

**In The United States District Court  
For The Northern District Of Illinois  
Eastern Division**

Commodity Futures Trading Commission,  
Plaintiff,

vs.

Lake Shore Asset Management Limited  
Defendant.

Civil Action No: 07 C 3598

Honorable Judge Manning  
Magistrate Judge Mason

**MOTION FOR RULE TO SHOW CAUSE WHY LAKE SHORE ASSET  
MANAGEMENT LIMITED SHOULD NOT BE HELD IN CONTEMPT OF COURT  
FOR VIOLATING THE STATUTORY EX PARTE RESTRAINING ORDER**

On June 27, 2007, this Court entered a Statutory Ex Parte Restraining Order (“SRO”) that provided, among other things, that Defendant Lake Shore Asset Management Limited (“LAM” or “Defendant”) allow representatives of the plaintiff Commission to immediately inspect Defendant’s books and records and to copy said documents, data, and records either on or off the premises where they are located. To date, Defendant has neither allowed representatives of the Commission to immediately inspect its books and records nor has it allowed CFTC representatives to copy said documents or records either on or off the premises where they are situated. Therefore, the plaintiff is filing this Rule to Show cause why Defendant LAM should not be held in contempt for violating the SRO. In support of this Petition, plaintiff states as follows:

1. The SRO entered by this Court on June 27, 2007 ordered the Defendant to allow representatives of the plaintiff “to immediately inspect the books, records and other electronically stored data, tape recordings, and other documents of the defendant and its agents, including all such records of defendant’s business operations, wherever they are situated and

whether they are in the possession of the defendant or others and to copy said documents, data, and records either on or off the premises where they may be situated.”

2. Defendant has provided Commission staff with some documents, including a fact sheet dated May 31, 2007 for Lake Shore Alternative Financial Asset Fund IV Limited, a generic chart listing the total amount of assets under management as \$1 billion, a listing of telephone numbers for LAM’s staff, copies of some selected net asset values (“NAV”) and performance information for LAM, Bermuda corporate records, and account documents for one New York investor, who Defendant claims is LAM’s sole U.S. investor.

3. Defendant, however, has not provided all of the documents enumerated in the Commission’s document request made pursuant to Section 4n of the Act, nor has Defendant allowed Commission staff to inspect its books and records. In particular, Defendant has not provided the Commission with a list of all accounts under management, account opening documents for those accounts, monthly and daily statements for each account, and copies of all correspondence between Defendant and each account holder. Additionally, Defendant has not provided the Commission with Disclosure Documents and Offering Memoranda for funds under its management.

4. As described in plaintiff’s complaint and supporting Memorandum of Law previously filed with this Court, LAM and its principals and directors, have made numerous inconsistent statements to National Futures Association (“NFA”) and Commission staff concerning assets in Defendant’s pools and managed accounts, LAM’s ownership, U.S. investors in the pools, and the location of its books and records.

5. On June 21, 2007, Mr. Laurence Rosenberg (“Rosenberg”), a LAM director, told Commission staff that there were no books and records in the Chicago office and that all books

and records were located in Toronto and were not available for inspection. Commission staff later learned that the address for the Toronto office provided by LAM in registration materials was a UPS store or “mail drop.” Commission staff also learned that Mr. Nicholas Eveleigh (“Eveleigh”), whose name appeared on registration materials as LAM’s compliance officer, claimed to be an “IT” consultant under contract with LAM.

6. LAM, a registered commodity pool operator (“CPO”), appears to operate one pool, Lake Shore Alternative Financial Asset Fund IV (“Fund IV”), which purportedly consists of two sub-funds – Class E (“Fund-E”) for European investors and Fund US for U.S. investors. These funds have trading accounts with Man Financial London, Lehman Brothers London and Fimat London and Sentinel in Chicago, Illinois.

7. LAM is also a registered commodity trading advisor (“CTA”). Documents produced by Eveleigh state that LAM is the registered CTA advising Lake Shore Alternative Financial Asset Funds III, IV and IV E. Specifically, the Confidential Explanatory Memorandum produced by Eveleigh for the foregoing Funds state that LAM is the Investment Manager and Advisor for each of the respective Funds and is “a registered CTA.”

8. This Court’s asset freeze appears to have frozen approximately \$238 million on deposits with futures commission merchants (“FCMs”). Because the Commission does not have access to the customer records, it cannot determine whether or not all customer funds are accounted for.

9. On June 19, 2007, Rosenberg revoked NFA’s access to LAM’s protected website and told the NFA that upon the advice of counsel, located in Geneva, Switzerland, LAM would not provide any additional information because of concerns related to unspecified “bank secrecy” laws. The NFA reminded Rosenberg that LAM had agreed to make its books and records

available to the NFA within 72 hours and had certified in its registration application that it was not subject to any blocking privacy or secrecy laws that created an obstacle to full record production.

10. Since the issuance of the SRO, plaintiff has continued to request that the Defendant allow CFTC representatives to inspect its books and records. Instead of allowing plaintiff immediate inspection, as required by the SRO, Defendant has continued to hide behind unspecified Swiss “bank secrecy” laws and has told CFTC staff that investor contracts prohibit Defendant’s revealing personal information about investors. Moreover, Defendant has informed CFTC staff that the firm will produce only account documents for the one U.S. investor because its other investors are all foreign investors, their investments are located off-shore, and thus, the Commission is not entitled to inspect those books and records.

