

**IN THE UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF ILLINOIS**

)	
U.S. Commodity Futures Trading)	
Commission,)	
Plaintiff,)	No. 10-cv-4557
)	
v.)	
)	
New World Holdings, LLC;)	
Grace Elizabeth Reisinger; and)	
Steven David Erdman)	
)	
Defendants.)	

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

I. SUMMARY

1. From at least March 10, 2006 to April 1, 2009 (“the relevant period”), New World Holdings, LLC (“NWH”) failed to maintain books and records that are required to be maintained by the Commodity Exchange Act (“the Act”) and regulations promulgated by the Commodity Futures Trading Commission. Grace Elizabeth Reisinger (“Reisinger”), as an associated person (“AP”) and branch manager of Defendant NWH, together with her supervisor Defendant Steven David Erdman (“Erdman”) aided and abetted the violations of NWH by knowingly falsifying and destroying records.

2. In sworn testimony before the U.S. Commodity Futures Trading Commission (“CFTC” or “Commission”), Defendants Erdman and Reisinger admitted that they knew that purported proprietary trading accounts were actually funded by a number of undisclosed third parties in the Commonwealth of Australia (“Australia”) and elsewhere, and further admitted that they should never have introduced these accounts as proprietary accounts.

3. Throughout the relevant period, Erdman was Reisinger's supervisor, and failed to diligently supervise her. Similarly, NWH failed to diligently supervise its APs and employees.

4. By virtue of this conduct and the further conduct described herein, NWH has engaged, is engaging, or is about to engage in acts and practices in violation of Section 4g(a) of the Act, 7 U.S.C. § 6g(a) (2006), and Commission Regulations ("Regulations") 1.31, and 1.35, 17 C.F.R. §§ 1.31, 1.35 (2009); and NWH and Erdman have engaged, are engaging, or are about to engage in acts and practices in violation of Regulation 166.3, 17 C.F.R. § 166.3 (2009).

Pursuant to Section 13(a) of the Act, 7 U.S.C. § 13c(a) (2006), Reisinger and Erdman are liable as aiders and abettors of NWH's violations of Section 4g(a) of the Act and Regulations 1.31 and 1.35. Finally, NWH is liable for the acts of its employee Erdman that constituted violations of Regulation 166.3, pursuant to Section 2(a)(1)(B) of the Act, 7 U.S.C. § 2(a)(1)(B) (2006), and Regulation 1.2, 17 C.F.R. § 1.2 (2009).

5. Accordingly, the CFTC brings this action pursuant to Section 6c of the Act, 7 U.S.C. § 13a-1 (2006), to enjoin Reisinger's, Erdman's and NWH's (collectively the "Defendants") unlawful acts and practices and to compel their compliance with the Act and Regulations. In addition, the CFTC seeks disgorgement, civil monetary penalties and such other equitable relief as this Court may deem necessary or appropriate.

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

II. JURISDICTION AND VENUE

7. Section 6c of the Act, 7 U.S.C. § 13a-1 (2006), authorizes the CFTC to seek injunctive relief against any person whenever it shall appear to the CFTC that such person has

engaged, is engaging, or is about to engage in any act or practice constituting a violation of any provision of the Act or any rule, regulation, or order promulgated thereunder.

8. This Court has jurisdiction over this action pursuant to Section 6c of the Act, 7 U.S.C. § 13a-1 (2006).

9. Venue properly lies with this Court pursuant to Section 6c(e) of the Act, 7 U.S.C. § 13a-1(e) (2006), because the Defendants regularly conduct business within this District and the acts and practices in violation of the Act and Commission Regulations have occurred, are occurring, or are about to occur within this District.

III. THE PARTIES

10. Plaintiff **Commodity Futures Trading Commission** is an independent federal regulatory agency that is charged by Congress with administering and enforcing the Act, 7 U.S.C. §§ 1 *et seq.* (2006), and the regulations promulgated thereunder, 17 C.F.R. §§ 1.1 *et seq.* (2009).

