

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26

Jeff Le Riche, MO #46557  
([jleriche@cftc.gov](mailto:jleriche@cftc.gov))  
Jo Mettenburg, KS #19423  
([jmettenburg@cftc.gov](mailto:jmettenburg@cftc.gov))  
Jennifer J. Chapin, MO #50554  
([jchapin@cftc.gov](mailto:jchapin@cftc.gov))

FILED  
CLERK, U.S. DISTRICT COURT

MAR 15 2011

CENTRAL DISTRICT OF CALIFORNIA

Peter L. Riggs, MO #57268  
([priggs@cftc.gov](mailto:priggs@cftc.gov))  
COMMODITY FUTURES TRADING COMMISSION  
Two Emanuel Cleaver II Boulevard, Suite 300  
Kansas City, MO 64112  
Telephone: 816-960-7744 (Mettenburg)  
Facsimile: 816-960-7750

Preston DuFauchard, CA # 114795  
([pdufauch@corp.ca.gov](mailto:pdufauch@corp.ca.gov))  
California Corporations Commissioner  
Alan S. Weinger, CA # 86717  
([aweinger@corp.ca.gov](mailto:aweinger@corp.ca.gov))  
Deputy Commissioner  
Joyce Tsai CA # 241908  
Corporations Counsel  
CALIFORNIA DEPARTMENT OF CORPORATIONS  
1350 Front Street, Room 2034  
San Diego, California 92101  
Telephone: (619) 525-4043 (Tsai)  
Facsimile: (619) 525-4045

Attorneys for Plaintiffs

1                                   **UNITED STATES DISTRICT COURT**  
2                                   **FOR THE CENTRAL DISTRICT CALIFORNIA**

3 **UNITED STATES COMMODITY**  
4 **FUTURES TRADING**  
5 **COMMISSION, and THE**  
6 **COMMISSIONER OF**  
7 **CORPORATIONS OF THE STATE**  
8 **OF CALIFORNIA,**

9                                   **Plaintiffs,**

10 **vs.**

11 **THE TRADE TECH INSITUTE,**  
12 **INC., TECHNOLOGY TRADING**  
13 **INTERNATIONAL, INC., RICHARD**  
14 **CARTER, AND ROBERT SORCHINI**  
15 **(AKA “JACK GOLD” AND “FRANK**  
16 **THOMAS”),**

17                                   **Defendants.**

**FILED UNDER SEAL**

**CASE NO: CV11 02163**

**COMPLAINT FOR INJUNCTIVE**  
**RELIEF, CIVIL MONETARY**  
**PENALTIES AND OTHER**  
**EQUITABLE RELIEF**

18                                   Plaintiff, United States Commodity Futures Trading Commission (“CFTC”  
19 or “Commission”) and the Commissioner of Corporations of the State of California  
20 (the “Commissioner”) (collectively with the CFTC “Plaintiffs”), alleges as follows:

21                                   **JURISDICTION AND VENUE**  
22

23                                   1.     Section 6c(a) of the Commodity Exchange Act, (the “Act”) as  
24 amended by the Food, Conservation, and Energy Act of 2008, Pub. L. No. 110-  
25 246, Title XIII (the CFTC Reauthorization Act of 2008), §§ 13101-13204, 122  
26

1 Stat. 1651 (enacted June 18, 2008) (the “CRA”), to be codified at 7 U.S.C. § 13a-1,  
2 authorizes the Commission to seek injunctive relief against any person whenever it  
3 shall appear to the Commission that such person has engaged, is engaging, or is  
4 about to engage in any act or practice constituting a violation of the Act or any  
5 rule, regulation, or order thereunder. The CFTC may bring an action in the proper  
6 District Court of the United States against such person to enjoin such practice, or to  
7 enforce compliance with the Act, or any rule, regulation or order thereunder.  
8  
9

10 2. Section 6d(1) of the Act, as amended by the CRA, to be codified at 7  
11 U.S.C. § 13a-2(1), provides that whenever it shall appear to any State that interests  
12 of the residents of the State have been, are being, or may be threatened or  
13 adversely affected because of such violation of the Act, the State may bring a suit  
14 in the district courts of the United States to enjoin such acts or practices and to  
15 enforce compliance with the Act, or to obtain such other and further relief as the  
16 Court deems appropriate; this includes the State of California claims brought  
17 pursuant to Section 12(e) of the Act, as amended by the CRA, to be codified at 7  
18 U.S.C. § 16(e), over which this Court has supplemental jurisdiction pursuant to 28  
19 U.S.C. § 1367(a) (2006).  
20  
21  
22

23 3. Venue properly lies with this Court pursuant to Section 6c(e) of the  
24 Act, as amended by the CRA, to be codified at 7 U.S.C. § 13a-1(e), because  
25 Defendants reside in this District and have transacted business in this District.  
26

1 **SUMMARY**

2 4. Since at least 2007 and continuing through the present (the “Relevant  
3 Period”), The Trade Tech Institute, Inc. (“Trade Tech”), by and through Richard  
4 Carter (“Carter”) and Robert Sorchini (“Sorchini”), individually and as agents of  
5 Trade Tech, and other Trade Tech employees and agents, have engaged and  
6 continue to engage in the fraudulent promotion of and selling to the public of  
7 several systems to be used for trading commodity futures contracts (“Futures”) and  
8 options on commodity futures contracts (“Options”) in managed accounts  
9 (“Systems”).  
10  
11

12 5. Beginning in April 2010, Sorchini and Carter, individually and in their  
13 capacity as agents, and others, continued their fraudulent promotion of and selling  
14 to the public Systems through a new entity they formed for that purpose:  
15 Technology Trading International, Inc. (“Tech Trading”) (collectively with Trade  
16 Tech, Sorchini and Carter, the “Defendants”).  
17  
18

19 6. While selling these Systems, Trade Tech, Tech Trading, and Sorchini  
20 make fraudulent misrepresentations to prospective clients and current clients  
21 (collectively, “Clients”) about the Systems’ past and potential future profitability,  
22 and track records; fail to adequately warn Clients of the risks inherent in trading  
23 Futures and Options; fail to disclose to Clients the Systems’ losing performance  
24 records in Clients’ managed accounts; make fraudulent performance-based  
25  
26

1 guarantees; and fail to inform Clients or obtain Clients' consent when switching  
2 Clients' managed accounts between Systems. In addition, Trade Tech publishes a  
3 misleading testimonial on its website.  
4

5 7. Trade Tech and Tech Trading operate as Commodity Trading  
6 Advisors (hereafter "CTA(s)") in that they are in the business of providing advice  
7 to Clients as to the value or advisability of trading Futures and Options by, *inter*  
8 *alia*, soliciting the general public to purchase the Systems and by using the  
9 Systems to generate trading recommendations available to Clients that open  
10 managed accounts.  
11  
12

13 8. Sorchini operates as an "associated person" ("AP") of a CTA in that  
14 he is associated with Trade Tech and Tech Trading as a partner, officer, employee,  
15 consultant or agent and is involved in the solicitation of Clients' discretionary  
16 accounts or supervises persons engaged in the solicitation of Clients' discretionary  
17 accounts.  
18

19 9. During the Relevant Period, Trade Tech and Tech Trading received  
20 over \$4.5 million in fees from Clients from the sale of their Systems and continue  
21 to receive additional fees from ongoing sales. In addition, Trade Tech and Tech  
22 Trading directed the opening of over 600 managed accounts for execution of their  
23 Systems and continue to direct the opening of new managed accounts for their  
24 Clients.  
25  
26

1           10.    The vast majority of Clients trading pursuant to Defendants’ Systems  
2 lose money trading the Systems.

