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

**COMMODITY FUTURES TRADING
COMMISSION,**

Plaintiff,

v.

**EDWARD R. VELAZQUEZ,
V-TEK TRADING GROUP, INC.,
V-TEK CAPITAL INC. (IL) and
V-TEK CAPITAL INC. (BVI),**

Defendants,

**V-TEK FX FUND, and
FX500, INC.,**

Relief Defendants.

**CIVIL ACTION NO. 04 C 5853
Judge Pallmeyer
Magistrate Judge Mason**

**CONSENT ORDER OF PERMANENT INJUNCTION AND OTHER EQUITABLE
RELIEF AGAINST DEFENDANTS EDWARD R. VELAZQUEZ, V-TEK TRADING
GROUP, INC., V-TEK CAPITAL INC. (IL) AND V-TEK CAPITAL INC. (BVI)**

I. INTRODUCTION

1. On September 9, 2004, the Commodity Futures Trading Commission (“Commission” or “CFTC”) filed its initial Complaint against Edward R. Velazquez (“Velazquez”), V-Tek Trading Group, Inc. (“V-Tek Trading”) and V-Tek Capital, Inc. (BVI) (“V-Tek Capital (BVI)”), seeking injunctive and other equitable relief for violations of the Commodity Exchange Act, as amended (“Act”), 7 U.S.C. §§ 1 et seq. (2000), and the Commission’s Regulations (“Regulations”) promulgated thereunder, 17 C.F.R.

§§ 1 et seq. (2007). On November 29, 2004, the Court entered an Agreed Order of Preliminary Injunction and Other Ancillary Relief against Velazquez and V-Tek Trading.

2. On January 19, 2005, the Commission filed an amended Complaint in this action, adding V-Tek Capital, Inc. (IL) ("V-Tek Capital (IL)") as a defendant. The three corporate defendants V-Tek Trading, V-Tek Capital (BVI) and V-Tek Capital, Inc. (IL) are collectively referred to as "V-Tek".

II. CONSENTS AND AGREEMENTS

To effect settlement of the matters alleged in the Complaint against Velazquez and V-Tek (collectively the "Defendants") without a trial on the merits or any further judicial proceedings, Defendants:

3. Consent to the entry of this Consent Order of Permanent Injunction and Other Equitable Relief ("Consent Order");

4. Affirm that Defendants have agreed to this Consent Order voluntarily, and that no threat, or promise other than as specifically contained herein, has been made by the Commission or any member, officer, agent or representative thereof, or by any other person, to induce consent to this Consent Order;

5. Acknowledge service of the summons and Complaint;

6. Admit the jurisdiction of this Court over them and the subject matter of this action pursuant to Section 6c of the Act, 7 U.S.C. § 13a-1;

7. Admit that venue properly lies with this Court pursuant to Section 6c of the Act, 7 U.S.C. § 13a-1;

8. Waive:

a. all claims that they may possess under the Equal Access to Justice Act (EAJA), 5 U.S.C. § 504 (2000) and 28 U.S.C. § 2412 (2000), relating to, or arising from,

this action and any right under EAJA to seek costs, fees and other expenses relating to, or arising from, this action;

b. any claim of Double Jeopardy based upon the institution of this proceeding or the entry in this proceeding of any order imposing a civil monetary penalty or any other relief; and

c. all rights of appeal in this action;

9. Consent to the continued jurisdiction of this Court for the purpose of enforcing the terms and conditions of this Consent Order and for any other purposes relevant to this case, even if Defendants now or in the future reside outside the jurisdiction;

10. Agree that neither the Defendants nor their agents, employees or representatives acting under their control shall take any action or make any public statement denying, directly or indirectly, any allegations in the Complaint, or findings in this Consent Order, or creating or tending to create the impression that the Complaint, and this Consent Order are without factual basis; provided, however, that nothing in this provision shall affect Defendants': i) testimonial obligations, or ii) rights to take legal positions in other proceedings to which the Commission is not a party. Defendants shall undertake all steps necessary to assure that their agents, employees and representatives understand and comply with this agreement; and

