

UNITED STATES OF AMERICA
BEFORE THE
COMMODITY FUTURES TRADING COMMISSION

In the Matter of)

) CFTC Docket No. 11-01

G. Victor Johnson II,
McGladrey & Pullen, LLP and
Altschuler, Melvoin & Glasser,
LLP,

) ORDER INSTITUTING PROCEEDINGS,
) PURSUANT TO SECTIONS 6(c) AND 6(d)
) OF THE COMMODITY EXCHANGE ACT
) AND PART 14 OF THE COMMISSION'S
) REGULATIONS AND MAKING
) FINDINGS AND IMPOSING REMEDIAL
) SANCTIONS

Respondents.)

Office of
Proceedings
CFTC

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I.

The Commodity Futures Trading Commission (“Commission”) has reason to believe that G. Victor Johnson II (“Johnson”) violated Commission Regulations 1.16(d)(1) and 1.16(e)(2), 17 C.F.R. §§ 1.16(d)(1) and 1.16(e)(2) (2010), that McGladrey & Pullen, LLP (“M&P”) and Altschuler, Melvoin & Glasser, LLP (“AMG”) are liable for violating Commission Regulations 1.16(d)(1) and 1.16(e)(2), pursuant to Section 2(a)(1)(B) of the Commodity Exchange Act (“Act”), 7 U.S.C. § 2(a)(1)(B) (2006), and that Johnson engaged in improper unprofessional conduct within the meaning of Commission Regulation 14.8(c), 17 C.F.R. § 14.8(c) (2010). Therefore, the Commission deems it appropriate and in the public interest that public administrative proceedings be, and hereby are, instituted to determine whether Johnson, M&P and AMG (collectively “the Respondents”) engaged in the violations and conduct set forth herein and to determine whether an order should be issued imposing remedial sanctions against the Respondents, including denying, temporarily or permanently, Johnson’s privilege of appearing or practicing before the Commission.

II.

In anticipation of the institution of this administrative proceeding, the Respondents have each submitted an Offer of Settlement (“Offer”), which the Commission has determined to accept. Without admitting or denying any of the findings and conclusions herein, the Respondents acknowledge service of this Order Instituting Proceedings Pursuant to Sections 6(c).

and 6(d) of the Commodity Exchange Act and Part 14 of the Commission's Regulations and Making Findings and Imposing Remedial Sanctions ("Order").¹

III.

The Commission finds the following:

A. Summary

M&P is a public accounting firm. AMG was a public accounting firm. In 2006, M&P acquired certain assets relating to AMG's audit practice. Johnson was a partner at AMG from at least 2002 until certain assets relating to AMG's audit practice were acquired by M&P, at which time he became a director at M&P.

Sentinel Management Group Inc. ("Sentinel") is a registered futures commission merchant ("FCM"). On August 17, 2007, Sentinel filed a voluntary petition for protection under Chapter 11 of the Bankruptcy Code in the U.S. Bankruptcy Court for the Northern District of Illinois.

AMG audited Sentinel's financial statements for the years ending December 31, 2004 and December 31, 2005. M&P audited Sentinel's financial statements for the year-ending December 31, 2006. Johnson was the engagement partner responsible for each of the audits. For each of the audits, M&P and AMG issued unqualified opinions that Sentinel's financial statements were free of material misstatement. They also issued reports stating that they had considered Sentinel's internal controls and had not identified any deficiencies that they considered to be a material inadequacy. In fact, the financial statements were materially misstated and there was a material inadequacy in Sentinel's internal controls.

Johnson and employees of M&P and AMG who worked on the audits (the "engagement teams") failed to conduct the audits in accordance with generally accepted auditing standards ("GAAS") and failed to report the existence of the material inadequacy in Sentinel's internal controls. The failure to conduct the audits in accordance with GAAS and failure to report on the existence of the material inadequacy violated Commission Regulations 1.16(d)(1) and 1.16(e)(2). Because Johnson's and the engagement teams' acts, omissions and failures were done in the course of their employment at M&P and AMG, M&P and AMG are liable for their acts, omissions and failures pursuant to Section 2(a)(1)(B) of the Act. In addition, Johnson's conduct in the audits constituted improper unprofessional conduct within the meaning of Commission Regulation 14.8(c).

