

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

JUDGE KAPLAN

U.S. COMMODITY FUTURES TRADING
COMMISSION,

Plaintiff,

v.

ARJENT CAPITAL MARKETS LLC,
CHICAGO TRADING MANAGERS LLC,
SPENCER MONTGOMERY and BRIAN
REYNOLDS,

Defendants.

Case No. **12 CV 1832**

ECF Case

COMPLAINT FOR INJUNCTIVE AND
OTHER EQUITABLE RELIEF AND
FOR CIVIL MONETARY PENALTIES
PURSUANT TO THE COMMODITY
EXCHANGE ACT

JURY TRIAL DEMANDED

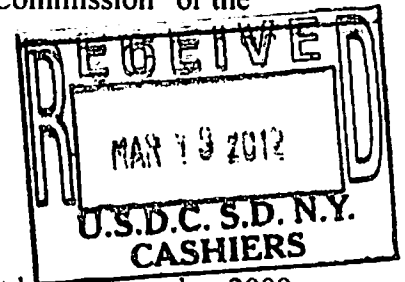
The U.S. Commodity Futures Trading Commission (the “Commission” or the
“CFTC”), by and through its attorneys, hereby alleges as follows:

I.

SUMMARY

1. Beginning in or about June 2008 and continuing through at least November 2009
(the “Relevant Period”), defendants Spencer Montgomery, Brian Reynolds and two companies
that they controlled—Chicago Trading Managers, LLC (“CT Managers”) and Arjent Capital
Markets LLC (“Arjent”)—defrauded commodity pool investors (“pool participants”) by
knowingly issuing and/or causing to be issued false account statements for three commodity
pools.

2. Montgomery, Reynolds and CT Managers managed and operated at least two
commodity pools whose funds were invested with Arjent: Chicago Trading Partners US LLC
(“CT US”) and Chicago Trading Partners International Ltd. (“CT International”, collectively the
“CT Pools”).



3. The pool participants in the CT Pools (hereinafter, the "CT Pool Participants") invested \$9 million during the Relevant Period.

4. All pool participant funds were aggregated into an account held at a clearing firm (the "Futures Commission Merchant" or "FCM") in Arjent's name ("the Arjent Trading Account").

5. Defendants assigned subaccounts to pools, which were used to show each pool's trading in the Arjent Trading Account.

6. Pool participants were not told that the true value of the subaccount was significantly diminished because other subaccounts had negative balances (the "Arjent Debits") which when netted as a whole as required by the FCM, made the actual value of the subaccount substantially less.

7. At all times during the Relevant Period, the FCM's daily records for the Arjent Trading Account netted the Arjent Debits against the assets belonging to the CT Pools, thus offsetting the Arjent Debits against the value of the CT Pools' accounts.

8. Beginning in or about June 2009, Montgomery, Reynolds and Arjent committed the same fraud (as generally described in paragraphs 5-7) against a third commodity pool, hereinafter the "Third-Party Pool," which invested with Arjent but was not managed or operated by defendants.

9. In or about June 2009, the Third-Party Pool deposited \$1.5 million with Arjent.

10. As with the CT Pools, the defendants assigned a subaccount within the Arjent Trading Account to the Third-Party Pool, which subaccount was also netted against the Arjent Debits by the FCM.

11. Month after month, during the relevant period, the defendants directly provided and/or caused to be provided false account statements that omitted the true value of the subaccount to the CT Pool Participants and similarly, in the case of a statement provided to the Third-Party Pool, omitted the true value of the subaccount to the pool operator.

12. As described more fully below, Montgomery, Reynolds, Arjent and CT Managers engaged in fraudulent acts and practices that violate the anti-fraud provisions of Section 4b(a)(1)(A)-(C) of the Commodity Exchange Act (the "Act"), 7 U.S.C. §§ 6b(a)(1)(A)-(C), and Section 4o(1)(A) and (B) of the Act, 7 U.S.C. § 6o(1)(A) and (B).