11. In consenting to the entry of this Consent Order, Defendants neither admit nor deny the allegations of the Complaint or the Findings of Fact and Conclusions of Law contained in this Consent Order, except as to jurisdiction and venue, which they admit. Defendants do not consent to the use of this Consent Order, or the Findings of Fact or Conclusions of Law in this Consent Order, as the sole basis for any other proceeding brought by the CFTC, other than a proceeding in bankruptcy relating to Defendants, a Commission registration proceeding relating to Defendants, or to enforce the terms of this Consent Order. Solely with respect to any bankruptcy proceeding relating to Defendants, a Commission registration proceeding related to Defendants and any proceeding to enforce this Consent Order, Defendants agree that the

allegations of the Complaint and all of the Findings of Fact and Conclusions of Law in this Consent Order shall be taken as true and correct and be given preclusive effect, without further proof. Furthermore, Defendants agree to provide immediate notice to this Court and the CFTC by certified mail, in the manner required by Part VI of this Consent Order, of any bankruptcy proceeding filed by, on behalf of, or against either of them. No provision of this Consent Order shall in any way limit or impair the ability of any other person or entity to seek any legal or equitable remedy against Defendants in any other proceeding.

III. FINDINGS OF FACT

A. Jurisdiction and Venue

12. This Court has jurisdiction over this action pursuant to Section 6c of the Act, 7 U.S.C. § 13a-1, which authorizes the CFTC to seek injunctive relief against any person who 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.

13. Venue properly lies with this Court pursuant to Section 6c(e) of the Act, 7 U.S.C. § 13a-1(e), because Velazquez is a resident of this district and all Defendants transacted business, among other places, in this district, and the acts and practices in violation of the Act have occurred, among other places, within this district.

B. Parties to this Consent Order

14. Plaintiff, Commodity Futures Trading Commission, is an independent federal regulatory agency that is charged with responsibility for administering and enforcing the provisions of the Act, 7 U.S.C. §§ 1 et seq. (2002), and the Regulations promulgated thereunder, 17 C.F.R. §§ 1 et seq. (2007). The CFTC is authorized by Section 6c of the Act, 7 U.S.C. § 13a-

1 (2002), to bring a civil action to enjoin any act or practice constituting a violation of the Act, to enforce compliance with the Act, and to seek civil penalties.

15. Defendant Edward Velazquez resides in Chicago, Illinois. From December 1999 to September 2005, he was registered with the CFTC as an associated person (“AP”) of V-Tek Trading, a registered commodity trading advisor (“CTA”). From December 1995 to June 2000, Velazquez also was registered as an AP of Borsellino Capital Management, a formerly registered CTA.

16. Defendant V-Tek Trading Group, Inc. was incorporated in Illinois in December 1999. Until at least September 2004, Velazquez was the CEO and sole owner of the company and he operated it primarily out of his residence in Chicago, Illinois. V-Tek Trading was registered with the CFTC as a CTA from December 1999 to September 2005.

17. Defendant V-Tek Capital Inc. (BVI) was incorporated in the British Virgin Islands in July 2002. Until at least September 2004, Velazquez was the sole owner of the company and operated it primarily out of his residence. V-Tek Capital (BVI) solicited customers via the Internet, printed materials, and at public conferences called “money shows” to invest in its purported “common stock”, “convertible preferred stock” or “convertible preferred fixed income” investments. However, V-Tek’s website and V-Tek’s printed material represented that at least some of V-Tek Capital (BVI)’s funds were used to trade commodity futures. Until at least September 2004, V-Tek Capital (BVI) was a CTA and commodity pool operator (“CPO”) engaged in part in the business of investing the collective, pooled funds of multiple customers in commodity futures. V-Tek Capital (BVI) has never been registered with the CFTC in any capacity.

18. Defendant V-Tek Capital Inc. (IL) was incorporated in Illinois in March 2002. Until at least September 2004, Velazquez was the CEO, founder and director of V-Tek Capital (IL) and operated it primarily out of his residence. V-Tek Capital (IL) solicited customers via the Internet, printed materials, and at public conferences called “money shows” to invest in its purported “common stock”, “convertible preferred stock” or “convertible preferred fixed income” investments. V-Tek’s website and V-Tek’s printed material represent that at least some of V-Tek Capital (IL)’s funds were used to trade commodity futures. Until at least September 2004, V-Tek Capital (IL) was a CTA and CPO engaged in part in the business of investing the collective, pooled funds of multiple customers in commodity futures. V-Tek Capital (IL) has never been registered with the CFTC in any capacity.

C. Operation of the V-Tek Entities

19. Until at least September 2004, V-Tek Trading solicited members of the public to open managed commodity futures trading accounts. V-Tek Trading Group operated as a CTA and offered its services as a CTA over the Internet.