¹ The Respondents consent to the entry of this Order and the use of these findings in this proceeding and in any other proceeding brought by the Commission or to which the Commission is a party. The Respondents do not consent to the use of their Offers or the findings in this Order as the sole basis for any other proceeding brought by the Commission, other than a proceeding in bankruptcy or to enforce the terms of this Order. Nor do Respondents consent to the use of their Offers or this Order, or the findings consented to in their Offers or this Order, by any party in any other proceeding.

B. The Respondents

G. Victor Johnson II is a certified public accountant licensed in Illinois. Between 2002 and 2005, Johnson was a partner at AMG. After M&P acquired certain assets relating to AMG's audit practice, Johnson became a director of M&P. Johnson was the engagement partner responsible for the audits of Sentinel's financial statements. Johnson is also the subject of a previous Commission action. In June 2005, the Commission entered an order, pursuant to a settlement, finding, *inter alia*, that Johnson violated Commission Regulation 1.16(d)(1) and engaged in improper unprofessional conduct within the meaning of Commission Regulation 14.8(c). See *In re G. Victor Johnson and Altschuler, Melvoin & Glasser, LLP*, [2005-2007 Transfer Binder] Comm. Fut. L. Rep. (CCH) ¶ 30,090 (CFTC June 13, 2005).

McGladrey & Pullen, LLP is a public accounting firm and Iowa limited liability partnership that maintains an office at One S. Wacker Drive, Suite 800, Chicago, Illinois 60606.

Altschuler Melvoin & Glasser LLP was a public accounting firm and an Illinois limited liability partnership that was located at One S. Wacker Drive, Suite 800, Chicago, Illinois 60606. M&P acquired certain assets relating to AMG's audit practice in 2006. AMG was also a respondent in the Commission action *In re Johnson, et al., supra.*, in which it was found liable for Johnson's acts, omissions and failures pursuant to Section 2(a)(1) of the Act.

C. Facts

1. Sentinel's Business

Sentinel is a registered FCM that was engaged in the business of providing investment advisory and money management services to various institutional, corporate and individual customers. Its customers included other FCMs who deposited their customers' segregated funds with Sentinel in a so-called "SEG 1" account, which Sentinel invested in securities held in a segregated "SEG1" portfolio. As a registered FCM, Sentinel was subject to the Commission's rules for FCMs, except as exempted, and pursuant to Commission rules was required to keep its customer funds segregated. Sentinel deposited customer segregated funds in accounts at the Bank of New York ("BONY"). Sentinel also maintained a revolving short-term loan at BONY ("the loan") that it collateralized, in part, with securities from the SEG1 portfolio.

2. Sentinel's Financial Statements Were Materially Misstated

Financial statements filed with the Commission include a statement of financial condition that identifies the assets and liabilities of the audited entity. Financial statements also include explanatory notes to assist the reader in understanding the financial statements.

a. The Statement of Financial Condition and Note 2 to the Financial Statements Were Materially Misstated

For the financial statements for the years ending December 31, 2004 through December 31, 2006, the statement of financial condition included balances reflecting the securities Sentinel pledged as collateral for the loan as an asset. However, when Sentinel

pledged the securities as collateral for the loan, it removed them from customer segregated accounts. Because Sentinel reflected the securities as its asset on its statement of financial condition, it should have disclosed a corresponding liability to its customers for the securities it removed from segregation. The statement of financial condition failed to reflect this liability and therefore was materially misstated because it either overstated Sentinel's assets or understated its liabilities.

