report or account statement, and misrepresentation or omission of material fact, including, but not limited to, those specifically alleged herein, is alleged as a separate and distinct violation of Section 4o of the Act.

**Count V – Failure to Operate the Pool as Separate Legal
Entity/Commingling of Funds**

**Violation of Regulation 4.20, 17 C.F.R. § 4.20 (2016)
(All Defendants)**

126. The allegations set forth in Paragraphs 1 through 125 are re-alleged and incorporated herein by reference.

127. Regulation 4.20(a) requires a CPO to operate its commodity pool as a legal entity separate and apart from that of the CPO.

128. Regulation 4.20(b) states that all “funds, securities or other property received by a commodity pool operator from an existing or prospective pool participant for the purchase of an interest or as an assessment (whether voluntary or involuntary) on an interest in a pool that it operates or that it intends to operate must be received in the pool’s name.”

129. Regulation 4.20(c) states that “[n]o commodity pool operator may commingle the property of any pool that it operates or that it intends to operate with the property of any other person.”

130. As described above, ACM, while acting through Klatch and Lindsey Heim, and while acting as a CPO, violated Regulation 4.20(a)-(c) by, among other things: (1) failing to operate the pool as a separate legal entity; (2) accepting pool funds not sent in the pool’s name; and (3) commingling the property of the pool with the funds of Defendants.

131. When Klatch and Lindsey Heim committed the acts, omissions, and/or failures described above, each acted within the scope of his/her agency, employment, and office with ACM; therefore, such acts, omissions, and/or failures are deemed to be those of ACM pursuant to Section 2(a)(1)(B) of the Act and Regulation 1.2.

132. At all times relevant to this Complaint, Klatch and Lindsey Heim controlled ACM, directly or indirectly, and did not act in good faith or knowingly induced, directly or indirectly, ACM’s conduct alleged in this Count; therefore, pursuant

to Section 13(b) of the Act, 7 U.S.C. § 13c(b) (2012), Klatch and Lindsey Heim are each liable for ACM's violations of Regulation 4.20.

VI. RELIEF REQUESTED

WHEREFORE, the Commission respectfully requests that this Court, as authorized by Section 6c of the Act, 7 U.S.C. § 13a-1 (2012), and pursuant to its own equitable powers:

- a.) Find that Defendants violated Sections 4b(a)(1)(A)-(C), 4c(b), 4o(1), and 6(c)(1) of the Act, 7 U.S.C. §§ 6b(a)(1)(A)-(C), 6c(b), 6o(1), & 9(1) (2012); and Regulations 4.20, 33.10, and 180.1(a), 17 C.F.R. §§ 4.20, 33.10, & 180.1(a) (2016);
- b.) Enter an order of permanent injunction enjoining ACM and Lindsey Heim and its/her affiliates, agents, servants, employees, successors, assigns, attorneys, and all persons in active concert with them, who receive actual notice of such order by personal service or otherwise, from violating Sections 4b(a)(1)(A)-(C), 4c(b), 4o(1), and 6(c)(1) of the Act, 7 U.S.C. §§ 6b(a)(1)(A)-(C), 6c(b), 6o(1), & 9(1) (2012); and Regulations 4.20, 33.10, and 180.1(a), 17 C.F.R. §§ 4.20, 33.10, & 180.1(a) (2016).
- c.) Enter an order of permanent injunction enjoining Klatch and his affiliates, agents, servants, employees, successors, assigns, attorneys, and all persons in active concert with him, who receive actual notice of such order by personal service or otherwise, from violating Section 6(c)(1) of the Act, 7 U.S.C. § 9(1) (2012); and Regulations 4.20 and 180.1(a), 17 C.F.R. §§ 4.20 & 180.1(a) (2016).

- d.) Enter an order of permanent injunction restraining and enjoining ACM and Lindsey Heim and its/her affiliates, agents, servants, employees, successors, assigns, attorneys, and all persons in active concert with them, from directly or indirectly:
- 1) Trading on or subject to the rules of any registered entity (as that term is defined in Section 1a(40) of the Act, 7 U.S.C. §1a(40) (2012));
 - 2) Entering into any transactions involving “commodity interests” (as that term is defined in Regulation 1.3(yy), 17 C.F.R. § 1.3(yy) (2016), for their own personal or for any account in which they have a direct or indirect interest;
 - 3) Having any commodity interests traded on their behalf;
 - 4) Controlling or directing the trading for or on behalf of any other person or entity, whether by power of attorney or otherwise, in any account involving commodity interests;
 - 5) Soliciting, receiving, or accepting any funds from any person for the purpose of purchasing or selling any commodity interests;
 - 6) Applying for registration or claiming exemption from registration with the Commission in any capacity, and engaging in any activity requiring such registration or exemption from registration with the Commission, except as provided for in Regulation 4.14(a)(9), 17 C.F.R. § 4.14(a)(9) (2016); and/or