20. V-Tek Trading and Velazquez were compensated by customers for making trading decisions and placing trades in customers’ accounts purportedly pursuant to two trading systems that Velazquez claims to have developed, the “EVO” and the “Global” systems. Velazquez claimed that the EVO system tracks global equity, fixed income, and currency indexes in the short term and the Global system tracks them on a medium term basis.

21. At least 27 U.S. customers opened managed trading accounts with Velazquez and V-Tek Trading to trade pursuant to one or both of these systems during the relevant time period. Those customers deposited at least \$1.8 million in their trading accounts.

22. Until at least September 2004, V-Tek Capital (BVI) and V-Tek Capital (IL) both acted as CTAs and CPOs and offered their services as CTAs and CPOs over the Internet and

through printed promotional material, where, without distinguishing between the two V-Tek Capital entities, they repeatedly touted that "V-Tek Capital Inc. is a top-rated capital management firm." V-Tek Capital (BVI) and (IL) offered public seminars and workshops relating to commodity futures trading.

23. V-Tek Capital (BVI) and (IL) also promoted purported "common stock", "convertible preferred stock" or "convertible preferred fixed income" investments, which offered an 8% - 10% annual return from two to five years on a minimum \$25,000 investment. According to some of V-Tek Capital (BVI)'s and (IL)'s promotional material, only 20% of customer funds were used to trade commodity futures and "principal investments [were] guaranteed."

24. In a "V-Tek Capital Inc. Private Confidential Offering Memorandum" (the "Offering Memorandum"), dated January 31, 2003, V-Tek Capital (BVI) and (IL) represented that the purported convertible preferred fixed income units carry a 10% annual dividend, paid quarterly, which is not subject to market risk and/or interest rate risk and which is funded by V-Tek revenue and earnings. The Offering Memorandum later stated that a portion of the proceeds would be used to purchase U.S. Treasury zero coupon securities and the remaining portion would be used to purchase shares in a Trading Fund, which in turn is described as seeking capital appreciation through speculative trading of various instruments, including commodity futures contracts. The Offering Memorandum further stated that the trading activities of the Trading Fund would be conducted for the benefit of the convertible preferred fixed income units and other direct investors in the Trading Fund. This Offering Memorandum was given to one or more customers of V-Tek Capital (BVI) and/or (IL).

25. At least 121 foreign and U.S. customers gave at least \$8.88 million to V-Tek Capital (BVI) and/or (IL) for the purpose of investing in its purported "common stock", "convertible preferred stock" or "convertible preferred fixed income" programs. These funds were deposited in Harris Bank and a number of foreign banks.

26. Approximately \$3 million of the funds given to V-Tek Capital (BVI) and (IL) were pooled and used by Velazquez to trade commodity futures and foreign currencies from September 2003 through September 2004 at Man Financial Limited in London ("Man"), an exempt foreign affiliate of Man Financial Inc., a United States registered futures commission merchant ("FCM"). Velazquez's trading at Man resulted in losses of approximately \$1.1 million.

27. Overall, customers appear to have received back approximately \$2.48 million, resulting in approximately \$6.4 million still owed them.

28. From August 2002 to December 2002, Velazquez also deposited approximately \$200,000 of V-Tek Capital (IL)'s customer funds with Alaron Trading Corp. ("Alaron"), another registered FCM, to trade commodity futures on exchanges located in the United States in the name of "V-Tek Capital Inc." Velazquez's trading at Alaron resulted in losses of approximately \$30,000.

D. The V-Tek Website and Other V-Tek Documents Portrayed False Performance Records

29. From at least August 2003 to July 2004, Velazquez and V-Tek touted V-Tek as a hedge fund and promoted investments in commodity futures (mainly S&P 500 futures contracts) in certain promotional materials and over the Internet through at least one website, <http://www.vtekgroup.com> (the "website"), which displayed a "V-Tek Capital Inc." banner proclaiming "rated in the top 1% of capital management firms worldwide."

30. The website stated that the site and data it contains was intended for the use of non-U.S. investors only and was not intended for the use of or solicitation of U.S. investors. However, the website incorporated no safeguards to prevent U.S. investors from viewing the site and a number of U.S. residents became customers of V-Tek Capital (BVI) and/or (IL).

31. The website falsely claimed that V-Tek Capital Inc. was registered with the CFTC and was a National Futures Association ("NFA") member and represents that "[d]ue to financial safeguards created by the CFTC, NFA and U.S. exchanges, assets of customers, which are maintained with a U.S. FCM's, [sic] are well protected at any given time." These representations created a false sense of security and lessened risk of investment.