The financial statements also included Note 2 titled "Customers' Cash and Securities Segregated and Held in Trust" that purportedly depicted customer segregated funds. However, Note 2 disclosed that within the assets reported as Sentinel's customer segregated funds were certain "securities pledged" as collateral for the loan, which were also shown as Sentinel's asset on the statement of financial condition. The securities could not be both Sentinel's asset and customer segregated funds. Accordingly, Note 2 was materially misstated.

b. Note 7 to the December 31, 2006 Financial Statements Was Materially Misstated

Note 7 to the December 31, 2006, financial statements was titled "Related-Party Transactions." Note 7 disclosed a management fee agreement with Sentinel's parent, Sentinel Investment Group ("SIG"), under which SIG was to provide economic research, forecasting, and analysis in support of Sentinel's operations.

In 2006, Sentinel paid SIG \$950,000, purportedly for services provided by SIG under the management fee agreement. However, there was not adequate evidence that SIG provided such services. Accordingly, Note 7 is materially misstated because it discloses the payment as a fee to SIG for services provided when the auditors were presented with inadequate audit evidence that SIG provided such services.

3. There Was a Material Inadequacy in Sentinel's Internal Controls

For each of the years at issue, although Sentinel's loan with BONY was disclosed in the audited financial statements, Sentinel did not record the loan on its general ledger or year-end trial balance. Instead, each year Johnson and the engagement teams proposed an adjusting journal entry ("AJE") to place the loan on Sentinel's financial statements. However, the auditors failed to address the failure of Sentinel's accounting system to reflect the loan on the firm's general ledger and trial balance, which constituted a material inadequacy in Sentinel's accounting system, internal accounting controls and procedures for safeguarding customer and firm assets. This material inadequacy could have led to a material misstatement of Sentinel's financial statements.

4. The Respondents' Audit Deficiencies

Johnson's and the engagement teams' audits were deficient in several areas that related directly to their failure to recognize and respond appropriately to the material misstatements in Sentinel's financial statements and the material inadequacy in Sentinel's internal controls. As explained below in Part III.C.5, the deficiencies in the audits were directly related to Johnson's and the engagement teams' failures to follow GAAS.

a. *Audit Deficiencies with Respect to Each of the Years At Issue*

The statement of financial condition reflects the securities pledged as collateral for the loan as Sentinel's asset; however, Johnson and the engagement teams did not perform sufficient tests or other audit procedures to determine ownership of the individual securities. Instead, for evidence of Sentinel ownership, they relied upon representations of Sentinel's management that Sentinel owned the securities.

Johnson and the engagement teams failed to determine the significance of other evidence that securities were being reported as assets of Sentinel's customers. They obtained two reports from Sentinel that contained contradictory information. The first report identified securities that were being held as collateral for the loan. However, a second report identified certain of those same securities as belonging to customers. In addition, Johnson and the engagement teams sent customers year-end confirmations that attached customer account statements. The account statements identified securities that the customers owned in *pro rata* amounts. However, securities identified on the account statements as owned by customers were also identified in the report Johnson and the engagement teams obtained from Sentinel that identified the securities pledged as collateral for the loan. Johnson and the engagement teams failed to recognize and reconcile this contradictory information.

Ownership is a fundamental financial assertion in financial statements and must be supported by sufficient competent evidence. Ownership of the securities collateralizing the loan was particularly important because the securities were the largest asset on Sentinel's balance sheet. Accordingly, Johnson and the engagement teams needed to test or perform other audit procedures that would have provided sufficient audit evidence of ownership. They failed to do so.

The audits for each of the years at issue were also deficient with respect to the material inadequacy in Sentinel's internal controls. Sentinel's loan with BONY was not reflected on Sentinel's general ledger and year-end trial balance. The failure of Sentinel's accounting system to routinely record the loan on Sentinel's general ledger and year-end trial balance was a material inadequacy in Sentinel's accounting system and internal accounting controls because this failure substantially contributed or could reasonably be expected to result in a material misstatement of Sentinel's financial statements. However, rather than report the existence of the material inadequacy, Johnson and the engagement teams proposed the AJE to place the loan on the financial statements. This happened for each of the audits at issue. Thus, for three consecutive years, rather than inquiring why Sentinel's accounting system did not routinely record the loan transactions in such a way that the general ledger and year-end trial balance captured the information, Johnson and the engagement teams simply proposed the AJE.