3           11.    Consequently, Trade Tech and Tech Trading, through the acts of their  
4 agents and employees, including Sorchini, Carter, and others, and Sorchini have  
5 violated and are violating Section 4o(1)(A) and (B) of the Act, as amended, to be  
6 codified at 7 U.S.C. § 6o(1)(A) and (B).  
7

8           12.    Trade Tech and Tech Trading are further liable for the acts of their  
9 employees and agents pursuant to Section 2(a)(1)(B) of the Act, as amended by the  
10 CRA, to be codified at 7 U.S.C. § 2(a)(1)(B) and CFTC Regulation  
11 (“Regulation(s)”) 1.2, 17 C.F.R. § 1.2 (2010).  
12

13           13.    Trade Tech and Tech Trading, through the acts of its agents and  
14 employees, have violated and are violating Regulation 4.41 (a), 17 C.F.R. § 4.41  
15 (a).  
16

17           14.    Additionally, Carter and Sorchini are controlling persons of Trade  
18 Tech and Tech Trading. Carter and Sorchini have not acted, and are not acting, in  
19 good faith, or have knowingly induced and are inducing, directly or indirectly, the  
20 acts constituting Trade Tech’s and Tech Trading’s violations of the Act and  
21 Regulations. Therefore, Carter and Sorchini are liable for Trade Tech’s and Tech  
22 Trading’s violations of the Act and Regulations, pursuant to Section 13(b) of the  
23 Act, as amended by the CRA, to be codified at 7 U.S.C. § 13c(b).  
24  
25  
26

1           15. Defendants' conduct also violates a provision of the California  
2 Commodity Law of 1990 (Cal. Corp. Code ("CCC") Section 29536).

3  
4           16. Accordingly, the CFTC brings this action pursuant to Section 6c of  
5 the Act, as amended by the CRA, to be codified at 7 U.S.C. § 13a-1, to enjoin  
6 Defendants' unlawful acts and practices and to compel Defendants' compliance  
7 with the Act and Regulations.  
8

9           17. Additionally, Pursuant to Section 6d of the Act, as amended by the  
10 CRA, to be codified at 7 U.S.C. § 13a-2, and California Corporations Code Sec.  
11 29540 and 29544, People of the State of California, by and through the  
12 Commissioner, bring this action to enjoin the unlawful acts and practices of  
13 Defendants that violate California law and to enjoin them from engaging in certain  
14 commodity-related activities.  
15

16  
17           18. In addition, Plaintiffs seek civil monetary penalties, restitution to  
18 Clients for losses proximately caused by Defendants' fraud, disgorgement of ill-  
19 gotten gains, rescission, pre- and post-judgment interest, trading and registration  
20 bans on all Defendants, and such other relief as the Court may deem necessary or  
21 appropriate.  
22

23           19. Unless restrained and enjoined by this Court, Defendants are likely to  
24 continue to engage in the acts and practices alleged in this complaint and more  
25 fully described below.  
26

1                                    **DEFINITIONS OF CERTAIN RELEVANT TERMS**

2                    20.    A “managed” or “discretionary” account is an account in which the  
3  
4 account holder gives a written power of attorney or letter of direction to someone  
5 else to execute trades in the account without prior approval of the holder.

6                    21.    A “commodity trading advisor” is any person who “for compensation  
7  
8 or profit, engages in the business of advising others, either directly or through  
9 publications, writings, or electronic media, as to the value of or the advisability of  
10 trading in . . . any contract of sale of a commodity for future delivery made or to be  
11 made on or subject to the rules of a contract market or derivatives transaction  
12 execution facility.” Section 1a(6) of the Act, as amended by the CRA, to be  
13 codified at 7 U.S.C. § 1a(6).

14  
15                    22.    An “associated person” of a CTA is “any natural person who is  
16  
17 associated . . . with . . . [a] commodity trading advisor as a partner, officer,  
18 employee, consultant, or agent . . . in any capacity which involves: (i) the  
19 solicitation of a client’s or prospective client’s discretionary account, or (ii) the  
20 supervision of any person or persons so engaged.” Regulation 1.3(aa)(4), 17 C.F.R.  
21 § 1.3(aa)(4).  
22

23                    23.    An “introducing broker” is any person who is “engaged in soliciting  
24  
25 or in accepting orders for the purchase or sale of any commodity for future  
26 delivery on or subject to the rules of any contract market . . . who does not accept



1 any money, securities, or property . . . to margin, guarantee, or secure any trades or  
2 contracts that result or may result therefrom.” Section 1a(23) of the Act, as  
3 amended by the CRA, to be codified at 7 U.S.C. § 1a(23).  
4

5 24. A “futures commission merchant” is “an individual, association,  
6 partnership, corporation or trust that is engaged in soliciting or accepting orders for  
7 the purchase or sale of any commodity for future delivery on or subject to the rules  
8 of any contract market or derivatives transaction execution facility; and in or in  
9 connection with such solicitation or acceptance of orders, accepts any money,  
10 securities, or property . . . to margin, guarantee, or secure any trades or contracts  
11 that result or may result therefrom.” Section 1a(20) of the Act, as amended by the  
12 CRA, to be codified at 7 U.S.C. § 1a(20).  
13  
14

## 15 **PARTIES**

### 16 **A. Plaintiffs**

17 25. Plaintiff **U.S. Commodity Futures Trading Commission** is an  
18 independent federal regulatory agency that is charged by Congress with the  
19 administration and enforcement of the Act and the Regulations promulgated  
20 thereunder. The Commission maintains its principal office at Three Lafayette  
21 Centre, 1155 21st Street, NW, Washington, D.C. 20581.  
22  
23

24 26. Plaintiff **People of the State of California, by and through the**  
25 **California Corporations Commissioner**, brings this action on behalf of the  
26

1 people of California in the public interest. The Commissioner, as head of the  
2 California Department of Corporations, is empowered by legislative enactment to  
3 protect the people of California from unlawful commodity and securities  
4 transactions and activities.  
5

6 **B. Defendants**

7 27. Defendant **The Trade Tech Institute, Inc.** is a California  
8 Corporation with a mailing address of 264 South La Cienega Boulevard, Suite  
9 1122, Los Angeles, California. Since late 2008, Trade Tech has maintained an  
10 office at 8500 Wilshire Boulevard, Los Angeles, California. Trade Tech has never  
11 been registered with the Commission in any capacity.  
12