13. Arjent also is liable for the violations of the Act by Montgomery, Reynolds and CT Managers pursuant to Section 13(a), 7 U.S.C. § 13c(a), for aiding, abetting, counseling, commanding, inducing and/or procuring the commission of Montgomery, Reynolds and CT Managers' violation of 4b(a)(1)(A)-(C) of the Act.

14. Montgomery and Reynolds committed the acts described herein while acting as agents for CT Managers and/or Arjent. Therefore, CT Managers and Arjent are liable for the violations of Section 4b(a)(1)(A)-(C) and Section 4o(1)(A) and (B) pursuant to Section 2(a)(1)(B) of the Act, 7 U.S.C. § 2(a)(1)(B), and Commission Regulation 1.2, 17 C.F.R. § 1.2, by virtue of the acts of its officials, agents or other persons acting within the scope of their employment or office.

15. Throughout the Relevant Period, defendants Montgomery and Reynolds each directly or indirectly controlled CT Managers and Arjent, and did not act in good faith or knowingly induced, directly or indirectly, the acts constituting CT Managers' and Arjent's violations of Section 4b(a)(1)(A)-(C) and Section 4o(1)(A) and (B). Montgomery and Reynolds are therefore each liable for CT Managers' and Arjent's violations of these sections of the Act.

16. Accordingly, pursuant to Section 6c of the Act, 7 U.S.C. § 13a-1, the Commission brings this action to enjoin such acts and practices, and compel compliance with the Act. In addition, the Commission seeks civil monetary penalties and such other equitable and ancillary relief as the Court deems necessary or appropriate under the circumstances.

17. 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 this Complaint or similar acts and practices, as is more fully described below.

II.

JURISDICTION AND VENUE

18. The Court has jurisdiction over this action pursuant to Section 6c(a) of the Act, 7 U.S.C. § 13a-1(2006), which authorizes the Commission to seek injunctive relief against any person whenever it shall appear to the Commission that such person has engaged, is engaging, or is about to engage in any act or practice constituting a violation of the Act or any rule, regulation, or order thereunder.

19. Venue properly lies with the Court pursuant to Section 6c(e) of the Act, 7 U.S.C. § 13a-1(e) (2006), in that defendants transacted business in this District, and the acts and practices in violation of the Act have occurred within this District.

20. Defendants Montgomery and Reynolds have travelled to this District for meetings pertaining to the business of defendants CT Managers and Arjent, have obtained funds from and provided account statements to at least one CT Pool Participant who resides in this District and/or solicited at least one potential CT Pool Participant at a meeting held in this District.

21. Arjent's operations were carried out in part within this District, including through meetings of Arjent's management in this District and the transmittal and transmission of

communications to and from this District. In addition, the Arjent Trading Account was held at the FCM, which has its principal office in New York, New York.

22. Further, CT Managers directed CT Pool Participants to remit funds to an account at a bank located in this District.

III.

PARTIES

23. Plaintiff U.S. Commodity Futures Trading Commission (as defined above, the “Commission” or “CFTC”) is an independent federal regulatory agency charged with the responsibility for administering and enforcing the provisions of the Act and Commission Regulations.

24. Defendant Spencer Montgomery (“Montgomery”) is an individual who resides in Colorado. Throughout the Relevant Period, Montgomery was an owner and managing member of Arjent and CT Managers. Montgomery also is a member of the NFA registered with the Commission as an associated person for CT Managers.

25. Defendant Brian Reynolds (“Reynolds”) is an individual who resides in Colorado. Throughout the Relevant Period, Reynolds was an owner and managing member of Arjent and CT Managers.

26. Defendant Arjent Capital Markets LLC (as defined above, “Arjent”) is a Colorado Limited Liability Company formed on or about February 16, 2007 with its principal place of business in Boulder, Colorado. Throughout the Relevant Period, Arjent was registered as a broker dealer with the U.S. Securities and Exchange Commission (“SEC”) and the Chicago Board Options Exchange (“CBOE”). Arjent was dissolved by Reynolds effective September 4, 2011.

