

COMMODITY FUTURES TRADING COMMISSION

2033 K Street, NW, Washington, DC 20581 (202) 254 - 8955 (202) 254 - 8010 Facsimile

DIVISION OF TRADING AND MARKETS

August 12, 1993

Re: Request for Relief from CPO and CTA Registration

Dear :

The Charles

This is in response to your letter dated July 19, 1993, as supplemented by telephone conversations with Division staff, in which you request in connection with the operation of (the "Company"), that the Division of Trading and Markets ("Division") of the Commodity Futures Trading Commission ("Commission") grant relief to "A" from registration as a commodity pool operator ("CPO") and a commodity trading advisor ("CTA").

Based upon the representations made in your letter, as supplemented, we understand the relevant facts to be as follows. The Company was formed as a limited liability company under the laws of the State of Texas for the primary purpose of trading futures contracts in natural gas. The Company has three members, "A", "B" and "C" (the "Members"), who made capital contributions totalling \$800,000.½ All of the Company's trading activities and decisions will be conducted and made by "A", who will devote his efforts to the business on a full-time basis and will be paid a salary and bonuses based on performance. "A" has extensive experience in the natural gas industry, having worked his entire professional life in the industry.½ "B" and "C" will be passive investors only. The Company will not solicit or accept any other investors and "A" will not trade on behalf of any other person.

You represent that each Member is an accredited investor as defined by Rule 501(a) of Regulation D of the Securities Exchange Act of 1933, as amended and is capable of withstanding the economic loss of all of his investment, if such an event would

Specifically, you represent that "A", "B"and "C" contributed \$100,000, \$175,000 and \$525,000 and have ownership interests of 12.5%, 21.875% and 65.255%, respectively.

Specifically, "A" has held positions with "X", "Y", and most recently with "Z", where, among other duties, he was in charge of all of the company's nationwide futures trading activity from April, 1991 to January, 1993.

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occur. Additionally, you state that each Member is sufficiently knowledgeable in financial and business matters to evaluate the merits and risks of his investment. Further, the Members are all friends with one another. Specifically, "C" and "A" have been friends for over six years, having met in 1987 while living in the same neighborhood and attending the same church. "C" and "B" have been friends for over 12 years, having met while working for the same company in 1981. Additionally, they have been co-owners of a business, originally started by "C" in 1984, since 1988. "A" and "B" have been friends for over one year, having met through their longstanding mutual friend, "C".

Based upon the foregoing representations, the Division will not recommend that the Commission take any enforcement action against "A" if he fails to register as a CPO or a CTA in connection with his activities with respect to the Company. This position is, however, subject to the condition that the Company will not solicit or accept any other investors.

The relief issued by this letter does not excuse "A" from compliance with any other applicable requirements contained in the Commodity Exchange Act ("Act"), " as amended or the Commission's regulations thereunder. For example, he remains subject to the antifraud provisions of Section 40 of the Act, 7 U.S.C. \$60, to the reporting requirements for traders set forth in Parts 15, 18 and 19 of the Commission's regulations, and to all other applicable provisions of Part 4.5

This letter is based on the representations you have made to us and is strictly limited to those representations. Any different, changed or omitted facts or conditions might require us to reach a different conclusion. In this regard, we request that you notify us immediately in the event the Company's operations, including its membership composition, change in any way from those represented to us. Finally, this letter represents the position of the Division of Trading and Markets only. It does not necessarily reflect the views of the Commission or any other office or division of the Commission.

⁷ U.S.C. § 1 et seq. (1988 & Supp. IV 1992)

For example, "A" remains subject to the operating requirements of Rule 4.20 and the advertising requirements of Rule 4.41, both of which apply to each person who comes within the CPO definition, regardless of whether that person must register as a CPO. Commission rules referred to herein are found at 17 C.F.R. Ch. I (1993).

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If you have any questions regarding this letter, please contact me or Lawrence Eckert, an attorney on my staff, at (202) 254-8955.

Very truly yours,

Susan C. Ervin Chief Counsel