

**IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF MICHIGAN**

COMMODITY FUTURES TRADING)	
COMMISSION,)	
)	
Plaintiff,)	
)	
v.)	11-cv-10949
)	
ALAN JAMES WATSON, MICHAEL)	Hon. Mark A. Goldsmith
POTTS and CASH FLOW FINANCIAL)	
LLC,)	Hon. Mona K. Majzoub
)	
Defendants,)	
and)	
)	
THE JEDBURGH GROUP,)	
)	
Relief Defendant)	
_____)	

ORDER
SETTING RESTITUTION AND CIVIL MONETARY PENALTY
AMOUNTS AS TO DEFENDANT ALAN JAMES WATSON

For the reasons stated in Plaintiff's Memorandum in Support of its Motion to Set Restitution and Civil Monetary Penalty Amounts as to Defendant Alan James Watson, the Motion is **GRANTED**, and Defendant Alan James Watson is hereby **ORDERED** to pay restitution in the amount of \$37,224,928.82, plus post-judgment interest, and a civil monetary penalty in the amount of \$27,000,000.00, plus post-judgment interest.

A. Restitution

1. Pursuant to the Motion to Set Restitution and Civil Monetary Penalty Amounts as to Defendant Alan James Watson and the supporting memorandum, Watson shall pay a civil monetary penalty in the amount of thirty-seven million, two hundred twenty-four thousand, nine hundred twenty-eight dollars and eighty-two cents (\$37,224,928.82) (“Restitution Obligation”), plus post-judgment interest. Post-judgment interest shall accrue beginning on 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 (2012).

2. To effect payment of the Restitution Obligation and the distribution of any restitution payments to Cash Flow Financial LLC (“CFF”) pool participants, Watson shall pay the Restitution Obligation to the Receiver appointed by the Court in this matter, Phillip S. Stenger, Stenger & Stenger, P.C., 2618 East Paris Avenue, S.E., Grand Rapids, Michigan 49546-2425 (“Receiver Stenger”).

3. Watson shall make Restitution Obligation payments by electronic funds transfer, or by U.S. postal money order, certified check, bank cashier’s check, or bank money order, to Phillip S. Stenger, Stenger & Stenger, P.C., 2618 East Paris Avenue, S.E., Grand Rapids, Michigan 49546-2425, under cover letter that identifies the paying Defendant and the name and docket number of this proceeding. Watson shall simultaneously transmit copies of the cover letter and

form of payment to the Chief Financial Officer, U.S. Commodity Futures Trading Commission, Three Lafayette Centre, 1155 21st Street, N.W., Washington, D.C. 20581.

4. The procedure for distribution of the Restitution Obligation by Receiver Stenger shall be separately determined by the Court.

5. If, upon termination of the receivership estate, Watson has failed to fulfill his Restitution Obligation, the Court hereby appoints the National Futures Association (“NFA”) as Monitor (“Monitor”). The Monitor shall collect restitution payments from Defendants and make distributions as set forth below. The Monitor shall act as an officer of this Court in performing these services.

6. The Monitor shall oversee the Restitution Obligation and shall have the discretion to determine the manner of distribution of such funds in an equitable fashion to CFF pool participants identified by Receiver Stenger, or may defer distribution until such time as the Monitor deems appropriate. In the event that the amount of Restitution Obligation payments to the Monitor are of *de minimis* nature such that the Monitor determines that the administrative cost of making a distribution to eligible CFF pool participants is impractical, the Monitor may, in its discretion, treat such restitution payments as civil monetary penalty payments, which the Monitor shall forward to the Commission pursuant to the instructions for civil monetary penalty payments set forth in this Order.

7. Watson shall cooperate with Receiver Stenger and the Monitor as appropriate to provide such information as Receiver Stenger or the Monitor deems necessary and appropriate to identify CFF pool participants whom Receiver Stenger or the Monitor may determine to include in any plan for distribution of any Restitution Obligation payments. Watson shall execute any documents necessary to release funds that he holds in any repository, bank, investment, or financial institution, wherever located, in order to make partial or total payment toward the Restitution Obligation.

8. Upon termination of the receivership estate, Receiver Stenger shall provide the Commission and NFA with a report detailing the disbursement of funds to CFF pool participants. Receiver Stenger shall transmit this report under a cover letter that identifies the name and docket number of this proceeding to the Chief Financial Officer, U.S. Commodity Futures Trading Commission, Three Lafayette Centre, 1155 21st Street, N.W., Washington, D.C. 20581.

9. The amounts payable to each CFF pool participant shall not limit the ability of any CFF pool participant from proving that a greater amount is owed from Watson or any other person or entity, and nothing herein shall be construed in any way to limit or abridge the rights of any CFF pool participant that exist under state or common law.