13 28. Defendant **Technology Trading International, Inc.** is a California  
14 corporation with a mailing address of 264 South La Cienega Boulevard, Suite  
15 1122, Los Angeles, California. Tech Trading maintains an office at 5420 Wilshire  
16 Boulevard, Los Angeles, California. Tech Trading has never been registered with  
17 the Commission in any capacity.  
18

19 29. Defendant **Robert Sorchini** is a resident of Los Angeles, California.  
20 Sorchini, along with Carter, manages the day to day operations of Trade Tech and  
21 Tech Trading. Sorchini communicates directly with Clients using the names Jack  
22 Gold (“Gold”) and Frank Thomas (“Thomas”). Sorchini has never been registered  
23 with the Commission in any capacity.  
24  
25  
26

1 30. Defendant **Richard Carter** is a resident of Torrance, California.  
2 Carter, along with Sorchini, manages the day to day operations of Trade Tech and  
3 Tech Trading. Carter has never been registered with the Commission in any  
4 capacity.  
5

6 **FACTS**

7 **A. Trade Tech and Tech Trading Operations**

8 **1. The Systems**

9 31. Trade Tech and Tech Trading are engaged in the business of  
10 providing advice to Clients as to the value or advisability of trading Futures and  
11 Options by, *inter alia*, soliciting the general public to purchase at least eight  
12 different purportedly automated Systems and by using the Systems to generate  
13 trading recommendations available to Clients who open managed accounts.  
14  
15

16 32. Sorchini is an AP of Trade Tech and Tech Trading because he is  
17 associated with Trade Tech and Tech Trading as a partner, officer, employee,  
18 consultant, or agent and directly solicits Clients to purchase a System and to open a  
19 managed account to trade the System, or supervises Trade Tech and Tech Trade  
20 salespeople who are soliciting Clients.  
21

22 33. The Systems that Trade Tech and Tech Trading offer and sell to  
23 Clients generate trading signals for various Futures and Options contracts. Clients  
24 open managed accounts to receive these signals. These signals are communicated  
25  
26

1 by Trade Tech and Tech Trading, as trading orders, to the introducing broker  
2 (“IB”) firms where Clients’ managed accounts are held, either by instant message  
3 or automatically through a computerized trading platform called Trade Station.  
4

5 34. Trade Tech offers, or has previously offered, for sale to Clients the  
6 following Systems: Trade Tech Analytics (“TTA”), Paradigm, Optimum,  
7 Expeditor, MAC, Hybrid, Daytona and Pioneer.  
8

9 35. Tech Trading offers, or has previously offered, for sale to Clients the  
10 Prisma System (“Prisma”).  
11

12 36. Generally, the Systems sold by Trade Tech were designed with three  
13 “portfolios.” Prisma was designed with four “portfolios.”(Clients can trade one or  
14 more of these portfolios, depending on the size of their trading accounts.)  
15

16 37. Each of the Systems sold by Trade Tech and Tech Trading was  
17 developed by one of three individuals that work (or previously worked) for Trade  
18 Tech and Tech Trading (the “Developer(s)”). The majority of the Systems sold by  
19 Trade Tech and Tech Trading were created at the request of Sorchini and/or Carter.  
20

21 38. The Developers receive between \$100 and \$200 each time Trade Tech  
22 or Tech Trading sells access to a System created by that Developer.  
23

24 39. Prior to Trade Tech or Tech Trading marketing a System, the  
25 Developers “back-test” their respective Systems, which means they apply the  
26 trading strategy of their Systems against known historical trading data. As part of

1 this process, the Developers optimize their Systems to take advantage of past  
2 trading patterns and trends. Back-testing involves no actual trading.

3  
4 40. Live trading for any particular System occurs *only* after the first Client  
5 purchases a System, opens and funds a managed trading account, and authorizes  
6 that System to generate trading signals that are used by the IB to execute trades in  
7 the Client's managed account.

8  
9 41. Generally, each of the Systems sold by Trade Tech and Tech Trading  
10 is marketed for only a few months. This is because Trade Tech and Tech Trading  
11 will stop selling a System after that System begins generating trading losses in  
12 Clients' accounts, resulting in numerous Client complaints, which usually occurs  
13 within a few months of Trade Tech and Tech Trading marketing a System. When  
14 this occurs, Sorchini and/or Carter direct the Developers to create a new System  
15 for marketing to Clients.  
16  
17

## 18 **2. Trade Tech and Tech Trading Sales Force**

19 42. Trade Tech and Tech Trading advertise the Systems through their  
20 respective websites and through telemarketing.  
21

22 43. Trade Tech and Tech Trading advertise for salespeople on Craigslist  
23 and hire salespeople with little or no industry experience to solicit Clients, via  
24 telephone, to purchase their Systems.  
25  
26

1           44. Trade Tech and Tech Trading salespeople, whose roles are described  
2 within the two companies as “Openers” (described below) and “Closers”  
3 (described below), receive between \$350 and \$500 for each System that they sell.  
4

5           45. Most Trade Tech and Tech Trading salespeople use pseudonyms  
6 when communicating with Clients. As described previously, Sorchini who, among  
7 other duties, works as a Closer for both companies, uses the “Gold” pseudonym  
8 when communicating with Trade Tech Clients and uses the “Thomas” pseudonym  
9 when communicating with Tech Trading Clients.  
10

11           **3. The Sales Process**

12           46. Trade Tech and Tech Trading acquire sales leads by purchasing lists  
13 of telephone numbers of people residing throughout the United States. These  
14 phone numbers are loaded into automatic dialers that route calls to Trade Tech and  
15 Tech Trading salespeople.  
16  
17

18           47. Each Trade Tech and Tech Trading salesperson is expected to solicit  
19 between 200 and 400 people per day for the Systems.  
20

21           48. Clients are initially contacted by Trade Tech and Tech Trading by  
22 salespeople referred to as Openers. Openers are provided scripts to read when  
23 calling Clients that contain, among other things, information about the purported  
24 past and potential future profitability of the Systems.  
25  
26

1           49.    When a Client shows interest in a System, the Client is turned over to  
2 Trade Tech or Tech Trading salespeople referred to as Closers.

3           50.    Closers provide additional information to Clients about the Systems’  
4 purported past and potential future profitability, the performance-based guarantees  
5 available with the Systems and the purchase price of the Systems. In addition,  
6 Closers direct Clients to Trade Tech’s or Tech Trading’s website and show Clients  
7 the Systems’ various track records (the “Track Records”).  
8

9           51.    Closers are authorized to sell the Systems for between \$4,995 and  
10 \$9,995.  
11

12           52.    In addition, Closers are authorized to offer performance-based  
13 guarantees with the Systems. Typically, these guarantees are based on the net or  
14 gross performance of a System over six months, one year, or two years.  
15

16           53.    After a Client agrees to purchase a System, Trade Tech and Tech  
17 Trading arrange for the Client to open a managed account at one of at least four  
18 IBs. These IBs, in turn, introduce the Client to a Futures Commission Merchant.  
19

20           54.    In connection with their managed accounts, Clients execute letters of  
21 direction to one of the IBs, directing that the IB execute trades in the Client’s  
22 account pursuant to trading signals generated by the Systems purchased by the  
23 Client. Thus, after letters of direction are in effect, trading pursuant to the Systems  
24 occurs automatically in Clients’ accounts unless and until a Client instructs his or  
25  
26

1 her IB to cease trading in his or her managed accounts pursuant to the System, or  
2 until the Client's funds are exhausted.