11. CFTC staff has obtained a Confidential Explanatory Memorandum for Lake Shore Alternative Financial Asset Fund IV Limited (“Confidential Memo”) from a FCM that carries an account under that name. The Confidential Memo expressly states:

Lake Shore Alternative Financial Asset Fund IV Limited, a British Virgin Islands limited company (the “Fund”), seeks to maximize returns whilst preserving capital by investing in three assets, Lake Shore Alternative Financial Asset Fund Ltd., (LSAFA I), Lake Shore Alternative Financial Asset Fund II Ltd., (LSAFA II), Lake Shore Alternative Financial Asset Fund III Ltd., (LSAFA III).

The Memo further states that LSAFA I, II and III each invest in a portfolio of exchange traded financial derivatives traded on a stock or futures exchange and that the Fund utilizes the proprietary trading program developed and operated by LAM.

12. The Confidential Memo also states that the “Investment Manager of the Fund [Fund IV] is Lake Shore Asset Management Limited, and the Investment Advisor is Lake Shore Asset Management Limited, a corporation incorporated in Hamilton, Bermuda and a registered

CTA (the “Investment Manager”).” According to the Confidential Memo, the Investment Manager is responsible for identifying suitable investments and has been authorized to make investments for and on behalf of the Fund.

13. Moreover, CFTC staff has obtained a chart from Eveleigh, LAM’s purported compliance officer, entitled “Lake Shore Group of Companies Product Range.” The chart shows specific entities under LAM’s management. According to the chart, Lake Shore Alternative Financial Asset Funds I, II, III, IV and Yen Funds are all under the Management of LAM.

14. Based on the representations contained in the chart described in Paragraph 13 and the Confidential Memo, particularly the representations that LAM is the Investment Manager and Investment Advisor for Fund IV, which invests in the three other LAM Funds, and that LAM is a registered CTA and that LAM advises the trading in Funds I, II III, and IV, the Commission is entitled to inspect all of LAM’s books and records, not simply the account statement of the purportedly sole U.S. investor.

15. By failing to allow representatives of the plaintiff Commission to inspect Defendant’s books and records and to copy said documents, data, and records either on or off the premises, where they may be situated, the Defendant has violated the SRO. In addition, Defendant has delayed compliance with the Court’s Order by retaining and firing attorneys. In particular, Defendant retained California counsel, who indicated that the firm would be producing certain documents to CFTC staff, only to fire that firm and thereafter retain a Chicago firm. While the Chicago firm has indicated it would be producing documents to CFTC staff, the firm has only produced account documents for the purported sole U.S. investor.

16. In support of this Petition, the plaintiff has separately filed a brief, including Exhibits attached thereto.

Wherefore, the Commission requests that Defendant be ordered to comply with the SRO forthwith and that this Court enter plaintiff's Proposed Order to Show Cause against Defendant LAM.

Date: July 3, 2007

Respectfully submitted,

**s/ Diane M. Romaniuk**

Diane M. Romaniuk  
Senior Trial Attorney  
A.R.D.C. No. 0341649

**s/ Ava M. Gould**

Ava M. Gould  
Senior Trial Attorney  
A.R.D.C. No. 06194202

Commodity Futures Trading Commission  
525 West Monroe Street, Suite 1100  
Chicago, Illinois 60661  
(312) 596-0541 (Romaniuk)  
(312) 596-0535 (Gould)  
(312) 596-0520 (Hollinger)  
(312) 596-0700 (office number)  
Fax (312) 596-0714

**CERTIFICATE OF SERVICE**

The undersigned, an attorney with the Commodity Futures Trading Commission, certify that on July 3, 2007, I caused the foregoing,

- MOTION FOR RULE TO SHOW CAUSE WHY LAKE SHORE ASSET MANAGEMENT LIMITED SHOULD NOT BE HELD IN CONTEMPT OF COURT FOR VIOLATING THE STATUTORY EX PARTE RESTRAINING ORDER
- MEMORANDUM OF LAW IN SUPPORT OF PLAINTIFF'S MOTION FOR RULE TO SHOW CAUSE AGAINST LAKE SHORE ASSET MANAGEMENT LIMITED
- [PROPOSED] ORDER TO SHOW CAUSE

to be electronically filed with the Clerk of the Court using CM/ECF. I also certify that the foregoing document is being served this day on Lake Shore Asset Management Limited, c/o Laurence Rosenberg, 875 North Michigan Avenue, Suite 1562, Chicago, Illinois 60611 a non-participant in CM/ECF, via Federal Express mail.

No appearances have been filed by or on behalf of non-participants in CM/ECF. A courtesy copy of the foregoing document will be sent to the following individuals via Federal Express mail.

Mr. William Nissen, Esq.  
Sidley Austin LP  
One South Dearborn Street  
Chicago, Illinois 60603  
e-mail: wnissen@sidley.com

Mr. Robert L. Byman, Esq.  
Jenner & Block LLC  
One IBM Plaza  
Chicago, Illinois 60611-7603  
e-mail: RByman@jenner.com

**s/ Diane Romaniuk**  
Diane M. Romaniuk  
Senior Trial Attorney (dromaniuk@cftc.gov)  
Illinois ARDC No. 0341649

Commodity Futures Trading Commission  
525 West Monroe Street, Suite 1100  
Chicago, Illinois 60661  
(312) 596-0541 (Romaniuk)  
(312) 596-0714 (facsimile)