27. Defendant Chicago Trading Managers LLC (as defined above, “CT Managers”) is a limited liability company organized in Delaware on or about April 2008 with its principal places of business in Boulder, Colorado. CT Managers is a member of the NFA registered with the Commission as a commodity pool operator (“CPO”) and commodity trading advisor (“CTA”).

IV.

FACTS

A. Paradigm

28. Prior to the Relevant Period, Montgomery and Reynolds owned and ran Paradigm Capital Markets, LLC (“Paradigm”), a broker-dealer with operations similar to Arjent’s.

29. In 2007, Paradigm ceased operating after it experienced significant trading losses.

30. At least \$1 million of Paradigm’s losses were not repaid in 2007. Rather the losses were transferred to the Arjent Trading Account once Arjent was established.

B. Arjent

31. Arjent was established in 2007 to replace Paradigm. Montgomery and Reynolds operated Arjent as a trading vehicle to execute and clear securities and futures trades for commodity pools and traders through a trading account held in Arjent’s name at the FCM (as defined above, the “Arjent Trading Account”).

32. Montgomery and Reynolds were managing members of Arjent.

C. The Arjent Trading Account

33. The Arjent Trading Account had a number of subaccounts that were not separate accounts but rather were bookkeeping subcategories.

34. The net liquidating value of the Arjent Trading Account equaled the sum of all positive balances, across all subaccounts, reduced by the sum of all debit balances, across all subaccounts.

35. On each account statement issued to Arjent for the subaccounts within the Arjent Trading Account, the FCM stated that the total value of the assets held in a subaccount could only be determined “by adding together the values of all related accounts, including accounts with negative values.”

36. No single subaccount could be liquidated separately or on a standalone basis because none of the subaccounts existed on a standalone basis.

37. The defendants were aware of the above-described characteristics of the Arjent Trading Account because of their roles in establishing, organizing, maintaining and monitoring the Account.

D. The Arjent Debits

38. As part of Montgomery and Reynolds’ role in the day-to-day management of Arjent, Montgomery and Reynolds discussed the Arjent Debits with Arjent’s managing members, including the specific nature of the Arjent Debits and how they would be characterized and recorded by Arjent for accounting purposes.

39. Moreover, each of the defendants had access to comprehensive information relating to the Arjent Trading Account, and was aware of the net liquidating value of the Arjent Trading Account through either accessing this information or discussing the net liquidating value amongst Arjent’s managing members. *See, e.g.*, Exhibits A and B.

40. The debits in the Arjent Trading Account increased because of, among other things, the compensation that Montgomery and Reynolds paid themselves and others associated

with Arjent and the trades placed by traders given access to the Arjent Trading Account whose trading resulted in losses in excess of the assets they had deposited.

41. Each of the defendants, including Montgomery and Reynolds, knew that the Arjent Debits were being held in the Arjent Trading Account throughout the Relevant Period and, because they were growing throughout the Relevant Period, reduced the net liquidating value of the Arjent Trading Account. *See, e.g.*, Exhibits C and D.

42. By June 2009, the Arjent Debits were millions of dollars. In December 2009, Arjent provided to its FCM a draft Arjent disclosure statement (“Disclosure Statement”), which disclosed that “[s]ince October 2009, Arjent has carried negative capital balances of approximately \$6.8 million, which resulted from debit balances caused by trading losses incurred by certain of its Class A and B members, some of which are Arjent’s managing members or entities operated by Arjent’s managing members.” This Disclosure Statement was required by Arjent’s self-regulatory organization to be forwarded by Arjent to its Class B members as a condition for Arjent to solicit additional sources of funds from Class B members or prospective Class B members.

E. CT Managers

43. Montgomery and Reynolds established CT Managers in 2008 for the purpose of managing collective investment vehicles, including commodity pools.

44. Montgomery and Reynolds were involved in every stage of CT Managers’ operation, from formation to day-to-day management.