b. *Additional Audit Deficiencies with Respect to the December 31, 2006 Financial Statements*

Johnson and M&P's engagement team's audit of the December 31, 2006 financial statements was also deficient with respect to Note 7. Related party transactions present inherent risks of client self-dealing and auditors must endeavor to take steps to reasonably assure that the transaction is properly presented and fairly disclosed in the financial statements. In this instance,

Johnson and the engagement team failed to take steps to provide reasonable assurance that the note fairly disclosed the transaction.

Note 7 states: "The Company has a management fee agreement with the Parent to provide economic research, forecasting, and analysis in support of the Company's operations." Sentinel paid SIG \$950,000 in 2006. Accordingly, the note purports to disclose that the \$950,000 payment was for services provided pursuant to this management fee agreement. However, Johnson and the engagement team had information that Sentinel's president wanted to structure the transaction as a management fee to SIG in lieu of his taking a bonus. Accordingly, Johnson and the engagement team should have been especially diligent in obtaining evidence to support an assertion that the payment was for services rendered by SIG. However, they never obtained such evidence. In these circumstances, certifying the financial statements with the disclosure in Note 7 without having obtained supporting evidence was insufficient under GAAS.

5. The Respondents' Departures from GAAS

a. GAAS

GAAS includes ten standards divided into three areas: General Standards, Standards of Fieldwork and Standards of Reporting. Interpretation and practical guidance on the ten standards is provided in periodic Statements of Auditing Standards ("SAS"), which are grouped under auditing topics known as "AUs." The Standards of Fieldwork refer to the practices and procedures that an auditor applies in performing an audit.

b. The Respondents Failed to Properly Plan the Audits

The First Standard of Field Work states, in relevant part, that the auditor must adequately plan the work. AU 311.03 provides, in relevant part, that obtaining an understanding of the entity and its environment, including its internal controls, is an essential part of planning and performing an audit in accordance with GAAS. The deficiencies in the audits of Sentinel's financial statements resulted, in part, from Johnson's and the engagement teams' failure to adequately plan the audits.

Johnson's and the engagement teams' audit plan did not include sufficient testing ownership of the securities collateralizing the loan. The failure to obtain a proper understanding of the ownership of the securities prevented Johnson and the engagement teams from understanding that if Sentinel was going to claim the securities as its asset; it also needed to disclose a liability to its customers. This misunderstanding also contributed to Johnson's and the engagement teams' failure to recognize that the statement of financial condition and Note 2 were irreconcilable because the securities could not be both Sentinel's asset and segregated funds.

c. The Respondents Failed to Obtain Sufficient Competent Evidence to Support the Opinions

The Third Standard of Field Work requires that sufficient competent evidential matter be obtained through inspection, observation, inquiries, and confirmations to afford a reasonable basis for an opinion regarding the financial statements under audit.

AU 326 on “Evidential Matter” provides guidance on what constitutes competent and sufficient evidence. In discussing the *competency* of evidential matter, AU 326 states that evidence is usually more reliable if it was obtained from an independent source, if the entity has effective internal controls and if the evidence was obtained directly by the auditor through physical examination, observation, confirmation, and inspection. In discussing the *sufficiency* of evidential matter, AU 326 states that while the auditor should exercise judgment in determining whether evidential matter is sufficient, the accumulation of evidence should be “persuasive.” AU 326 also states that in evaluating evidential matter the auditor: should be thorough and unbiased; recognize the possibility that the financial statements may not be fairly stated; and should not form an opinion on the entity’s financial statements until he or she has obtained sufficient evidence to “remove any substantial doubt about a material assertion.”