10. Pursuant to Rule 71 of the Federal Rules of Civil Procedure, each CFF pool participant who suffered a loss is explicitly made an intended third-party beneficiary of this Order and may seek to enforce obedience of this Order to obtain satisfaction of any portion of the Restitution Obligation that has not been paid by Watson, to ensure continued compliance with any provision of this Order, and to hold Watson in contempt for any violations of any provision of this Order.

11. To the extent that any funds accrue to the U.S. Treasury as a result of Watson's Restitution Obligation, such funds shall be transferred to Receiver Stenger for disbursement in accordance with the procedures set forth above.

B. Civil Monetary Penalty

12. Watson shall pay a civil monetary penalty in the amount of twenty-seven million dollars (\$27,000,000.00) pursuant to Section 6c of the Commodity Exchange Act, 7 U.S.C. §§ 13a-1 (2006), as amended, and 17 C.F.R. § 143.8(a)(1) (2001), ("CMP Obligation"), plus post-judgment interest. Post-judgment interest shall accrue beginning on the date of entry of this Order and shall be determined by using the Treasury Note rate prevailing on the date of entry of this Order, pursuant to 28 U.S.C. § 1961 (2012).

13. Watson shall pay the CMP Obligation by electronic funds transfer, or by U.S. postal money order, certified check, bank cashier's check, or bank money order. If payment is made by means other than by electronic funds transfer,

payment shall be made payable to the U.S. Commodity Futures Trading

Commission and sent to the address below:

U.S. Commodity Futures Trading Commission
Division of Enforcement
ATTN: Accounts Receivables – AMZ 340
E-mail Box: 9-AMC-AMZ-AR-CFTC
DOT/FAA/MMAC
6500 S. MacArthur Blvd.
Oklahoma City, Oklahoma
Telephone: (405) 954-5644

If payment by electronic funds transfer is chosen, Watson shall contact Nikki Gibson or her successor at the address above to receive payment instructions and shall fully comply with those instructions. Watson shall accompany payment of the civil monetary penalty with a cover letter that identifies Alan James Watson and the name and docket number of this proceeding. Watson shall simultaneously transmit copies of the cover letter and form of payment to: Chief Financial Officer, U.S. Commodity Futures Trading Commission, Three Lafayette Centre, 1155 21st Street, N.W., Washington, D.C. 20581.

C. Monetary Sanctions Provision

14. Partial Satisfaction: Any acceptance by the Commission, Receiver Stenger, or the Monitor of partial payment of the Restitution Obligation or CMP Obligation shall not be deemed a waiver of Watson's obligation to make further payments pursuant to this Order, or a waiver of the Commission's right to seek to compel payment of any remaining balance.

D. Miscellaneous Provisions

15. Notice: All notices required to be given by any provision in this Order shall be sent by certified mail, return receipt requested, as follows:

Notice to Commission:

Director, Division of Enforcement
U.S. Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, N.W.
Washington, D.C. 20581

All such notices to the Commission shall reference the name and docket number of this action.

16. Change of Address / Telephone Number: Until such time as Watson fully satisfies the Restitution Obligation and the CMP Obligation, Watson shall provide written notice to the Commission by certified mail of any change to his mailing address or telephone number within ten (10) calendar days of such change.

17. Waiver: The failure of any party or CFF pool participant at any time to require performance of any provision of this Order shall in no manner affect the right of the party or CFF pool participant at a later time to enforce the same or any other provision of this Order.

18. Equitable Relief Provisions: The equitable relief required by this Order shall be binding upon Watson, upon any person under his authority or control, and upon any person who received actual notice of the Order, by personal

service, e-mail, facsimile, or otherwise, insofar as he or she is acting in active concert or participation with Watson.

19. Continuing Jurisdiction of this Court: This Court shall retain jurisdiction of this action to ensure compliance with this Order and for all other purposes related to this action, including any motion by Watson to modify or for relief from the terms of this Order.

20. Acknowledgements: Upon being served with copies of this Order after entry by the Court, Watson shall sign acknowledgement of such service and serve such acknowledgement on the Court and the Commission within thirty (30) calendar days.

SO ORDERED.

Dated: September 25, 2015
Detroit, Michigan

s/Mark A. Goldsmith
MARK A. GOLDSMITH
United States District Judge

CERTIFICATE OF SERVICE

The undersigned certifies that the foregoing document was served upon counsel of record and any unrepresented parties via the Court's ECF System to their respective email or First Class U.S. mail addresses disclosed on the Notice of Electronic Filing on September 25, 2015.

s/Carrie Haddon

Case Manager