45. Prior to and during the Relevant Period, Montgomery and Reynolds operated CT Managers and the CT Pools.

46. Montgomery and Reynolds, as managers of CT Managers, opened bank accounts in CT Managers’ and the CT Pools’ names, opened subaccounts for the CT Pools within the

Arjent Trading Account, authorized the transfer of funds from the CT Pools' bank accounts, authorized the movement of funds within the Arjent Trading Account, caused to be issued monthly statements to the CT Pool Participants and hired and supervised an office manager who, among other things, sent and received communications from investors and monitor bank account activity.

47. Beginning in June 2008, Montgomery and Reynolds directly and/or through CT Managers solicited and obtained CT Pool Participants to invest in the CT Pools.

48. Offering memoranda, which were provided to CT Pool Participants by, at the direction of, or with knowledge of Montgomery and Reynolds, identified Montgomery and Reynolds as directors or key personnel of CT Managers.

49. Montgomery, Reynolds and CT Managers represented in offering memoranda distributed to potential CT Pool Participants that the CT Pools' primary investment objective was to provide investors with "superior risk-adjusted returns by engaging in short-term opportunistic trading strategies involving, among other things, trading in commodity futures and options, securities and foreign currencies and/or leveraged derivatives of each of the foregoing."

50. Montgomery, Reynolds and CT Managers issued and/or caused to be issued monthly statements to CT Pool Participants. These statements purported to provide the ending Net Asset Value (or NAV) of the investment made by each CT Pool Participant.

51. Reynolds provided the NAV and/or Arjent statements and/or books and records used to calculate the NAV in the statements issued to the CT Pool Participants.

52. Montgomery solicited CT Pool Participants to invest in the Pools and oversaw the office manager's distribution of solicitation materials.

53. Montgomery also acted as the registered principal for CT Managers and, as such, was responsible for overseeing the operation of CT Managers and the CT Pools.

54. Reynolds oversaw the preparation of CT Managers' and the CT Pools' accounting documents, oversaw the maintenance of the CT Pool Participants' funds within the Arjent Trading Account, and oversaw the transfer of funds to and from bank accounts, and to and from the Arjent Trading Account.

55. Reynolds approved the monthly statements before they were transmitted to the CT Pool Participants.

56. CT Pool Participants invested more than \$9 million in the CT Pools.

57. The CT Pool Participants' funds were transferred from the CT Pools' bank accounts to bank accounts held in Arjent's name, and subsequently transferred to the Arjent Trading Account.

58. After being transferred to the Arjent Trading Account, the CT Pool Participants' funds were then assigned by Reynolds to various subaccounts within the Arjent Trading Account.

59. Some of the CT Pools' funds were used to invest in contracts of sale of commodity for future delivery.

F. The Third Party Pool

60. In April 2009, Montgomery solicited the operator of the Third Party Pool to open an account in which the operator could trade the Third Party Pool's assets.

61. The operator of the Third Party Pool wired \$1.5 million to Arjent, which Montgomery and/or Reynolds assigned to a subaccount within the Arjent Trading Account.

62. Some of the Third Party Pools' funds were used to invest in contracts of sale of commodity for future delivery.

G. CT and Third Party Pools' Assets Depleted by the Arjent Debits

63. By transferring and maintaining both the CT Pool's and Third Party Pools' (collectively, the "Pools") funds in the Arjent Trading Account, the defendants knowingly depleted the assets of both Pools.

64. The netting of the Arjent Debits with the Pools' assets reduced the value of assets being held for the Pools.

65. The defendants knew that the Pools' assets were depleted by the maintenance of the Arjent Debits in the Arjent Trading Account.

66. The defendants further knew that if the Arjent Trading Account was liquidated by the FCM or otherwise, the FCM would only provide funds and/or assets totaling the net liquidating value of the Arjent Trading Account as a whole.

H. Fraudulently Inflated NAV Reported to CT Pool Participants

67. Montgomery, Reynolds and CT Managers issued and/or caused to be issued statements to CT Pool Participants fraudulently inflating the NAVs for each CT Pool.