11. Defendant **Grace Elizabeth Reisinger** is an individual residing in Grand Island, Nebraska. During the time Reisinger committed the violations of the Act and Regulations she was registered with the Commission as an AP and branch manager of NWH and as the purportedly exempt commodity pool operator (“CPO”) of NCCN, LLC (National Futures Association (“NFA”) No.: P022655). Previously, Reisinger was registered as an AP and branch manager of International Futures Group LLC in 2004 and an AP of Frontier Commodities LLC in 2002.

12. Defendant **Steven David Erdman** maintains his principal business address at 150 South Wacker Drive, Suite 775, Chicago, IL 60606. Erdman has been a principal of NWH since June 23, 2003 and registered with the Commission as an AP of NWH since October 8, 2003.

Erdman was the subject of an NFA business conduct committee (“BCC”) action alleging supervision and bookkeeping violations filed April 4, 2007 and settled November 9, 2007.

13. Defendant **New World Holdings, LLC** is a registered introducing broker (“IB”) and commodity trading advisor (“CTA”) with a business address of 150 S. Wacker Drive, Suite 775, Chicago, IL 60606. NWH has been registered with the Commission as an IB since October 8, 2003, and a CTA since July 9, 2004. NWH was the subject of an NFA BCC action alleging supervision and bookkeeping violations filed April 4, 2007 and settled November 9, 2007.

IV. OTHER RELEVANT ENTITIES AND PERSONS

14. **Cadent Financial Services LLC** (“Cadent”) is a registered futures commission merchant (“FCM”), with its principal place of business located at 150 S. Wacker Drive, Suite 1310, Chicago, IL 60606.

15. **Idylic Solutions Pty Ltd** (“Idylic”) is a corporation organized and operated under the laws of Australia. Idylic has never been registered with the Commission in any capacity.

V. STATUTORY BACKGROUND

16. Section 4g(a) of the Act, 7 U.S. C. § 6g(a) (2006), provides in pertinent part that every person registered as an IB shall make and keep such books and records as are required by the Commission regarding the positions of the IB’s customers, in such form and manner and for such period as required by the Commission.

17. Regulation 1.31(a)(1), 17 C.F.R. § 1.31(a)(1) (2009), provides in pertinent part that all books and records required to be kept by the Act or Regulations shall be kept for a period of five years from the date thereof, shall be readily accessible during the first two years of the five year period, and shall be open to inspection to any representative of the Commission.

18. Regulation 1.35(a), 17 C.F.R. §1.35(a) (2009), provides in pertinent part that each IB shall keep full, complete, and systematic records of all transaction relating to its business of dealing in commodity futures, commodity options and cash commodities.

VI. FACTS

A. Books and Records Violations Associated with the Introduction of Proprietary Accounts

19. Beginning on or about March 10, 2006, Reisinger and Erdman, acting in their capacities as APs of NWH, introduced an account in the name of Idylic, to FCM Cadent via their employer, NWH. In addition to the Idylic account, the Defendants also introduced a number of other Idylic “proprietary” accounts from the same individuals who opened the Idylic account, or associated with them, including but not limited to, accounts in the name of: Unifund, Ltd., 888 Management, Inc., Secured Bond, Ltd., and Sagacity, Ltd. (collectively referred to as the “Pooled Accounts”). Deposits into the Idylic account, and the Poled Accounts, in the aggregate, exceeded \$21 million throughout the relevant period.

20. The account opening documents for the Idylic account and Pooled Accounts, which the Defendants introduced to Cadent, and/or continued to carry the subject accounts as “proprietary” after having been initially introduced by another IB and subsequently transferred to NWH, represented that all money used to fund trading in the Idylic account and Pooled Accounts came solely from the individuals who were the principals of the Idylic account and Pooled Accounts, that no funds came from any third parties, and that the accounts were not being traded on behalf of any third parties. These representations were false.