3  
4 **B. Defendants' Fraudulent Conduct**

5 55. As part of regular business operations: (1) Defendants make  
6 fraudulent misrepresentations about the Systems' purported past and potential  
7 future profitability and Track Records; (2) Defendants fail to adequately warn of  
8 risks inherent in trading Futures and Options; (3) Defendants make fraudulent  
9 misrepresentations and omissions regarding the Systems' performance in Clients'  
10 managed accounts; (4) Defendants offer fraudulent performance-based guarantees;  
11 (5) Trade Tech switches Clients into Systems Clients did not purchase without  
12 informing the Clients or obtaining their consent; and (6) Trade Tech posts a  
13 misleading Client testimonial on its website that does not contain required  
14 disclosures.  
15  
16  
17

18 **1. Misrepresentations Regarding the Systems' Purported Past and**  
19 **Potential Future Profitability and Track Records**

20 56. During the sales solicitation process, Trade Tech's and Tech  
21 Trading's salespeople (including Sorchini) mislead clients in a variety of ways  
22 about the Systems' past and potential future profitability and Track Records.  
23

24 57. First, Trade Tech and Tech Trading salespeople (including Sorchini)  
25 make false oral representations to Clients about the Systems' past and potential  
26



1 future profitability. Second, to buttress their claims of the Systems' past and  
2 potential future profitability, Trade Tech and Tech Trading salespeople (including  
3 Sorchini) show and discuss with Clients the Systems' various Track Records.  
4 During these discussions, Trade Tech and Tech Trading salespeople (including  
5 Sorchini) misrepresent to Clients that the data underlying these Track Records  
6 represents actual trading results. Third, the Track Records misrepresent the  
7 Systems' overall profitability.  
8  
9

10 **a. Baseless and False Representations Regarding the Systems'**  
11 **Purported Past and Potential Future Profitability**

12 58. During telephone calls with Clients, Trade Tech and Tech Trading  
13 salespeople (including Sorchini) paint a rosy picture of the Systems' purported past  
14 and potential future profitability, telling Clients that the Systems will yield and are  
15 yielding returns ranging between 10% and 20% per month.  
16

17 59. The following are examples of statements made to Clients by Trade  
18 Tech and Tech Trading salespeople (including Sorchini), about the potential future  
19 profitability of Trade Tech's and Tech Trading's Systems:  
20

- 21 a. A Trade Tech salesman told a Client that she would make \$6,000  
22 to \$8,000 in a few weeks on a \$20,000 investment using the  
23 trading signals generated by Expeditor;  
24  
25  
26

- 1 b. Sorchini (using the “Gold” alias), told a Client that the TTA  
2 System would turn \$15,000 into \$28,000 over 14 months; and  
3  
4 c. A Tech Trading salesperson told a Client that, trading pursuant to  
5 Prisma’s signals, a \$5,000 investment would yield over \$1,000 a  
6 month and had been doing so for approximately a year.  
7

8 60. The following are examples of statements made to Clients by Trade  
9 Tech and Tech Trading salespeople (including Sorchini), about the *actual* past  
10 profitability of trading pursuant to the Systems:

- 11 a. A Trade Tech salesman using the pseudonym “Ben Franks” told a  
12 prospective Client that Trade Tech’s Daytona System returns 17%  
13 on average per month and makes money 17 out of 22 trades;  
14  
15 b. A Trade Tech salesman using the pseudonym “Ken Drake” told  
16 prospective Clients that Daytona had been averaging at least 11%  
17 per month;  
18  
19 c. A Tech Trading salesman told a Client that Prisma had been  
20 making \$1000 a month on a \$5000 investment for about a year;  
21  
22 d. Sorchini, using the “Gold” pseudonym, told a Client that TTA  
23 generated a \$2000 monthly profit on an investment of \$15,000;  
24  
25 and  
26

1 e. Sorchini, using the “Gold” pseudonym, told a Client about  
2 Daytona that “literally what the system is doing on a \$15,000-size  
3 account . . . is about 11% per month . . . making an average net  
4 monthly return of \$2,066 . . .”  
5

6 61. These statements by Trade Tech and Tech Trading salespeople  
7 (including Sorchini) are false because:  
8

- 9 a. No live trading occurs using any given System until the first Client  
10 purchases a particular System and allows that System to trade in an  
11 account. Clients, therefore, are being solicited before any trading  
12 has occurred pursuant to the System. Accordingly, in those  
13 instances, Trade Tech, Tech Trading and Sorchini, have no  
14 information about the profits the Systems have generated or might  
15 generate;  
16  
17  
18 b. In the instances where Trade Tech and Tech Trading are marketing  
19 a System that has been sold to at least one Client (and is therefore  
20 trading “live”) Trade Tech, Tech Trading and Sorchini know that  
21 the System has not generated the profitable results being touted;  
22  
23 and  
24  
25 c. Since the vast majority of Trade Tech and Tech Trading Clients  
26 have lost money trading pursuant to the Systems, any statements

1 by Trade Tech and Tech Trading salespeople that the Systems are  
2 consistently yielding or are likely to consistently yield positive  
3 monthly returns are false.  
4

5 **b. Misrepresentations Regarding the Nature of the Trading**  
6 **Results Contained in the Track Records**

7 62. Trade Tech and Tech Trading publish on their respective websites the  
8 Systems' Track Records, which display the various Systems' purported  
9 performance.  
10

11 63. Each System has its own respective web page displaying its Track  
12 Record. The Systems' Track Records are subdivided by portfolio and generally  
13 contain between one year and two years' worth of purported trading results.  
14

15 64. During sales calls, Trade Tech and Tech Trading salespeople  
16 (including Sorchini) direct Clients to the portions of the Trade Tech and Tech  
17 Trading websites that publish the Track Records to view the Systems' purported  
18 performance.  
19

20 65. When discussing the Track Records with Clients during sales calls,  
21 Trade Tech and Tech Trading salespeople (including Sorchini) make misleading  
22 and false representations concerning the nature of the trading results displayed in  
23 the Track Records. For example, Trade Tech and Tech Trading salespeople  
24 (including Sorchini) have told Clients that the Track Records:  
25  
26

- a. are based on “live” trading;
- b. are actual trades that have occurred in other Clients’ accounts; and
- c. are reflective of what Clients could expect to earn in their accounts;

66. These statements about the Track Records containing actual trading results or being reflective of “live” trading are false and misleading. The overwhelming majority of trading results displayed in the Track Records are, in fact, back-tested trading results and not live trading results.