32. Velazquez knew or recklessly disregarded that these representations claiming CFTC registration and NFA membership were false. Indeed, Velazquez, V-Tek Capital (BVI) and (IL) maintained that V-Tek Capital (BVI) and (IL) were not subject to NFA oversight or CFTC jurisdiction.

33. The website jointly referenced one or all of V-Tek Trading, V-Tek Capital (BVI) and (IL). The website presented charts, trading information and analyses purporting to show "V-Tek's" trading record, not clarifying which specific entity produced those results or whether the trading results relate to a proprietary account or customer accounts. The website claimed that "over a 3-year period during 2000 through 2002" V-Tek's trading produced "over 186% appreciation," including an over 120% return on investment during the bear market of 2000.

34. The website did not contain a disclosure that these results were based upon hypothetical trading. Commodity trading accounts managed by Velazquez and V-Tek did not achieve the represented profits in actual trading, and Velazquez knew that the profit representations appearing in V-Tek's website and other promotional materials were false or had

no reasonable basis in fact. Additionally, the website and other promotional materials contained no discussion of the risk of loss in trading commodity futures.

35. The website also misrepresented that at least 80% of customer funds were used to purchase "zero coupon bonds," and that the custodian of assets was "Man Financial." This representation was false or misleading for at least three reasons. First, it implied that the purported use of some funds in a "safe" investment vehicle would lessen the trading risk incurred in placing other customer funds in futures positions. Second, neither Man nor Man Financial Inc. ever assisted either V-Tek Capital (BVI) or (IL) with the purchase of any zero coupon bonds, nor act as custodian for any such bonds for any V-Tek entity. Third, Velazquez also deposited V-Tek Capital (BVI) and (IL) customer funds in a number of other financial institutions aside from Man, including, but not limited to, Harris Bank, foreign banks, and Alaron, without informing customers.

36. Velazquez and V-Tek also used the names V-Tel Capital Inc, V-Tek Trading Group, V-Tek Capital (BVI) and V-Tek Capital (IL) interchangeably in documents, including promotional materials and offering memoranda.

E. V-Tek Capital (IL) and Velazquez Commingled and Misappropriated Customer Funds

37. Velazquez and V-Tek Capital (IL) commingled customer funds with the funds of others. An account at Harris Bank, controlled by Velazquez and held in the name of V-Tek Capital (IL), received at least \$4.68 million in customer funds intended for investment with V-Tek Capital (BVI) and/or (IL). The \$ 4.68 million was commingled in the aforementioned account with non-customer funds. Prior to September 2004, Velazquez withdrew and misappropriated at least \$1.03 million from the V-Tek Capital (IL) account via checks made out

to him or to "cash." Velazquez deposited at least \$971,000 of that \$1.03 million into his personal checking account at Harris Bank.

F. V-Tek Trading's Disclosure Documents Contain a False Performance Record

38. Velazquez distributed Disclosure Documents for V-Tek Trading to certain customers, FCMs and the NFA.

39. Despite repeated requests by NFA and the Commission, Velazquez was unable to substantiate positive trading performance records for 1995 through 1999 contained in Disclosure Documents for V-Tek Trading.

40. The Disclosure Documents also contained a series of divergent purported results for the same time period. For example, in a June 10, 2001 Disclosure Document, Velazquez's trading results for 1999 for the "RJ-1 system" (a trading system he purportedly used at the time) are portrayed as negative 23.54%. However, in subsequent disclosure documents, Velazquez's 1999 trading results for this same program inexplicably became better and better. In a March 1, 2002 Disclosure Document, the 1999 results were listed as a positive 23.27%, and in a July 1, 2003 Disclosure Document, they are portrayed as a positive 29.98%.

41. At least some of the positive trading performance records for 1995 through 1999 portrayed in the V-Tek Trading Disclosure Documents were false, and Velazquez knew or recklessly disregarded that they were false.

42. The Offering Memorandum, which contained false performance results and failed to adequately disclose risk, also contained a statement that the named fund directors (including Velazquez) "have ultimate authority for, and responsibility for the operations, strategic decisions and management of the Fund." Thus, Velazquez knew or should have known that at least some performance results were included in the Offering Memorandum, and also knew or should have known that they were false because they did not reflect the actual performance results for V-Tek

Trading. Further, the aforementioned statement demonstrates that Velazquez reviewed the Offering Memorandum and knew or should have known that it failed to adequately disclose the risks of trading commodity interests.