21. Even though Defendants Reisinger and Erdman each testified before the Commission that they each knew that the Idylic account and Pooled Accounts were not proprietary accounts but contained pooled funds of multiple participants in various investment

schemes run by the principals of the Idylic account and the Pooled Accounts, Defendants nevertheless improperly introduced and/or carried the Idylic account and Pooled Accounts as “proprietary” accounts and facilitated the preparation and submission of false account opening documents to Cadent for each of the accounts they introduced.

22. Reisinger and Erdman admitted under oath they knew the Idylic account and Pooled Accounts were not proprietary accounts but contained pooled funds from various sources, beginning at the time they first introduced the Idylic account and Pooled Accounts to Cadent.

23. Both Reisinger and Erdman testified that they knew, from the time the Idylic account and Pooled Accounts were first introduced by them, that the accounts contained funds from third parties: specifically, retirement accounts, investors in unit trusts, and investors in certain contractual arrangements.

24. For example, in direct dealings with the Defendants subsequent to the opening of the Idylic account, the principals of the Idylic account described the account as being funded by third party, offshore clients. Specifically, on or about August 20, 2007, Reisinger and Erdman received an email from one of the principals of the Idylic account that stated:

Hi, guys. I know I've thanked you both before, but I want to thank you again. Should have seen the happy looks on some of *our clients' faces* when we told them that they will receive profit again this quarter, period, (that's three quarters in a row). It's days like this that make it all worth it and *this fund* will really really fly now. Thanks again and keep up the good work. Regards and God bless. (Emphasis supplied)

25. Reisinger and Erdman each admitted that the Idylic account and Pooled Accounts should not have been introduced and/or carried as proprietary accounts because the accounts were funded by pooled funds of third-party clients of Idylic, Unifund, Ltd., 888 Management, Inc., Secured Bond, Ltd., and Sagacity, Ltd.

26. Reisinger and Erdman did not retain all of the business records related to the Idylic account and Pooled Accounts.

27. Reisinger and Erdman destroyed certain emails sent to, and received from the principals of Idylic, Unifund, Ltd., 888 Management, Inc., Secured Bond, Ltd., and Sagacity, Ltd., among others, relating to their business of dealing in commodity futures, commodity options, and cash commodities, including emails that were prepared in the course of their business of dealing in commodity futures.

28. Reisinger and Erdman also admitted that the emails they destroyed were business records, that they routinely used and relied upon emails in the course of their business of handling the Idylic account and Pooled Accounts during the relevant period, and admitted that they should have maintained the destroyed emails as records, data, and memoranda relating to their business as APs and NWH's business as an IB.

B. Failure to Diligently Supervise APs

29. During the relevant period, Erdman and NWH failed to have in place and implement a supervisory structure that would detect and deter their APs' activities that resulted in violations of the Act and Regulations.

30. Erdman was an officer and managing principal of NWH and the direct supervisor of Reisinger. Erdman was the sole person at NWH responsible for hiring Reisinger, and it was Erdman who allowed her to set-up and operate NWH's Grand Island, Nebraska branch office out of her residence. According to his own sworn testimony, Erdman was in actual control of NWH's day-to-day operations during the relevant period and the sole person within NWH responsible for supervising Reisinger.

31. However, Erdman never visited NWH's Grand Island, Nebraska branch office, nor did he personally review Reisinger's operations at that branch office. When Erdman was asked during his sworn testimony to describe the supervision procedures he used to supervise Reisinger, he testified that he relied upon Reisinger to conduct her own "due diligence." In other words, Erdman employed no supervisory structure in regard to Reisinger.

VII. VIOLATIONS OF THE COMMODITY EXCHANGE ACT

COUNT ONE

Violation of Section 4g(a) of the Act and Regulation 1.35: Failure to Keep Required Books and Records by an IB

33. The allegations of paragraphs 1 through 32 are realleged and incorporated herein by reference.

34. As set forth above, during the relevant period, NWH through its APs, Reisinger and Erdman, failed to keep full, complete and systematic records, together with all pertinent data and memoranda, of all transactions relating to its business of dealing in commodity futures, commodity options, and cash commodities, including all records, data and memoranda that have been prepared in the course of its business of dealing in commodity futures, commodity options, and cash commodities, in violation of Section 4g(a) of the Act, 7 U.S.C. § 6g(a) (2006), and Regulation 1.35, 17 C.F.R. § 1.35 (2009).