- 7) Acting as a principal (as that term is defined in Regulation 3.1(a), 17 C.F.R. § 3.1(a) (2016), agent or any other officer or employee of any person (as that term is defined in Section 1a(38) of the Act, 7 U.S.C. § 1a(38) (2012), registered, exempted from registration, or required to be registered with the Commission except as provided for in Regulation 4.14(a)(9), 17 C.F.R. § 4.14(a)(9) (2016).
- e.) Enter an order of permanent injunction restraining and enjoining Klatch and his affiliates, agents, servants, employees, successors, assigns, attorneys, and all persons in active concert with him, from directly or indirectly:
- 1) Entering into any transactions involving “commodity interests” (as that term is defined in Regulation 1.3(yy), 17 C.F.R. § 1.3(yy) (2016) for his own personal or for any account in which he has a direct or indirect interest;
 - 2) Having any commodity interests traded on his behalf;
 - 3) Controlling or directing the trading for or on behalf of any other person or entity, whether by power of attorney or otherwise, in any account involving commodity interests; and/or
 - 4) Soliciting, receiving, or accepting any funds from any person for the purpose of purchasing or selling any commodity interests.
- f.) Enter an order directing Klatch, to make the following written disclosure in connection with any speech, presentation, website, mailing, or other

readable material that he or any agent creates, makes, provides, operates, or sends relating in any manner to commodity interests:

“I have violated the Commodity Exchange Act and CFTC Regulations. After being sued by the CFTC in federal courts in New York and Florida, I have been collectively ordered to pay \$ _____ in restitution to victims of my illegal conduct. I have also been ordered to pay \$ _____ in civil monetary penalties for my illegal conduct. In addition, I have been permanently enjoined from, among other things: 1) entering into any transactions involving commodity interests; 2) controlling or directing the trading for or on behalf of any other person or entity in any account involving commodity interests; or 3) soliciting, receiving, or accepting any funds from any person for the purpose of purchasing or selling any commodity interests. Case numbers for the CFTC actions against me are: U.S. District Court for the Southern District of New York, 11-cv-5191, and U.S. District Court for the Middle District of Florida, _____.”

- g.) Enter an order directing Defendants, as well as any successors thereof, to disgorge, pursuant to such procedure as the Court may order, all benefits received from the acts or practices which constitute violations of the Act and the Regulations as described herein, and pre- and post-judgment interest thereon from the date of such violations;
- h.) Enter an order directing Defendants, as well as any successors to thereof, to rescind, pursuant to such procedure as the Court may order, all contracts and agreements, whether express or implied, entered into between, with, or among Defendants and any of the pool participants whose funds were received by Defendants as a result of the acts and practices which constituted violations of the Act and the Regulations, as described herein;
- i.) Enter an order directing Defendants, as well as any successors thereof, to make full restitution, pursuant to such procedure as the Court may order, to every customer, investor, and pool participant whose funds any

Defendant received, or caused another person or entity to receive, as a result of the acts and practices constituting violations of the Act and Regulations, as described herein, and pre- and post-judgment interest thereon from the date of such violations;

- j.) Enter an order directing Defendants, as well as any successors thereof, to provide a full accounting of all customer, investor, and/or pool participant funds they have received as a result of the acts and practices constituting violations of the Act and Regulations, as described herein;
- k.) Enter an order directing Defendants to pay civil monetary penalties, plus post-judgment interest thereon, in the amount of the greater of:
(1) \$152,243 for each violation of Section 6(c) of the Act, 7 U.S.C. § 9, and Regulation 180.1, 17 C.F.R. § 180.1, and \$167,728 for all other charged violations of the Act and Regulations; or (2) triple Defendants' monetary gain from violation of the Act and Regulations;
- l.) Enter an order requiring Defendants to pay costs and fees as permitted by 28 U.S.C. §§ 1920 and 2412(a)(2) (2012); and
- m.) Enter an order for such other and further relief, including, but not limited to, trading and registration bans, as the Court deems just and proper.

Date: January 26, 2017

Respectfully submitted,

/s/ Peter L. Riggs

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