Johnson and the engagement teams failed to obtain sufficient competent evidence to afford a reasonable basis for AMG’s and M&P’s opinions regarding the financial statements. The statements of financial condition assert that Sentinel owned the securities pledged as collateral for the loan. However, Johnson and the engagement teams did not obtain sufficient evidence to support that assertion. Instead, they accepted representations of Sentinel’s management that Sentinel owned the securities. Their reliance on the BONY confirmation and the letters that stated the funds in the Sentinel customer accounts at BONY belonged to the customers was misplaced. They also failed to recognize and reconcile contradictory evidence suggesting that the same securities were being held for the benefit of Sentinel’s customers. In addition, they failed to obtain sufficient competent evidence that services had actually been provided by SIG pursuant to the management fee agreement disclosed in Note 7.

d. The Respondents Failed to Exercise Due Professional Care

The Third General Standard requires that the auditor exercise due professional care in the performance of the audit and the preparation of the report.

AU 230.07 on “Due Professional Care in the Performance of Work” states in relevant part “due professional care requires the auditor to exercise *professional skepticism*.” It defines professional skepticism as “an attitude that includes a questioning mind and a critical assessment of audit evidence.” AU 230.09 states that “In exercising professional skepticism, the auditor should not be satisfied with less than persuasive evidence because of a belief that management is honest.”

Johnson and the engagement teams failed to exercise due professional care and professional skepticism with respect to the securities pledged on the loan. They relied, among other things, on Sentinel’s representations that it owned the securities collateralizing the loan rather than obtaining sufficient evidence of ownership. This reliance on management’s representations demonstrated a lack of professional skepticism.

D. LEGAL DISCUSSION

1. The Respondents Violated Commission Regulation 1.16(d)(1)

Commission Regulation 1.16(d)(1) requires that audits of Commission registrants be conducted in accordance with GAAS. Johnson and the engagement teams failed to conduct the audits of Sentinel's financial statements in accordance with GAAS, and thereby violated Commission Regulation 1.16(d)(1). Specifically, they failed to adequately plan the audits, failed to obtain sufficient competent evidence to afford a reasonable basis for the opinions regarding the financial statements and failed to maintain an independent mental attitude in matters relating to the audits. Auditors who fail to perform audits in accordance with GAAS violate Commission Regulation 1.16(d)(1). *See In re Johnson, et al. supra; In re Deloitte & Touche, LLP and Thomas D. Lux*, CFTC Docket No. 96-10 (CFTC Sept. 25, 1996) (speaking order).

2. The Respondents Violated Commission Regulation 1.16(e)(2)

Pursuant to Commission Regulation 1.16(e)(2), if the independent public accountant determines that any material inadequacies exist in the accounting system, in the internal accounting controls, in the procedures for safeguarding customer or firm assets, or as otherwise defined in Commission Regulation 1.16(d), he must call such inadequacies to the attention of the registrant, who in turn, must notify the Commission. If the registrant fails to notify the Commission, the accountant must do so.

Sentinel's failure to record the BONY loan on its general ledger and year-end trial balance was a material inadequacy in Sentinel's accounting system and internal controls because the failure to do so substantially contributed to, or could reasonably be expected to result in, material misstatement of Sentinel's financial statements. Johnson and the engagement teams knew that Sentinel was not recording the loan on its general ledger and year-end trial balance but failed to notify Sentinel of the existence of the material inadequacy and failed to give the Commission the notice required under Commission Regulation 1.16(e)(2).

3. M&P and AMG are Liable for Johnson's and the Engagement Teams' Acts, Omissions and Failures Pursuant to Section 2(a)(1) of the Act

Section 2(a)(1)(B) of the Act, 7 U.S.C. § 2(a)(1)(B) (2006), provides that the act, omission or failure of any official, agent or other person acting for any individual, association, partnership, corporation or trust within the scope of his employment or office shall be deemed the act, omission or failure of such individual, association, partnership, corporation or trust, as well as of such official, agent or other person. Accordingly, the partnership employing an individual auditor is liable under Section 2(a)(1) of the Act for the acts of the individual auditor that were done in the course of his employment or office. *See In re Deloitte & Touche et al., supra*. Because Johnson's and the engagement teams' violations were committed within the scope of their employment, pursuant to Section 2(a)(1)(B) of the Act, M&P and AMG are liable for the acts, omissions and failures of Johnson and the engagement teams.

