

UNITED STATES OF AMERICA
Before the
COMMODITY FUTURES TRADING COMMISSION

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CFTC Docket No. SD 08-03

In the Matter of:

**John C. Glase,
Sutherland Group, Inc., and
Skibo Asset Management, LLC,**

Registrants.

**NOTICE OF INTENT TO SUSPEND, REVOKE, OR RESTRICT THE
REGISTRATIONS OF JOHN C. GLASE, SUTHERLAND GROUP, INC. AND
SKIBO ASSET MANAGEMENT, LLC PURSUANT TO SECTIONS 8a(2), 8a(3) and
8a(4) OF THE COMMODITY EXCHANGE ACT**

I.

The Commodity Futures Trading Commission (“Commission”) has received information from its staff that tends to show, and the Commission’s Division of Enforcement (“Division”) alleges and is prepared to prove, that:

1. John C. Glase (“Glase”) has been registered with the Commission as an associated person (“AP”) pursuant to Sections 4k(1) and (2) of the Commodity Exchange Act, as amended (“Act”), 7 U.S.C. §§ 6k(1) and (2) (2002), almost continuously since April 1983. He is currently registered as an AP and is a principal of Sutherland Group, Inc. (“Sutherland”), a registered introducing broker (“IB”) and commodity trading advisor (“CTA”), formerly known as Carnegie Trading Group, Ltd., Inc. (“Carnegie”). Glase also is registered as an AP and is a principal of Skibo Asset Management, LLC (“Skibo”), another registered CTA. Both firms are located in Cleveland, Ohio. Glase previously was a registered AP and principal of Carnegie.

2. Sutherland Group, Inc., originally known as Carnegie, has been registered as an IB pursuant to Section 4d(a)(1) of the Act since February 3, 1997. On April 2, 2004, Glase filed a change of name form with the National Futures Association, changing the name of Carnegie's IB registration to Sutherland. Sutherland has been additionally registered as a CTA pursuant to Section 4m(1) of the Act since August 3, 2004.

3. Skibo Asset Management, LLC has been registered as a CTA pursuant to Section 4m(1) of the Act since September 26, 2004.

4. On July 23, 2004, the Commission filed a three-count complaint in the United States District Court for the Northern District of Ohio against Carnegie, Glase, Reid Henshaw ("Henshaw"), and John Hollenbaugh ("Hollenbaugh") pursuant to Section 6c of the Act. *See CFTC v. Carnegie Trading Group, et al.*, No. 1:04C V 1403 (N.D. Ohio). The complaint generally alleged that Carnegie employees, including Henshaw and Hollenbaugh, had engaged in solicitation fraud over a period of years, in violation of Sections 4b(a)(2)(i) and (iii) and 4c(b) of the Act, and Commission Regulation 33.10. The complaint alleged that Glase was liable as a controlling person of Carnegie for the acts constituting violations of Sections 4b(a)(2)(i) and (iii) and 4c(b) of the Act, and Commission Regulation 33.10, pursuant to Section 13(b) of the Act. The complaint also alleged that Glase violated Commission Regulation 166.3 by failing to supervise diligently the activities of Carnegie's officers, employees, and agents relating to its business as a Commission registrant. In addition, the complaint alleged that Carnegie was liable as a principal under Section 2(a)(1)(B) of the Act for Henshaw's and Hollenbaugh's violations.

5. On June 27, 2006, after a bench trial on the merits in June 2005, District Court Judge Nugent entered a judgment against Carnegie and Glase ("Memorandum Opinion" or "Mem. Op."), finding Glase liable as a controlling person under Section 13(b) of the Act for

Hollenbaugh's and Henshaw's violations of Sections 4b(a)(2)(i) and (iii) and 4c(b) of the Act and Commission Regulation 33.10. The Court also found Glase directly liable for failing to supervise diligently Carnegie's employees in violation of Commission Regulation 166.3.

Among other things, in his Memorandum Opinion, Judge Nugent explicitly found that Glase had constructive knowledge of the types of representations being made by Henshaw and

Hollenbaugh, *i.e.*, "the core activities that constituted the violation of the Act." Mem. Op. at 27.

The Judge also found that "Mr. Glase failed to maintain a reasonably adequate system of adequate internal supervision," and that he "failed to develop and install procedures for the detection and deterrence of possible wrongdoing by their [sic] agents." Mem. Op. at 27, 29.

6. In addition, Judge Nugent held Carnegie liable as a principal under Section 2(a)(1)(B) of the Act for the fraud of Hollenbaugh and Henshaw.