G. Velazquez Controlled V-Tek

43. Until at least September 2004, Velazquez was a controlling person of V-Tek. During the relevant time period, Velazquez was the sole owner of V-Tek Trading and V-Tek Capital (BVI). He also is the CEO, founder and director of V-Tek Capital (IL). During the relevant time period, Velazquez managed the daily operations of all the V-Tek entities, made the trading decisions for V-Tek's customer accounts, hired and supervised V-Tek's employees, and was the sole signatory on V-Tek Capital (IL)'s account at Harris Bank and a number of V-Tek Capital (BVI)'s bank accounts in Europe. Velazquez also was responsible for the content of V-Tek's website and the failure of V-Tek Capital (BVI) and V-Tek Capital (IL) to register with the Commission as CPOs and CTAs.

IV. CONCLUSIONS OF LAW

44. By misappropriating customer funds and/or making material misrepresentations and giving false and deceptive statements to customers, Velazquez violated Sections 4b(a)(2)(i) and (iii) of the Act, 7 U.S.C. §§ 6b(a)(2)(i) and (iii), which make it unlawful for any person to cheat or defraud or attempt to cheat or defraud; or willfully deceive or attempt to deceive by any means whatsoever other persons in or in connection with orders to make, or the making of, contracts of sale of commodities, for future delivery, made, or to be made, for or on behalf of such other persons where such contracts for future delivery were or may have been used for (a) hedging any transaction in interstate commerce in such commodity, or the produce or byproducts thereof, or (b) determining the price basis of any transaction in interstate commerce

in such commodity, or (c) delivering any such commodity sold, shipped or received in interstate commerce for the fulfillment thereof. V-Tek Capital (BVI), V-Tek Capital (IL) and V-Tek Trading are liable for Velazquez's violations of Sections 4b(a)(i) and (iii) of the Act, pursuant to Section 2(a)(1)(B) of the Act, 7 U.S.C. § 2(a)(1)(B).

45. By misappropriating customer funds and/or making material misrepresentations and giving false and deceptive statements to clients and pool participants through the use of the Internet and other instrumentalities of interstate commerce, V-Tek Capital (BVI) and V-Tek Capital (IL), as CTAs and CPOs, V-Tek Trading, as a CTA, and Velazquez, as an AP of V-Tek Capital (BVI), V-Tek Capital (IL) and V-Tek Trading, violated Sections 4o(1)(A) and (B) of the Act, 7 U.S.C. §§ 6o(1)(A) and (B), by: (i) employing devices, schemes or artifices to defraud clients or prospective clients and pool participants or prospective participants, and (ii) engaging in transactions, practices or courses of business which operated as a fraud or deceit upon clients or prospective client and pool participants and prospective participants. Velazquez is also liable for V-Tek's violations pursuant to Section 13(b) of the Act, 7 U.S.C. § 13c(b). V-Tek Capital (BVI), V-Tek Capital (IL) and V-Tek Trading are also liable for Velazquez's violations pursuant to Section 2(a)(1)(B) of the Act, 7 U.S.C. § 2(a)(1)(B).

46. By falsely representing that were registered with the CFTC, V-Tek Capital (BVI) and V-Tek Capital (IL) violated Section 4h of the Act, 7 U.S.C. § 6h, and Velazquez is also liable for these violations pursuant to Section 13(b) of the Act, 7 U.S.C. § 13c(b).

47. By engaging in activities as CTAs and CPOs without the benefit of registration, V-Tek Capital (BVI) and V-Tek Capital (IL) violated Section 4m(1) of the Act, 7 U.S.C. § 6m(1), and Velazquez is also liable for these violations pursuant to Section 13(b) of the Act, 7 U.S.C. § 13c(b).

48. By commingling pool funds with other funds of unknown origin, V-Tek Capital (IL) violated Regulation 4.20(c), 17 C.F.R. § 4.20(c), and Velazquez is also liable for these violations pursuant to Section 13(b) of the Act, 7 U.S.C. § 13c(b).

V. NEED FOR A PERMANENT INJUNCTION AND OTHER ANCILLARY EQUITABLE RELIEF

49. Defendants engaged in acts and practices that violate Sections 4b(a)(2)(i) and (iii), and 4o(1)(A) and (B) of the Act, 7 U.S.C. §§ 6b(a)(2)(i) and (iii), and 6o(1)(A) and (B). Velazquez, V-Tek Capital (BVI) and V-Tek Capital (IL) also engaged in acts and practices that violate Sections 4h and 4m(1) of the Act, 7 U.S.C. §§ 6h and 6m(1). Additionally, Velazquez and V-Tek Capital (IL) engaged in acts and practices that violate Regulation 4.20(c), 17 C.F.R. § 4.20(c).