67. Before a System is sold, the Track Records contain only back-tested trading results. When live-trading begins, Trade Tech and Tech Trading amend the Track Records to include live-trading results. These live-trading results, however, do not include commissions or other fees charged in Clients’ managed accounts.

68. Because the Systems are not traded live until purchased by Clients, there is no, or very little, live-trading results displayed in the Track Records to share with Clients during the time period in which Trade Tech and Tech Trading are marketing any particular System.

69. In the instances where the Track Records contain live trading results, Trade Tech and Tech Trading salespeople (including Sorchini) further mislead

1 Clients by omitting to tell them what portions of the Track Records reflect live-  
2 trading and what portions of the Track Records reflect back-testing.

3  
4 70. Trade Tech and Tech Trading salespeople (including Sorchini) also  
5 have misled some Clients about the “hypothetical” nature of the data contained in  
6 the Track Records. For example, Trade Tech and Tech Trading salespeople  
7 (including Sorchini) have told Clients that the Track Records:  
8

- 9 a. Are hypothetical because the trading results shown on the Trade  
10 Tech website are not reflective of trading that had occurred in the  
11 Clients’ own accounts; and  
12  
13 b. Are hypothetical because they are based on trades that occurred in  
14 an anonymous Client’s account.

15  
16 71. The statements about the “hypothetical” nature of the Track Records  
17 are false and misleading because they create the impression that live-trading has  
18 occurred, in another Client’s account using the Systems, to generate all the trading  
19 results displayed in the Track Records. In fact, the Track Records are hypothetical,  
20 but not for the reasons suggested by Trade Tech, Tech Trading and Sorchini. The  
21 Track Records are hypothetical because they are based, largely (and depending  
22 when viewed by the Client, exclusively), on back-tested trading results.  
23  
24  
25  
26

1                   **c. The Track Records Misrepresent the Overall Profitability of**  
2                   **the Systems**

3                   72. The Track Records indicate that, overall, the Systems are consistently  
4 generating profitable trades and have amassed significant trading gains over time.

5                   73. In fact the majority of the Systems' live-trading has resulted in  
6 primarily unprofitable trades and the vast majority of Clients have lost money  
7 trading pursuant to the Systems.  
8

9                   74. The Track Records misrepresent and overstate the overall profitability  
10 of the Systems because the Track Records are comprised primarily of back-tested  
11 trading results.  
12

13                   75. Generally, the back-tested trading results displayed in the Track  
14 Records are highly profitable while the live-trading results displayed in the Track  
15 Records are unprofitable. When the back-tested trading results are displayed with  
16 the live-trading results, the Systems appear profitable, overall, even though the  
17 live-trading results are mostly unprofitable.  
18

19                   76. The Track Records are also misleading because none of the trading  
20 results displayed in the Track Records account for commissions or any other  
21 transaction fees that are charged to Clients' managed accounts. This omission also  
22 has the effect of overstating the overall profitability of the Systems in the Track  
23 Records.  
24  
25  
26

1           77. The following are examples of how the Track Records, published on  
2 Trade Tech's and Tech Trading's websites, misrepresent the overall profitability of  
3 the Systems:  
4

5           a. The **Mac Track Record** (as it was published on November 19,  
6 2010) states that as of October 31, 2010, Mac has generated gross  
7 profits of \$142,655.89 on a \$15,000 investment over 26 months (or  
8 an average monthly profit of \$5,486.76). In fact, the Mac Track  
9 Record contains 13 months of back-tested trading results, which  
10 yield \$149,355.00 in gross profits (or an average monthly profit of  
11 \$11,488.85) and 13 months of live trading results, which yield  
12 \$6,699.11 in gross losses (or an average monthly loss of \$515.32).  
13  
14 None of the trading results displayed in the Mac Track Record  
15 include commissions or other fees charged in trading accounts,  
16 which, if included, would further increase live trading losses.  
17

18  
19           b. The **Prisma Track Record** (as it was published on December 8,  
20 2010) states that as of November 30, 2010, Prisma has generated  
21 gross profits of \$93,991.56 on a \$15,000 investment over 24  
22 months (or an average monthly profit of \$3,916.32). In fact, the  
23 Prisma Track Record contains 18 months of back-tested trading  
24 results, which yield \$99,856.00 in gross profits (or an average  
25  
26



1 monthly profit of \$5,547.56) and six months of live trading results,  
2 which yield \$5,864.54 in gross losses (or an average monthly loss  
3 of \$977.42). None of the trading results displayed in the Prisma  
4 Track Record include commissions or other fees charged in trading  
5 accounts, which, if included, would further increase live trading  
6 losses.  
7

8  
9 78. The Track Records for the other Systems, published on Trade Tech's  
10 and Tech Trading's websites, follow a similar pattern to the Mac and Prisma Track  
11 Records.  
12

## 13 **2. Misrepresentations and Omissions Concerning Risks of Trading in** 14 **the Futures and Options Markets**

15 79. Most of the Trade Tech and Tech Trading salespeople do not have  
16 industry experience and salespeople do not receive training on the risks associated  
17 with Futures and Options trading.  
18

19 80. In many instances, during oral sales solicitations, Trade Tech and  
20 Tech Trading salespeople fail to disclose to Clients the risk of loss inherent in  
21 trading Futures and Options.  
22

23 81. In other instances, Trade Tech and Tech Trading salespeople  
24 understate the risk associated in trading Futures by overstating the effect of stop-  
25  
26

1 losses embedded in the Systems. For example, Trade Tech and Tech Trading  
2 salespeople have made the following statements:

- 3
- 4 a. Trade Tech salesperson “Franks” told a Client the following: 1)  
5 that the Systems were equipped with stop-losses that minimized  
6 any risks that might be associated with the systems; 2) that the  
7 Systems were equipped with all kinds of features to avoid losses;  
8 and 3) that the Systems shut down when losses began;
- 9
- 10 b. Sorchini, using the “Gold” pseudonym, told a Client that the  
11 Systems only risk about 4 points on every single trade, almost  
12 never stop out with the maximum stop, and that the systems have a  
13 handful of losers but they are always small ones; and
- 14
- 15 c. A Tech Trading salesman told a Client that there were stop losses  
16 embedded in Prisma that would minimize trading losses.  
17

18 82. These and similar statements made to Clients by Trade Tech and Tech  
19 Trading salespeople (including Sorchini) overstate the Systems’ abilities to prevent  
20 losses and mislead Clients about the risks inherent in trading Futures.  
21

22 **3. Misrepresentations and Omissions Regarding the Systems’**  
23 **Performance in Clients’ Managed Accounts**

24 83. At the same time that Trade Tech and Tech Trading salespeople  
25 (including Sorchini) are painting an extremely rosy picture about the Systems’ past  
26

1 and potential future profitability and showing Clients the Systems' highly  
2 profitable Track Records, they are failing to disclose to Clients the abysmal  
3 performance of Trade Tech's Systems in Clients' managed accounts.  
4