35. Reisinger and Erdman knowingly associated themselves with an unlawful venture, namely the violations of Section 4g(a) of the Act and Regulation 1.35, participated in those violations as something that they wished to bring about, and sought by their actions to make the unlawful venture succeed. Therefore, pursuant to Section 13(a) of the Act, 7 U.S.C. § 13c(a) (2006), Reisinger and Erdman are liable as aiders and abettors for NWH's violations of Section 4g(a) of the Act and Regulation 1.35.

36. The foregoing failures by Reisinger and Erdman occurred within the scope of their employment with NWH; therefore, NWH is liable for their failures as alleged in this count pursuant to Section 2(a)(1)(B) of the Act 7 U.S.C. § 2(a)(1)(B) (2006), and Regulation 1.2, 17 C.F.R. § 1.2 (2009).

37. Each failure to keep or maintain a record pursuant to Section 4g(a) of the Act, 7 U.S.C. 6g(a) (2006), and Regulation 1.35, 17 C.F.R. § 1.35 (2009), made during the relevant period, including but not limited to those specifically alleged herein, is alleged as a separate and distinct violations of Section 4g(a) of the Act and Regulation 1.35.

COUNT TWO

Violation of Regulation 1.31: Failure to Keep Required Books and Records by IB

38. The allegations of paragraphs 1 through 37 are realleged and incorporated herein by reference.

39. As set forth above, during the relevant period, NWH, through its APs Reisinger and Erdman, violated Section 4g(a) of the Act, 7 U.S.C. § 6g(a) (2006), and Regulation 1.31, 17 C.F.R. § 1.31 (2009), by failing to keep the books and records required to be kept by NWH as an IB pursuant to the Act and Regulations, for a period of five years from the date thereof.

40. Reisinger and Erdman knowingly associated themselves with an unlawful venture, namely the violations of Section 4g(a) of the Act and Regulation 1.31, participated in those violations as something that they wished to bring about, and sought by their actions to make the unlawful venture succeed. Therefore, pursuant to Section 13(a) of the Act, 7 U.S.C. § 13c(a) (2006), Reisinger and Erdman are liable as aiders and abettors for NWH's violations of Section 4g(a) of the Act and Regulation 1.31.

41. The foregoing failures by Reisinger and Erdman occurred within the scope of their employment with NWH; therefore, NWH is liable for their failures as alleged in this count pursuant to Section 2(a)(1)(B) of the Act 7 U.S.C. § 2(a)(1)(B) (2006), and Regulation 1.2, 17 C.F.R. § 1.2 (2009).

42. Each failure to keep or maintain a record pursuant to Section 4g(a) of the Act, 7 U.S.C. 6g(a) (2006), and Regulation 1.31, 17 C.F.R. § 1.35 (2009), made during the relevant period, including but not limited to those specifically alleged herein, is alleged as a separate and distinct violation of Section 4g(a) of the Act and Regulation 1.31.

COUNT THREE

Violation of Commission Regulation 166.3: Failure to Diligently Supervise

43. The allegations of paragraphs 1 through 42 are realleged and incorporated herein by reference.

44. Regulation 166.3, 17 C.F.R. § 166.3 (2009), requires each Commission registrant, except an AP who has no supervisory duties, to diligently supervise the handling of all commodity interest accounts carried, operated, advised or introduced by the registrant and all other activities of its partners, officers, employees and agents relating to its business as a Commission registrant.

45. Defendants Erdman and NWH violated Regulation 166.3, 17 C.F.R. § 166.3 (2009), because they allowed Reisinger to violate Section 4g(a) of the Act, 7 U.S.C. 6g(a) (2006), and Regulations 1.31 and 1.35, 17 C.F.R. §§ 1.31, 1.35 (2009), as described *supra*.