50. Unless restrained and enjoined by this Court, there is a reasonable likelihood that Defendants will continue to engage in the acts and practices alleged in the Amended Complaint and in similar acts and practices in violation of the Act. Other ancillary equitable relief is imposed to carry out the goals of the Act.

VI. PERMANENT INJUNCTION AND OTHER ANCILLARY EQUITABLE RELIEF

IT IS HEREBY ORDERED THAT:

A. Permanent Injunction

51. Defendants, and all persons who act in the capacity of agents, employees, successors and assigns of any of them, and all persons who actively participate in concert with them who receive actual notice of this Consent Order by personal service or otherwise, including facsimile transmission, are prohibited and permanently enjoined from directly or indirectly:

- a. cheating or defrauding, or attempting to cheat, or defraud other persons in or in connection with an offer to enter into, the entry into, the confirmation

of the execution of, or the maintenance of, any commodity futures transaction, in violation of Section 4b(a)(2)(i) of the Act, 7 U.S.C. § 6b(a)(2)(i);

- b. willfully deceiving or attempting to deceive by any means whatsoever other persons by any means whatsoever in regard to any order or contract, or in regard to any act of agency performed with respect to any order or contract, in violation of Section 4b(a)(2)(iii) of the Act, 7 U.S.C. § 6b(a)(2)(iii); and
- c. employing any device, scheme or artifice to defraud any client or participant or prospective client or participant or engaging in any transaction, practice, or course of business which operates as a fraud or deceit upon any client or participant or prospective client or participant by use of the mails or any means or instrumentality of interstate commerce, in violation of Sections 4o(1)(A) and (B) of the Act, 7 U.S.C. §§ 6o(1)(A) and (B).

52. Defendants Velazquez, V-Tek Capital (BVI) and V-Tek Capital (IL), and all persons who act in the capacity of agents, employees, successors and assigns of either of them, and all persons who actively participate in concert with them who receive actual notice of this Consent Order by personal service or otherwise, including facsimile transmission, are further prohibited and permanently enjoined from directly or indirectly:

- a. falsely representing that V-Tek Capital (BVI) and V-Tek Capital (IL) are registered with the CFTC in violation of Section 4h of the Act, 7 U.S.C. § 6h; and
- b. engaging in activities as CPOs and CTAs without the benefit of registration in violation of Section 4m(1) of the Act, 7 U.S.C. § 6m(1).

53. Defendants Velazquez and V-Tek Capital (IL), and all persons who act in the capacity of agents, employees, successors and assigns of either of them, and all persons who actively participate in concert with them who receive actual notice of this Consent Order by personal service or otherwise, including facsimile transmission, are further prohibited and permanently enjoined from directly or indirectly commingling the property of any pool that they

operate or that they intend to operate with the property of any other person in violation of Regulation 4.20(c), 17 C.F. R. § 4.20(c).

54. Defendants also are permanently prohibited from engaging, directly or indirectly, in any activity related to trading in any commodity, as that term is defined in Section 1a(4) of the Act, 7 U.S.C. § 1a(4) ("commodity interest"), including but not limited to, the following:

- a. trading on or subject to the rules of any registered entity, as that term is defined in Section 1a(29) of the Act, 7 U.S.C. § 1a(29);
- b. engaging in, controlling or directing the trading for any commodity interest account for or on behalf of any other person or entity, whether by power of attorney or otherwise;
- c. soliciting or accepting any funds from any person in connection with the purchase or sale of any commodity interest;
- d. applying for registration or claiming exemption from registration with the Commission in any capacity, and engaging in any activity requiring such registration or exemption from registration with the Commission, except as provided for in Regulation 4.14 (a)(9), 17 C.F.R. § 4.14(a)(9), or acting as a principal, agent or any other officer or employee of any person registered, exempted from registration or required to be registered with the Commission, except as provided for in Regulation 4.14 (a)(9), 17 C.F.R. § 4.14(a)(9);
- e. entering into any commodity interest transactions for their own personal accounts, for any account in which they have a direct or indirect interest and/or having any commodity interests traded on their behalf; and
- f. engaging in any business activities related to commodity interest trading.

B. Restitution

55. Defendants shall pay, jointly and severally, restitution in the amount of \$6,742,116.54, plus post-judgment interest (the "Restitution Obligation").

56. The Restitution Obligation shall be reduced by the amount of any restitution distribution made by the Temporary Receiver.