5 84. Defendants know the Systems are causing losses in Clients' managed  
6 accounts because of, among other things, the following:

- 7 a. The Developers inform either Sorchini or Carter, or both, on a  
8 daily basis, of the Systems' trading results for that day;
- 9 b. Defendants receive numerous complaints from Clients regarding  
10 the Systems' performance in the Clients' managed accounts; and
- 11 c. Trade Tech has used three different Developers in designing the  
12 Systems it sells. Carter and/or Sorchini fired and replaced at least  
13 two of these Developers due to the abysmal performance of the  
14 Systems generated by those Developers.  
15  
16  
17

18 85. Trade Tech, as a regular practice, will stop selling a System, or  
19 change a System's name, in response to negative feedback it receives from its  
20 Clients regarding the Systems' performance in Clients' managed accounts. Trade  
21 Tech omits to tell Clients that it has stopped selling particular Systems, or that it  
22 has changed the name of particular Systems, in response to negative Client  
23 feedback.  
24  
25  
26

1           86.    Additionally, in certain instances, Trade Tech and Tech Trading  
2 salespeople (including Sorchini) affirmatively misrepresent to Clients that current  
3 Clients are satisfied with the Systems and are making money using the Systems.  
4

5 For example:

- 6           a. Trade Tech salesperson “Wynn” told a Client that Trade Tech had  
7           a broad, diversified clientele who were doing well with Trade  
8           Tech’s Systems and who were pleased over-all; and
- 9           b. A Trade Tech salesperson using the pseudonym “John Eastman”  
10           told a Client that there were numerous Trade Tech Clients that  
11           were so happy with Trade Tech’s System that they had referred  
12           friends and family to Trade Tech.  
13  
14

15           **4. Trade Tech’s and Tech Trading’s Fraudulent Performance-based**  
16           **Guarantees**

17           87.    Trade Tech and Tech Trading salespeople (including Sorchini) offer,  
18 during the course of their sales solicitations, performance-based guarantees  
19 promising the refund of the purchase price of any given System if the System is not  
20 profitable over a specified trading period.  
21

22           88.    Trade Tech and Tech Trading salespeople (including Sorchini) are  
23 authorized to offer, and actually offer, refunds of the purchase price of a System  
24 based on the net or gross performance of any given System over a specified trading  
25  
26

1 period. The trading period on which the guarantees are based varies (depending on  
2 what the salespeople can negotiate with Clients), but usually spans between six  
3 months and two years.  
4

5 89. Clients are eligible to request refunds pursuant to these performance-  
6 based guarantees only after permitting the System to make every trade generated  
7 by the System in their accounts for the requisite trading period.  
8

9 **a. Performance-based Guarantee Downplays Risk Associated**  
10 **with Systems**

11 90. Trade Tech's and Tech Trading's performance-based guarantees  
12 downplay the level of risk associated with trading Futures. Specifically, Trade  
13 Tech's and Tech Trading's performance-based guarantees, coupled with their  
14 extremely rosy picture of the Systems' past and potential future profitability and  
15 highly profitable Track Records, misrepresent the existence of the substantial risks  
16 inherent in Futures and Options trading.  
17

18 91. Trade Tech and Tech Trading salespeople (including Sorchini)  
19 promote their performance-based guarantees in a manner that minimizes the risks  
20 associated with Futures and Options trading pursuant to the Systems. For example:  
21

- 22 a. Sorchini, using the "Gold" pseudonym, told a Client "You start  
23 with \$15,000 . . . If at the end of 12 full months, if there's anything  
24 short of that same \$15,000, you will receive a full refund of the  
25  
26

1 cost of the system . . . It's never happened because the system does  
2 evolve like the market does;"

3  
4 b. Trade Tech salesperson "Franks" told a Client that the Client  
5 would be entitled a refund if the Client's managed account did not  
6 show a profit after six months and that the money for a refund  
7 would be there because "the company owns oceanfront property in  
8 Beverly Hills."

9  
10 92. Additionally, Sorchini distributed a script that was read to Clients by  
11 Trade Tech salespeople that states "[i]f the Daytona System isn't Net profitable  
12 after a FULL 24 months of trading you will receive a full refund of the entire  
13 \$7995 that you paid for the Daytona System. If that happened you still own  
14 lifetime access to the system even though we fell short. We have never fallen short  
15 before and frankly, we are not starting with you."

16  
17  
18 **b. Trade Tech's Refund Process Acted as a Fraud on Clients**

19 93. In addition to minimizing the risk of loss associated with Futures  
20 trading, Trade Tech's performance-based guarantees, as well as the manner in  
21 which Trade Tech processes refund requests pursuant to the performance-based  
22 guarantees, act as a fraud on Clients.  
23

24 94. In some instances, Trade Tech's performance-based guarantees are  
25 completely worthless because the Systems cause trading losses so rapidly that  
26

1 Clients risk losing all their trading capital before they are eligible to pursue a  
2 refund.

3  
4 95. Although numerous Trade Tech Clients request refunds pursuant to  
5 the performance-based guarantees, Trade Tech often lacks sufficient funds to  
6 honor Clients' refund requests in a timely manner.

7  
8 96. Trade Tech has lulled some Clients who have made refund requests  
9 by asking these Clients to continue trading their Systems and/or offering these  
10 Clients the opportunity to utilize another of Trade Tech's Systems, free of charge,  
11 in the Clients' managed accounts.

12  
13 97. Because this lulling activity causes Clients to trade pursuant to the  
14 Systems longer than they otherwise may have, Clients are put at greater risk of  
15 losing money in their managed accounts and, as a result, may suffer additional  
16 trading losses.

17  
18 98. In addition, Trade Tech salespeople, in response to Clients' requesting  
19 refunds, systematically ignore, deny, unreasonably delay, and/or berate Clients that  
20 request refunds.  
21

1           **5. Trade Tech Switched Clients to a Different System without Clients’**  
2           **Knowledge or Consent**

3           99. In December 2009, Trade Tech instructed the IBs at which Clients  
4 maintained their managed accounts to switch all existing Clients from the System  
5 they were trading at that time to Mac.

6           100. Upon information and belief, Trade Tech made this switch without  
7 informing its Clients and without obtaining the Clients’ consent to switch Systems.  
8 Upon information and belief, many of these Clients, to date, are unaware that their  
9 managed accounts are trading a System different than the one they purchased.  
10

11           **6. Trade Tech’s Client Testimonial**

12           101. On its website, Trade Tech publishes, under the “Testimonial” tab, a  
13 Client email, dated June 24, 2009, which states:  
14

15                   Just a quick note to say that my trading account is up and  
16 running and active . . . since last Friday, when [my account]  
17 started trading, the account has gained a net of \$787.50.  
18 Obviously I understand that no system has a perfect batting  
19 average and there will be losses and dips, but this certainly is an  
20 excellent start and I’m very impressed and pleased with Trade  
21 Tech so far. . . . I ended the month at \$18,865 up from \$16,400  
last week. Hopefully August will continue the momentum.