68. The NAV reported to CT Pool Participants did not accurately reflect the true value of the CT Pools' assets because it did not reflect the dilution of the assets caused by the Arjent Debits.

69. On at least 10 separate occasions, Montgomery, Reynolds and CT Managers issued and/or caused to be issued statements listing the NAV of each CT Pool Participant that, when aggregated, exceeded the total net liquidating value of all assets in the Arjent Trading Account.

70. For example, in February 2009, Montgomery, Reynolds and CT Managers issued and/or caused to be issued statements to CT Pool Participants which, in aggregate, stated that the CT Pool Participants' NAV totaled \$8,877,518. However, the net liquidating value of the Arjent Trading Account totaled \$3,562,347—less than half of the value reported to the CT Pool Participants.

71. Similarly, in August 2009, the NAV reported to CT Pool Participants totaled \$4,377,901, while the net liquidating value of the Arjent Trading Account totaled \$1,146,357—less than one third of the value reported to CT Pool Participants.

72. The misstatements made to the CT Pool Participants were material. The value of the CT Pool Participants' pro rata share of the Arjent Trading Account was significantly less—at times half to two-thirds less—than the NAV reported on the monthly statements issued to the CT Pool Participants.

I. Fraudulently Inflated Balances Reported to the Third Party Pool

73. Montgomery, Reynolds and Arjent issued and/or caused to be issued a statement to the Third Party Pool in August 2009 that fraudulently inflated the valuations for the account as of July 31, 2009. The statement also falsely indicated that the account is clearing at a non-existent affiliate of the FCM.

74. The valuations reported to the Third Party Pool did not reflect value of the Third Party Pool's assets because it did not reflect the dilution of the Pool's assets caused by the Arjent Debits.

75. The valuations reported to the Third Party Pool for August 2009, totaled with the valuation statements provided to the CT Pool Participants for that month, exceeded the actual value of the Arjent Trading Account by more than \$3,000,000.

76. The misstatement made to the Third Party Pool was material. Given that the balance in the Arjent Trading Account for July 2011 totaled only \$3.2 million, the fraudulent misstatements to the Third Party Pool and CT Pool Participants together, reflected an amount that was double the total value in the account.

77. When the FCM that carried the Arjent Trading Account learned of the statement made to the Third Party Pool, FCM personnel told Montgomery that Arjent should not produce another document like this again because it “created an inaccurate picture of [Arjent’s] overall performance.”

J. Defendant Montgomery’s Participation, Scienter and Control over Arjent and CT Managers

78. Montgomery participated in the fraud and acted with scienter.

79. Montgomery was involved in the solicitation of CT Pool Participants.

80. Montgomery, directly or through agents, disseminated marketing materials for CT Managers and its Pools, which made representations concerning, among other things, how the CT Pool Participants’ funds would be invested and how NAV would be calculated.

81. Montgomery knew that account statements were being issued to the CT Pool Participants and directed the issuance of the account statements.

82. Montgomery knew that in various months the total Net Asset Values reported to CT Pool Participants and the Third Party Pool were greater than the total assets held in the Arjent Trading Account.

83. Montgomery knew and/or recklessly disregarded that account statements issued to the CT Pool Participants contained false statements of NAV because the stated NAV did not reflect the adverse impact of the Arjent Debits upon the CT Pool Participants’ assets.

84. Montgomery had direct involvement in the preparation and issuance of the statement to the Third Party Pool.

85. Montgomery knew and/or recklessly disregarded that the statement issued to the Third Party Pool contained an inaccurate cash balance because the valuation did not reflect the adverse impact of the Arjent Debits upon the Third Party Pool's assets.

86. Montgomery knew that the Arjent Debits in the Arjent Trading Account, which were unrelated to the Pools' operations, were not being disclosed to the CT Pool Participants or the Third Party Pool.

87. Montgomery controlled Arjent and CT Managers.

88. Throughout the Relevant Period, Montgomery made decisions for and carried out the business of Arjent and CT Managers.