4. Johnson Engaged in Improper Unprofessional Conduct Under Commission Regulation 14.8(c)

Commission Regulation 14.8(c) provides that the Commission may, after notice and opportunity for hearing in the matter, deny temporarily or permanently, the privilege of appearing or practicing before it to any person who is found by the Commission by a preponderance of the evidence to have engaged in unethical or improper unprofessional conduct either in the course of an adjudicatory, investigative, rulemaking or other proceeding before the Commission or otherwise. Johnson engaged in improper unprofessional conduct in violation of Commission Regulation 14.8(c) by failing to conduct the audits of Sentinel's financial statements in accordance with GAAS. See *In re Johnson, et al., supra*; *In re Deloitte & Touche, et al., supra*.

IV.

FINDINGS OF VIOLATIONS

Based on the foregoing, the Commission finds that: Johnson violated Commission Regulations 1.16(d)(1) and 1.16(e)(2), 17 C.F.R. §§ 1.16(d)(1) and 1.16(e)(2) (2010); M&P and AMG violated Commission Regulations 1.16(d)(1) and 1.16(e)(2), pursuant to Section 2(a)(1)(B) of the Act, 7 U.S.C. § 2(a)(1)(B) (2006); and Johnson engaged in improper unprofessional conduct within the meaning of Commission Regulation 14.8(c), 17 C.F.R. § 14.8(c) (2010).

V.

OFFERS OF SETTLEMENT

The Respondents have each submitted Offers in which, without admitting or denying the findings herein, they acknowledge receipt and service of this Order and admit the jurisdiction of the Commission with respect to the matters set forth in this Order and waive (1) the service and filing of a complaint and notice of a hearing; (2) a hearing and all post-hearing procedures, (3) judicial review by any court, (4) any and all objections to the participation by any member of the Commission's staff in consideration of the Offers; (5) any and all claims that they may possess under the Small Business Regulatory Enforcement Fairness Act of 1996, Pub. L. No. 104-121, §§ 201-253, 110 Stat. 847, 857-68 (1996), as amended by Pub. L. No. 110-28, § 8302, 121 Stat. 112, 204-205 (2007), relating to, or arising from, this proceeding; (6) any and all claims that they may possess under the Equal Access to Justice Act, 5 U.S.C. § 504 (2006) and 28 U.S.C. § 2412 (2006), and/or part 148 of the Commission's Regulations, 17 C.F.R. §§ 148.1 *et seq.* (2010), relating to, or arising from, this proceeding; and (7) any claim of double jeopardy based upon the institution of this proceeding or the entry in this proceeding of any order imposing a civil monetary penalty or any other relief.

The Respondents stipulate that the record basis on which the Order is entered shall consist solely the findings in this Order to which Respondents have each consented to in their Offers. The Respondents consent to the Commission's issuance of this Order, which:

A. Makes findings by the Commission that Johnson violated Commission Regulations 1.16(d)(1) and 1.16(e)(2), 17 C.F.R. §§ 1.16(d)(1) and 1.16(e)(2) (2010); M&P and AMG violated Commission Regulations 1.16(d)(1) and 1.16(e)(2), pursuant to Section 2(a)(1)(B) of the Act, 7 U.S.C. § 2(a)(1)(B) (2006); and Johnson engaged in improper unprofessional conduct within the meaning of Commission Regulation 14.8(c), 17 C.F.R. § 14.8(c) (2010);

B. Orders Johnson to cease and desist from violating Commission Regulations 1.16(d)(1) and 1.16(e)(2) and engaging in improper unprofessional conduct within the meaning of Commission Regulation 14.8(c);

C. Orders M&P to cease and desist from violating Commission Regulations 1.16(d)(1) and 1.16(e)(2);

D. Orders AMG to pay a civil monetary penalty in an amount of \$350,000 (Three Hundred Fifty Thousand Dollars), plus post-judgment interest, and M&P to pay a civil monetary penalty in the amount of \$150,000 (One Hundred Fifty Thousand Dollars), plus post-judgment interest, within 30 days of the date of the entry of this Order;