22           102. With regard to this testimonial, Trade Tech’s website does not  
23 prominently disclose 1) that the testimonial may not be representative of the  
24 experience of other Clients; or 2) that the testimonial is no guarantee of future  
25 performance or success.  
26



1           103. In reality, the testimonial email contained on Trade Tech's website is  
2 not reflective of even this Client's (the testimonial's author) experience with Trade  
3 Tech. Beginning in August 2009, this Client began alerting Trade Tech that the  
4 System he purchased (Expeditor) was causing significant losses in his account. By  
5 early October 2009, this Client ceased trading pursuant to this System because of  
6 the losses generated by the System in his managed account. In December 2009,  
7 the Client demanded that Trade Tech issue him a refund for the purchase price of  
8 the System, which the Client finally received from Trade Tech in July 2010.

11 **C. Carter and Sorchini Control Trade Tech and Tech Trading**

12           104. At both Trade Tech and Tech Trading, Carter is responsible for Trade  
13 Tech's and Tech Trading's operations.

14           105. Carter's responsibilities include, *inter alia*, managing the merchant  
15 accounts, finances, the interviewing and hiring of salespeople, and the hiring and  
16 supervision of Developers.

17           106. Carter controls Trade Tech and Tech Trading. He has knowingly  
18 induced, directly or indirectly, the acts described above and continues to  
19 knowingly induce, directly or indirectly, ongoing conduct of Trade Tech and Tech  
20 Trading.

21           107. Sorchini manages the day to day activities of Trade Tech and Tech  
22 Trading.

1 108. Sorchini’s responsibilities include, *inter alia*, hiring, training, and  
2 supervising Trade Tech’s and Tech Trading’s salespeople and other staff and  
3 handling Client service issues.  
4

5 109. In communications with Clients, Sorchini, using the “Gold”  
6 pseudonym, refers to himself as Trade Tech’s President.  
7

8 110. Sorchini has knowingly induced, directly or indirectly, the acts  
9 described above and continues to knowingly induce, directly or indirectly, ongoing  
10 conduct of Trade Tech and Tech Trading.  
11

12 **D. Sorchini and Carter Actively Participated in the Above-Described**  
13 **Conduct**

14 111. Sorchini and Carter actively participated in the conduct described in  
15 this Complaint by personally engaging in the conduct, or by directing, condoning,  
16 approving, or facilitating the Trade Tech or Tech Trading employees (including  
17 salespeople and Developers) who engaged in the conduct.  
18

19 **E. Trade Tech and Tech Trade’s Fraudulent Operations are Ongoing**

20 112. On information and belief, Trade Tech’s and Tech Trading’s  
21 operations are ongoing.  
22

23 **VIOLATIONS OF THE COMMODITY EXCHANGE ACT**

24 **COUNT ONE**

25 **VIOLATIONS OF SECTIONS 4o(1)(A) and (B) OF THE ACT, AS**  
26 **AMENDED BY THE CRA, TO BE CODIFIED AT 7 U.S.C. § 6o(1)(A) AND**  
**(B), and REGULATION 4.41(A):**

1 **COMMODITY TRADING ADVISOR FRAUD**

2 113. The allegations set forth in paragraphs 1 through 112 are realleged  
3 and incorporated herein by reference.  
4

5 114. Trade Tech and Tech Trading act as CTA's in that, for compensation  
6 or profit, they engage in the business of advising others as to the value or the  
7 advisability of trading in Futures.  
8

9 115. Sorchini acts as an AP of a CTA in that he is associated with Trade  
10 Tech and Tech Trading as a partner, officer, employee, consultant or agent and is  
11 involved in the solicitation of Clients' discretionary accounts or supervises persons  
12 engaged in the solicitation of Clients' discretionary accounts.  
13

14 116. Trade Tech and Tech Trading, through the acts of their agents and  
15 employees, including Sorchini, Carter, and others, and Sorchini have knowingly  
16 and/or with reckless disregard for the truth engaged in conduct that violates  
17 Sections 4o(1)(A) and (B) of the Act, as amended by the CRA, to be codified at 7  
18 U.S.C. §§ 6o(1)(A) and (B), in that, by use of the mails or other means or  
19 instrumentalities of interstate commerce, they directly or indirectly employ a  
20 device, scheme, or artifice to defraud Clients or Clients, and they engage in  
21 transactions, practices or courses of business that operate as a fraud or deceit upon  
22 such persons. The devices, schemes, artifices, transactions, practices or courses of  
23 business include, but are not limited to, making false and misleading statements  
24  
25  
26

1 about the purported past and potential future profitability and Track Records of the  
2 Systems they are selling, failing to adequately warn of the risks inherent in trading  
3 Futures and Options, failing to inform Clients of the Systems' abysmal  
4 performance in Clients' managed accounts, offering false performance-based  
5 guarantees, and switching trading in Clients' managed accounts to a different  
6 System without informing Clients of the switch or obtaining their consent.  
7  
8

9 117. Trade Tech's and Tech Trading's conduct also violates Regulation  
10 4.41(a)(1)-(2), 17 C.F.R. § 4.41(a)(1)-(2), in that as CTAs, they advertised in a  
11 manner that employs a device, scheme or artifice to defraud Clients or prospective  
12 Clients, involve transactions, practices, or courses of business which operate as a  
13 fraud or deceit upon such persons as described in the preceding paragraph;  
14

15 118. Trade Tech has violated Regulation 4.41(a)(3), 17 C.F.R. § 4.41(a)(3),  
16 in that, as a CTA, Trade Tech referred to a testimonial on its website without  
17 prominently displaying the requisite disclosures.  
18

19 119. Each material misrepresentation or omission made during the  
20 Relevant Period including, but not limited to, those specifically alleged herein,  
21 constitutes a separate and distinct violation of Section 4o(1)(A) and (B) of the Act,  
22 as amended by the CRA, to be codified at 7 U.S.C. §§ 6o(1)(A) and (B), and  
23 Regulation 4.41(a), 17 C.F.R. § 4.41(a).  
24  
25  
26



1 123. CCC Section 29536 provides:

2 It is unlawful for any person, directly or indirectly, in connection with  
3 the purchase or sale of, the offer to sell, the offer to purchase, the offer  
4 to enter into, or the entry into, a commodity, commodity contract, or  
5 commodity option to do any of the following:

- 6 a) To willfully employ any device, scheme, or artifice to defraud.  
7 b) To willfully make any false report, enter any false record,  
8 make any untrue statement of a material fact, or omit to state a  
9 material fact necessary in order to make the statements made,  
10 in the light of the circumstances under which they were made,  
11 not misleading.  
12 c) To willfully engage in any transaction, act, practice, or course  
13 of business which operates or would operate as a fraud or  
14 deceit upon any persons.  
15 d) To willfully misappropriate or convert the funds, security, or  
16 property of any other person.