7. Judge Nugent ordered that Glase and Carnegie disgorge earnings in the amount of \$32,850, pay certain listed customers \$299,971.31 as restitution, and pay a civil monetary penalty of \$98,550.

8. To date, only \$1,256 has been collected on these judgments. These funds were collected from Glase's Internal Revenue Service tax refunds pursuant to the U.S. Department of the Treasury's Federal Offset Program. *See* 31 U.S.C. § 3720A (2000). Thus, Glase has made no voluntary effort to pay the judgments, and Sutherland has made no payments whatsoever.

9. The facts set forth in paragraphs 1 through 8 above constitute a basis for statutory disqualification of Glase from registration under Sections 8a(2)(E), 8a(3)(C) and (M), and 8a(4) of the Act, 7 U.S.C. §§ 12a(2)(E), 12a(3)(C) and (M), and 12a(4), pursuant to which the registrations of Glase may be conditioned, suspended, revoked or restricted.

10. The facts set forth in paragraphs 1 through 8 above constitute a basis for statutory disqualification of Sutherland from registration under Sections 8a(3)(M) and (N), and 8a(4) of the Act, 7 U.S.C. §§ 12a(3)(M) and (N), and 12a(4), pursuant to which the registrations of Sutherland may be conditioned, suspended, revoked or restricted. In particular, the facts set forth in paragraphs 6 and 8 constitute other good cause for disqualification under Section 8a(3)(M) of the Act.

11. The facts set forth in paragraphs 1 through 8 above constitute a basis for statutory disqualification of Skibo from registration under Sections 8a(3)(N) and 8a(4) of the Act, 7 U.S.C. §§ 12a(3)(N) and 12a(4), pursuant to which the registration of Skibo may be conditioned, suspended, revoked or restricted.

II.

12. Pursuant to Commission Regulation 3.60(a), 17 C.F.R. § 3.60(a), Glase, Sutherland and Skibo are hereby notified that a public proceeding shall be conducted in accordance with the provisions of Commission Regulation 3.60, 17 C.F.R. § 3.60, on the following questions:

- a. Whether Glase is subject to statutory disqualification under Sections 8a(2)(E), 8a(3)(C) and (M), and 8a(4) as set forth in Section I above;
- b. Whether Sutherland is subject to statutory disqualification under Sections 8a(3)(M) and (N), and 8a(4) as set forth in Section I above; and
- c. Whether Skibo is subject to statutory disqualification under Sections 8a(3)(N) and 8a(4) as set forth in Section I above.

13. If any answers to questions a, b and/or c in paragraph 12 above are affirmative, whether the respective registrations of Glase, Sutherland and/or Skibo should be conditioned, suspended, restricted or revoked.

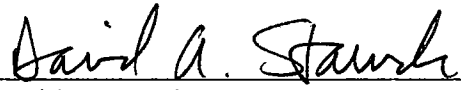
14. Such proceeding shall be held before an Administrative Law Judge, in accordance with Commission Regulation 3.60, and all post-hearing procedures shall be conducted pursuant to Commission Regulations 3.60(i)-(j), 17 C.F.R. §§ 3.60(i)-(j).

15. In accordance with the provisions of Commission Regulation 3.60(a)(3), 17 C.F.R. § 3.60(a)(3), Glase, Sutherland and Skibo are each entitled to file a response challenging the evidentiary bases of the statutory disqualification or show cause why, notwithstanding the accuracy of the allegations, their respective registration should not be conditioned, suspended, revoked or restricted. Such responses must be filed with the Hearing Clerk, Office of Hearings and Appeals, Commodity Futures Trading Commission, Three Lafayette Centre, 1155 21st Street, N.W., Washington, D.C. 20581, and served upon William Janulis, Senior Trial Attorney, Division of Enforcement at 525 W. Monroe St, Suite 1100, Chicago, IL 60661, within thirty (30) days after the date of service of this Notice upon Glase, Sutherland and Skibo in accordance with the provisions of Commission Regulation 3.60(b). If Glase, Sutherland or Skibo fails to file a timely response to this Notice, the allegations set forth herein shall be deemed to be true and the presiding officer may issue an Order of Default in accordance with the provisions of Commission Regulation 3.60(g), 17 C.F.R. § 3.60(g).

III.

The Hearing Clerk shall serve this Notice of Intent to Suspend, Revoke, or Restrict Registration by registered or certified mail pursuant to Commission Regulation 3.50, 17 C.F.R § 3.50.

By the Commission.



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

Dated: July 30, 2008