E. Orders AMG to pay restitution to Sentinel's SEG 1 customers in the amount of \$800,000 (Eight Hundred Thousand Dollars) and M&P pay restitution to Sentinel's SEG 1 customers in the amount of \$400,000 (Four Hundred Thousand Dollars);

F. Orders that Johnson be permanently denied the privilege of appearing or practicing before the Commission; and

G. Orders Respondents to comply with the undertakings consented to in their Offers and set forth below in Section VI of this Order.

Upon consideration, the Commission has determined to accept the Offers.

VI.

ORDER

Accordingly, IT IS HEREBY ORDERED THAT:

A. Johnson shall cease and desist from violating Commission Regulations 1.16(d)(1) and 1.16(e)(2), and engaging in improper unprofessional conduct within the meaning of Commission Regulation 14.8(c);

B. M&P shall cease and desist from violating Commission Regulations 1.16(d)(1) and 1.16(e)(2);

C. AMG shall pay civil monetary penalty in the amount of \$350,000 (Three Hundred Fifty Thousand Dollars), plus post-judgment interest, and M&P shall pay a civil monetary

penalty in the amount of \$150,000 (One Hundred Fifty Thousand Dollars), plus post-judgment interest, within 30 days of the date of the entry of this Order. Post-judgment interest on AMG's and M&P's civil monetary penalty obligations shall accrue beginning on the thirty-first (31st) day after the date of entry of this Order and shall be determined by using the Treasury Bill rate prevailing on the date of entry of this Order pursuant to 28 U.S.C. § 1961.

M&P and AMG shall pay their respective civil monetary penalties by electronic funds transfer, U.S. postal money order, certified check, bank cashier's check, or bank money order. If payment is to be made by other than electronic funds transfer, the payment shall be made payable to the Commodity Futures Trading Commission and sent to the address below:

Commodity Futures Trading Commission
Division of Enforcement
ATTN: Marie Bateman – AMZ-300
DOT/FAA/MMAC
6500 S. MacArthur Blvd.
Oklahoma City, OK 73169
Telephone 405-954-6569

If payment by electronic transfer is chosen, the paying Respondent shall contact Marie Bateman or her successor at the above address to receive payment instructions and shall fully comply with those instructions. AMG and M&P shall accompany payment of their respective civil monetary penalties with a cover letter that identifies the paying Respondent and the name and docket number of this proceeding. The paying Respondent shall simultaneously transmit copies of the cover letter and the form of payment to (1) the Director, Division of Enforcement, Commodity Futures Trading Commission, 1155 21st Street, N.W., Washington, D.C. 20581; and (2) the Chief, Office of Cooperative Enforcement, Division of Enforcement, Commodity Futures Trading Commission at the same address. In accordance with Section 6(e)(2) of the Act, 7 U.S.C. § 9a(2) (2006), if either AMG or M&P fails to pay their civil monetary penalty within fifteen (15) days of the due date, the non-paying Respondent shall be prohibited automatically from the privileges of all registered entities, and, if registered with the Commission, such registration shall be suspended automatically until it has shown to the satisfaction of the Commission that payment of the full amount of the penalty with interest thereon to the date of the payment has been made;

D. AMG shall pay restitution in the amount of \$800,000 (Eight Hundred Thousand Dollars), plus post-judgment interest, and M&P shall pay restitution in the amount of \$400,000 (Four Hundred Thousand Dollars), plus post-judgment interest, within thirty (30) days of the date of entry of this Order. Post-judgment interest on AMG's and M&P's restitution obligations shall accrue beginning on the thirty-first (31st) day after the date of entry of this Order and shall be determined by using the Treasury Bill rate prevailing on the date of entry of this Order pursuant to 28 U.S.C. § 1961.