46. Defendant NWH further violated Regulation 166.3, 17 C.F.R. § 166.3 (2009), because it allowed Erdman to violate Section 4g(a) of the Act, 7 U.S.C. 6g(a) (2006), and Regulations 1.31 and 1.35, 17 C.F.R. §§ 1.31, 1.35 (2009), as described *supra*.

47. Each failure to supervise, including those resulting in violations of Section 4g(a) of the Act, 7 U.S.C. 6g(a) (2006), and Regulations 1.31 and 1.35, 17 C.F.R. §§ 1.31 and 1.35 (2009), made during the relevant period, including but not limited to those specifically alleged herein, is alleged as a separate and distinct violation of Regulation 166.3, 17 C.F.R. § 166.3 (2009).

48. The foregoing acts and/or omissions by Erdman occurred within the scope of his employment with NWH; therefore, NWH is liable for his acts and/or omissions as alleged in this count pursuant to Section 2(a)(1)(B) of the Act 7 U.S.C. § 2(a)(1)(B) (2006), and Regulation 1.2, 17 C.F.R. § 1.2 (2009).

VIII. RELIEF REQUESTED

WHEREFORE, the CFTC respectfully requests that the Court, as authorized by Section 6c of the Act, 7 U.S.C. § 13a-1 (2006), and pursuant to its own equitable powers, enter:

1. An order finding that:
 - a. NWH violated Section 4g(a) of the Act and Regulations 1.31, 1.35 and 166.3;
 - b. Reisinger is liable as an aider and abetter of NWH's violations of Section 4g(a) of the Act, and Regulations 1.31 and 1.35;
 - c. Erdman is liable as an aider and abetter of NWH's violations of Section 4g(a) of the Act, and Regulations 1.31, 1.35 and 166.3;
 - d. Erdman violated Regulation 166.3;
 - e. NWH is liable for the acts of its agent Erdman in violation of Regulation 166.3.

2. An order of permanent injunction prohibiting NWH and any of its agents, servants, employees, assigns, attorneys, and persons in active concert or participation with either of them, including any successor thereof, from engaging, directly or indirectly in any conduct that violates Section 4g(a) of the Act and Regulations 1.31, 1.35 and 166.3;

3. An order of permanent injunction prohibiting Erdman and any of his agents, servants, employees, assigns, attorneys, and persons in active concert or participation with him, including any successor thereof, from engaging, directly or indirectly in any conduct that violates Regulation 166.3 or aids and abets violations of Section 4g(a) of the Act and Regulations 1.31 and 1.35;

4. An order of permanent injunction prohibiting Reisinger and any of her agents, servants, employees, assigns, attorneys, and persons in active concert or participation with her, including any successor thereof, from engaging, directly or indirectly in any conduct that aids and abets violations of Section 4g(a) of the Act and Regulations 1.31 and 1.35;

5. An order requiring Defendants to disgorge all benefits received by their misconduct, including, but not limited to, salaries, commissions, loans, fees, revenues and trading profits derived, directly or indirectly, from acts or practices which constitute violations of the Act or Regulations as described herein, including post-judgment interest;

6. An order directing each Defendant to pay a civil monetary penalty in the amount of the higher of \$130,000 for each violation of the Act or Regulations committed or triple the monetary gain to each Defendant for each violation of the Act or Regulations described herein occurring before October 23, 2008, and a civil monetary penalty in the amount of the higher of \$140,000 for each violation of the Act or Regulations committed or triple the monetary gain to each Defendant for each violation of the Act or Regulations described herein occurring on or after October 23, 2008, plus post-judgment interest;

7. An order requiring Defendants to pay costs and fees as permitted by 28 U.S.C. §§ 1920 and 2412(a)(2); and

8. Such other and further relief as the Court deems proper.

Respectfully submitted

Date: July 22, 2010

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