17 124. Defendants willfully omitted and willfully made untrue statements of  
18 material facts and engaged in fraudulent schemes in connection with the purchase  
19 and sale of, the offer to sell, the offer to purchase, the offer to enter into, and the  
20 entry into, commodities and commodity contracts in violation of CCC Section  
21 29536.

22 **RELIEF REQUESTED**

23 WHEREFORE, the Plaintiffs respectfully request that this Court, as  
24 authorized by Section 6c of the Act, as amended by the CRA, to be codified at 7  
25 U.S.C. § 13a-1, and pursuant to its own equitable powers, enter:  
26

- 1 a. An order finding that Defendants violated Sections 4o(1)(A) and (B)  
2 of the Act, as amended by the CRA, to be codified at 7 U.S.C. §§  
3 6o(1)(A) and (B), and Regulation 4.41(a), 17 C.F.R. § 4.41(a);  
4
- 5 b. Orders of preliminary and permanent injunction prohibiting  
6 Defendants, and any of their agents, servants, employees, assigns,  
7 attorneys, and persons in active concert or participation with any  
8 Defendant, including any successor thereof, from engaging, directly  
9 or indirectly, in conduct in violation of Sections 4o(1)(A) and (B) of  
10 the Act, as amended by the CRA, to be codified at 7 U.S.C. §§  
11 6o(1)(A) and (B), and Regulation 4.41(a), 17 C.F.R. § 4.41(a);  
12
- 13 c. an order finding that the Defendants violated CCC Sections 29536;  
14
- 15 d. an order of permanent injunction prohibiting the Defendants from  
16 engaging in conduct violative of the Section of the CCC that they  
17 were found to have violated;  
18
- 19 e. An order of preliminary injunction and an order of permanent  
20 injunction prohibiting Defendants, and any other person or entity  
21 associated with them, including any successor, thereof, from engaging  
22 in conduct violative of CCC Section 29536;  
23
- 24 f. An order of permanent injunction prohibiting Defendants and any of  
25 their agents, servants, employees, assigns, attorneys, and persons in  
26

1 active concert or participation with any Defendants, including any  
2 successor thereof, from, directly or indirectly,

- 3  
4 1. Trading on or subject to the rules of any registered entity (as  
5 that term is defined in Section 1a of the Act, as amended, to be  
6 codified at 7 U.S.C. § 1a);
- 7  
8 2. Entering into any transactions involving Futures, Options,  
9 commodity options (as that term is defined in Regulation  
10 32.1(b)(1), 17 C.F.R. § 32.1(b)(1)), (commodity options),  
11 and/or foreign currency (as described in Section 2(c)(2)(B) and  
12 2(c)(2)(C)(i) of the Act, as amended by the CRA, to be codified  
13 at 7 U.S.C. § 2(c)(2)(B) and 2(c)(2)(C)(i)) (forex contracts) for  
14 their own personal account or for any account in which they  
15 have a direct or indirect interest;
- 16  
17 3. Having any Futures, Options, commodity options, and/or forex  
18 contracts traded on their behalf;
- 19  
20 4. Controlling or directing the trading for or on behalf of any other  
21 person or entity, whether by power of attorney or otherwise, in  
22 any account involving Futures, Options, commodity options,  
23 and/or forex contracts;
- 24  
25  
26



- 1           5.     Soliciting, receiving or accepting any funds from any person for  
2           the purpose of purchasing or selling any Futures, Options,  
3           commodity options, and/or forex contracts;
- 4  
5           6.     Applying for registration or claiming exemption from  
6           registration with the CFTC in any capacity, and engaging in any  
7           activity requiring such registration or exemption from  
8           registration with the CFTC except as provided for in Regulation  
9           4.14(a)(9), 17 C.F.R. § 4.14(a)(9);
- 10  
11          7.     Acting as a principal (as that term is defined in Regulation  
12           3.1(a), 17 C.F.R. § 3.1(a)), agent or any other officer or  
13           employee of any person registered, exempted from registration  
14           or required to be registered with the CFTC except as provided  
15           for in Regulation 4.14(a)(9), 17 C.F.R. § 4.14(a)(9); and
- 16  
17          8.     Provided further, however, that subsections 2. through 5. only  
18           apply to agreements, accounts, contracts, and transactions that  
19           are subject to the jurisdiction of the Commission.
- 20  
21

22       g.     Enter an order requiring Defendants, as well as any successors to  
23           Defendants, to disgorge to any officer appointed or directed by the  
24           Court all benefits received including, but not limited to, salaries,  
25           commissions, loans, fees, revenues and trading profits derived,  
26

1 directly or indirectly, from acts or practices that constitute violations  
2 of the Act, as amended, or the Regulations, or the CCC, as described  
3 herein, including pre-judgment interest;  
4

5 h. Enter an order directing Defendants and any successors thereof, to  
6 rescind, pursuant to such procedures as the Court may order, all  
7 contracts and agreements, whether implied or express, entered into  
8 between them and any of the Clients whose funds were received by  
9 them as a result of the acts and practices which constitute violations of  
10 the Act, as amended, or the Regulations, or the CCC, as described  
11 herein;  
12

13  
14 i. Enter an order requiring Defendants to make full restitution to every  
15 person or entity whose funds Defendants received or caused another  
16 person or entity to receive, from the acts or practices that constitute  
17 violations of the Act, as amended, or the Regulations, or the CCC, as  
18 described herein, and pre- and post-judgment interest thereon from the  
19 date of such violations;  
20

21  
22 j. Enter an order requiring Defendants to pay civil monetary penalties  
23 under the Act, as amended, to be assessed by the Court, in amounts of  
24 not more than the higher of: (1) triple the monetary gain to  
25 Defendants for each violation of the Act, as amended, or Regulations;  
26

1 or (2) a penalty of \$130,000 for each violation committed between  
2 October 23, 2004 and October 22, 2008 and \$140,000 for each  
3 violation committed on or after October 23, 2008 and for each  
4 violation of the CCC Sections 29520 and 29536 as authorized by CCC  
5 Section 29544;  
6

- 7 k. Enter an order requiring Defendants to pay costs and fees as permitted  
8 by 28 U.S.C. §§ 1920 and 2412(a)(2); and  
9  
10 l. Enter an Order providing such other and further relief as this Court  
11 may deem necessary and appropriate under the circumstances.  
12

13  
14 Date: 3/14/11

Respectfully submitted,

15  
16  
17 \_\_\_\_\_  
Jo Mettenburg  
jmettenburg@cftc.gov  
Senior Trial Attorney  
Commodity Futures Trading Commission  
Two Emanuel Cleaver II Boulevard, Ste 300  
Kansas City, MO 64112  
Telephone: 816-960-7744  
Facsimile: 816-960-7750 (fax)

18  
19  
20  
21  
22  
23  
24 \_\_\_\_\_  
Joyce Tsai  
jtsai@corp.ca.gov

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26

Corporations Counsel and Local Counsel to  
CFTC  
California Department of Corporations  
1350 Front Street, Room 2034  
San Diego, California 92101  
Telephone: (619) 525-4043  
Facsimile: (619) 525-4045