To effect payment by M&P and AMG and distribution of restitution, the Commission appoints the National Futures Association ("NFA") as Monitor. The Monitor shall collect the restitution payment from M&P and AMG, and make distributions as set forth below. The

Monitor shall oversee M&P's and AMG's restitution obligations and shall have the discretion to determine the manner of distribution of funds in an equitable fashion to Sentinel's SEG 1 customers identified in Exhibit A to this Order.

M&P and AMG shall make restitution payments under this Consent Order in the name of the "Sentinel Restitution Fund" and shall send such restitution payments by electronic funds transfer, or by U.S. postal money order, certified check, bank cashier's check, or bank money order, made payable to and sent to the Office of Administration – Attn: Daniel Driscoll, National Futures Association, 300 S. Riverside Plaza, Suite 1800, Chicago, Illinois 60606, under a cover letter that identifies the paying Respondent and the name and docket number of this proceeding. The paying Respondent shall simultaneously transmit a copy of the cover letter and the form of payment to the Director, Division of Enforcement, United States Commodity Futures Trading Commission, at the following address: 1155 21st Street, N.W., Washington, DC 20581, and to the Chief, Office of Cooperative Enforcement, Division of Enforcement, at the same address;

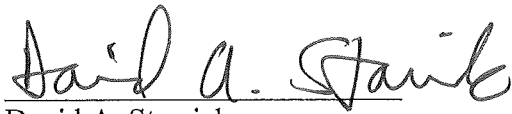
E. Commencing on the date of entry of this Order, Johnson shall be permanently denied the privilege of appearing or practicing before the Commission; and

F. Respondents shall comply with the following undertakings:

1. Commencing with the date of entry of this Order, Johnson shall undertake to never testify as an expert witness, prepare or submit a report as an expert or consultant, or otherwise serve as an expert or consultant in any matter before the Commission; and
2. Neither Respondents nor any of their agents or employees under their authority or control shall take any action or make any public statement denying, directly or indirectly, any findings or conclusions in this Order or creating, or tending to create, the impression that this Order is without a factual basis; provided, however, that nothing in this provision shall affect the Respondents' (i) testimonial obligations; or (ii) right to take legal positions in other proceedings to which the Commission is not a party. Respondents shall undertake all steps necessary to ensure that all of their agents and employees under their authority or control understand and comply with this agreement.

The provisions of this Order shall be effective on this date.

By the Commission:

A handwritten signature in black ink that reads "David A. Stawick". The signature is written in a cursive style with a horizontal line underneath the name.

David A. Stawick
Secretary of the Commission
Commodity Futures Trading Commission

Dated: October 4, 2010

EXHIBIT A

- 1 Fortis Clearing Americas LLC - Customer Segregated Funds
- 2 Kottke Associates LLC - Customer Segregated Funds
- 3 Vision Financial Markets LLC - Customer Segregated Funds
- 4 Penson GHCO - Customer Segregated Account
- 5 Cadent Financial Services LLC - Customer Segregated I
- 6 IFX Markets Inc.-Forex Client Account No 2
- 7 FC Stone LLC - Customer Segregated Funds
- 8 Frontier Futures
- 9 IFX Markets Inc-Forex Client Account
- 10 Country Hedging Inc.- Customer Segregated Funds
- 11 Velocity Futures LP- Customer Segregated Funds
- 12 Farr Financial Inc. Customer Segregated Funds
- 13 TransAct Futures - Customer Segregated Funds
- 14 American National Trading Corp.- Customer Segregated Funds
- 15 Fortis Clearing Americas LLC - Cross Margin Customer Segregated
- 16 SMW Trading Company Inc. - Customer Segregated Funds
- 17 Crossland - Customer Segregated Funds
- 18 Peregrine Financial Group Inc. - Customer Segregated Funds
- 19 Rand Financial Services - Customer Segregated Funds
- 20 Gain Capital Group LLC
- 21 Penson Financial Futures Inc. - Customer Segregated Funds
- 22 Alaron Trading Corp. - Customer Segregated Funds
- 23 Capital Market Services LLC - Forex Customer Funds