57. Post-judgment interest shall accrue commencing on the date of entry of this Consent Order and shall be determined by using the Treasury Bill rate prevailing on the date of entry of this Consent Order pursuant to 28 U.S.C. § 1961.

58. Appointment of Monitor: To effect payment by Defendants and distribution of restitution after discharge of the Temporary Receiver, the Court appoints the NFA as Monitor ("Monitor"). After discharge of the Temporary Receiver, the Monitor shall collect restitution payments from Defendants, and make distributions as set forth below. Because the Monitor is not being specially compensated for these services, and these services are outside the normal duties of the Monitor, the Monitor shall not be liable for any action or inaction arising from its appointment as Monitor, other than actions involving fraud.

59. Defendants shall make restitution payments under this Consent Order in the name "Velazquez – V-Tek Settlement Fund" and shall send such restitution payments by electronic funds transfer, or by U.S. postal money order, certified check, bank cashier's, or bank money order, to Office of Administration, National Futures Association, 200 W. Madison Street #1600, Chicago, Illinois 60606-3447 under cover letter that identifies the paying Defendant and the name and docket number of the proceeding. The paying Defendant shall simultaneously transmit copies of the cover letter and the form of payment to: (a) the Director, Division of Enforcement, Commodity Futures Trading Commission, Three Lafayette Centre, 1152 21st Street, N.W., Washington, D.C. 20581, and (b) the Chief, Office of Cooperative Enforcement, at the same address.

60. The NFA shall oversee Defendants' restitution obligation, and shall have discretion to determine the manner for distribution of funds in an equitable fashion to defrauded V-Tek customers, as appropriate, or may defer distribution until such time as it deems

appropriate. In the event that the amount of restitution payments to the Monitor are of a *de minimis* nature such that the Monitor determines that the administrative costs of the making a restitution distribution 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 following the instructions for civil monetary penalty payments set forth in Part VI.C. below.

61. The Defendants shall cooperate with the Monitor as appropriate to provide such information as the NFA deems necessary and appropriate to identify V-Tek's customers to whom the Monitor, in his sole discretion, may determine to include in any plan for distribution of any restitution payments.

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

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

C. Civil Monetary Penalty

64. Defendants shall pay, jointly and severally, a civil monetary penalty in the amount of \$4,951,322.49, plus post-judgment interest (the "CMP Obligation").

65. Post-judgment interest shall accrue beginning on the date of entry of this Consent Order and shall be determined at the Treasury Bill rate prevailing on the date of entry of this Consent Order pursuant to 28 U.S.C. § 1961.

66. Defendants shall pay this CMP Obligation by electronic funds transfer, U.S. postal money order, certified check, bank cashier's check, or bank money order. If payment is to be made other than by electronic funds transfer, the payment shall be made payable to the Commodity Futures Trading Commission and sent to the address below:

Commodity Futures Trading Commission
Division of Enforcement
ATTN: Marie Bateman -- AMZ-300
DOT/FZZ/MMAC
6500 S. MacArthur Blvd.
Oklahoma City, OK 73169
Telephone: (405) 954-6569

If payment by electronic transfer is chosen, the paying Defendant shall contact Marie Bateman or her successor at the address above to receive payment instructions and shall fully comply with those instructions. The paying Defendant shall accompany payment of the civil monetary penalty with a cover letter that identifies the paying Defendant and the name and docket number of this proceeding. The paying Defendant shall simultaneously transmit a copy of the cover letter and the form of payment to:

Office of Cooperative Enforcement
Division of Enforcement
Commodity Futures Trading Commission
1155 21st Street, N.W.
Washington, D.C. 20581.

D. Priority of Monetary Sanctions and Partial Payments

67. All payments by Defendants pursuant to this Consent Order shall first be applied to satisfaction of the Restitution Obligation, consistent with the authority granted the Monitor in

Part VI.B., above. After satisfaction of the Restitution obligation, payments by Defendants pursuant to this Consent Order shall be applied to satisfy the CMP obligation.

68. Any acceptance by the Commission and/or Monitor of partial payment of Defendants' Restitution Obligation and/or CMP Obligation shall not be deemed a waiver of the respective requirement to make further payments pursuant to this Consent Order, or a waiver of the Commission's and/or Monitor's right to seek to compel payment of any remaining balance.

E. Cooperation

69. Subject only to Velazquez's appropriate assertion of the Fifth Amendment privilege against self-incrimination, Defendants shall cooperate fully with the Receiver, the Commission, the Monitor, and any government agency seeking to enforce the restitution and civil monetary provisions of this Consent Order by providing any requested information relating to their financial status including, but not limited to, income and earnings, assets, financial statements, asset transfers, and tax returns. Velazquez shall also execute any documents or forms necessary to grant or assign to the Receiver and Monitor any and all of his rights to control or possess any funds in any foreign bank or foreign financial institution.

F. Equitable Relief Provisions

70. The equitable relief provisions of this Consent Order shall be binding upon Defendants and any person who is acting in the capacity of officer, agent, employee, servant or attorney of Defendants, and any person acting in active concert or participation with Defendants who receives actual notice of this Consent Order by personal service or otherwise.

G. Other Provisions

71. Notices: All notices required to be given by any provision in this Consent Order to the Commission shall be sent certified mail, return receipt requested, as follows:

Notice to Plaintiff Commission:

Director of the Division of Enforcement
Commodity Futures Trading Commission
1155 21st Street NW, Washington, DC 20581

Notice to Defendant Velazquez:

Edward R. Velazquez
c/o Maria Velazquez
1610 Westbury Dr.
Hoffman Estates, IL 60195

72. Entire Agreement and Amendments: This Consent Order incorporates all of the terms and conditions of the settlement among the parties hereto. Nothing shall serve to amend or modify this Consent Order in any respect whatsoever, unless: (1) reduced to writing; (2) signed by all parties hereto; and (3) approved by order of this Court.

73. Invalidation: If any provision of this Consent Order, or if the application of any provisions or circumstances is held invalid, the remainder of this Consent Order and the application of the provisions to any other person or circumstance shall not be affected by the holding.

74. Waiver: The failure of any party hereto at any time or times to require performance of any provision hereof shall in no manner affect the right of such party at a later time to enforce the same or any other provision of this Consent Order. No waiver in one or more instances of the breach of any provision contained in this Consent Order shall be deemed to be or construed as a further or continuing waiver of such breach or waiver of the breach of any other provision of this Consent Order.

75. Authority: By virtue of her appointment by the Court in an order entered June 30, 2005, the Temporary Receiver has the authority to sign and submit this Consent Order on behalf of V-Tek Trading, V-Tek Capital (IL) and V-Tek Capital (BVI).


76. Continuing Jurisdiction of this Court: This Court shall retain jurisdiction of this action to assure compliance with this Consent Order and for all other purposes related to this action, including but not limited to monitoring the actions of the Temporary Receiver and considering any suitable application or motion for additional relief within the jurisdiction of the Court.

77. Counterparts and Facsimile Execution. This Agreement may be executed in two or more counterparts, all of which shall be considered one and the same agreement and shall become effective when one or more counterparts have been signed by each of the parties and delivered (by facsimile or otherwise) to the other party, it being understood that all parties need not sign the same counterpart. Any counterpart or other signature to this Agreement that is delivered by facsimile shall be deemed for all purposes as constituting good and valid execution and delivery by such party of this Agreement.

IT IS SO ORDERED on this 31st day of January, 2008.



UNITED STATES DISTRICT JUDGE

CONSENTED TO AND APPROVED BY:



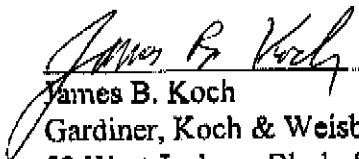
Edward R. Velazquez, Defendant

Dated: 11/07/07



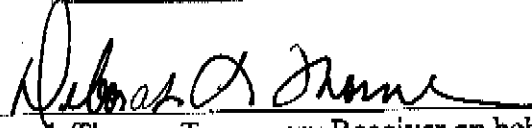
Susan J. Gradman
Attorney for Plaintiff Commodity Futures
Trading Commission

Dated: 1/30/08




James B. Koch
Gardiner, Koch & Weisberg
53 West Jackson Blvd., Suite 950
Chicago, Illinois 60604
Attorney for Defendant Edward R. Velazquez,

Dated: 11/7/2007



Deborah Thorne, Temporary Receiver on behalf
of V-Tek Trading Group, Inc., V-Tek Capital,
Inc. (IL) and V-Tek Capital, Inc. (BVI)
Barnes and Thornburg, LLP
One North Wacker Drive, Suite 4400
Chicago, Illinois 60606

Dated: 1/14/2008



Kevin Driscoll
Attorney for the Temporary Receiver
Barnes and Thornburg, LLP
One North Wacker Drive, Suite 4400
Chicago, Illinois 60606

Dated: 1/14/2008