89. Montgomery controlled the bank accounts of Arjent and CT Managers, controlled access to the Arjent Trading Account, decided whether to accept new CT Pool Participants and pools, approved and denied redemption requests, authorized the payment of salaries and draws, carried out the day-to-day business for each entity, and generally made decisions on behalf of each entity.

K. Defendant Reynolds' Participation, Scienter and Control over Arjent and CT Managers

90. Reynolds directly participated in the fraud and acted with scienter.

91. Reynolds knew that the Arjent Debits were in the Arjent Trading Account, such that the net assets held in the Arjent Trading Account were less than the total values being reported to CT Pool Participants.

92. Reynolds provided and/or facilitated the provision of account statements to the CT Pool Participants that did not take into account the reduction in value caused by the Arjent Debits.

93. Reynolds was directly involved with the valuation of the Third Party Pool's account and knew that a statement was issued to the Third Party Pool reflecting those valuations.

94. Reynolds knew and/or recklessly disregarded that the valuations provided to the CT Pool Participants did not reflect the adverse impact of the Arjent Debits upon the CT Pool Participants' assets.

95. Reynolds knew and/or recklessly disregarded that the statement issued to the Third Party Pool contained a false cash balance because the valuation did not reflect the adverse impact of the Arjent Debits upon the Third Party Pool's assets.

96. Reynolds knew that the Arjent Debits in the Arjent Trading Account, which were unrelated to the Pools' operations, were not being disclosed to the CT Pool Participants.

97. Reynolds controlled Arjent and CT Managers.

98. Throughout the Relevant Period, Reynolds made decisions for and carried out the business of Arjent and CT Managers.

99. Reynolds controlled the bank accounts of Arjent and CT Managers, controlled access to the Arjent Trading Account, decided whether to accept new CT Pool Participants and pools, approved and denied redemption requests, authorized the payment of salaries and draws, carried out the day-to-day business for each entity, and generally made decisions on behalf of each entity.

L. Termination of Arjent and CT Managers' Operations

100. Arjent and CT Managers ceased operating in or about March 2010, shortly after they became aware of the CFTC investigation.

101. In connection with the winding up of Arjent and CT Managers' business, two of Arjent's managing members paid the CT Pool Participants the amount reported on their respective account statements.

V.
VIOLATIONS OF THE COMMODITY EXCHANGE ACT

COUNT I

**FRAUD IN CONNECTION WITH SALE OR PURCHASE OF FUTURES CONTRACTS
BY MONTGOMERY, REYNOLDS, ARJENT AND CT MANAGERS**

102. The allegations set forth in paragraphs 1 through 101 are re-alleged and incorporated herein by reference.

103. Sections 4b(a)(1)(A)-(C) of the Act, 7 U.S.C. §§ 6b (a)(1)(A)-(C), make it unlawful for any person, in or in connection with any order to make, or the making of, any contract of sale of any commodity in interstate commerce or for future delivery that is made, or to be made, on or subject to the rules of a designated contract market, for or on behalf of any other person – (A) to cheat or defraud or attempt to cheat or defraud the other person; (B) willfully to make or cause to be made to the other person any false report or statement or willfully enter or cause to be entered for the other person any false record; or (C) willfully to deceive or attempt to deceive the other person by any means whatsoever in regard to any order or contract or the disposition or execution of any order or contract, or in regard to any act of agency performed, with respect to any order or contract for the other person.

104. As set forth above, in or in connection with futures contracts made, or to be made, for or on behalf of other persons, Montgomery, Reynolds and CT Managers (by and through its managing members, representatives, employees and agents) cheated or defrauded or attempted to cheat or defraud prospective and existing CT Pool Participants by, among other things, issuing

and/or causing the issuance of account statements that fraudulently misrepresented the NAV of the CT Pool Participants' investment.

105. In addition, as set forth above, in or in connection with futures contracts made, or to be made for or on behalf of other persons, Montgomery, Reynolds and Arjent (by and through its managing members, representatives, employees and agents) cheated or defrauded or attempted to cheat or defraud the Third Party Pool by, among other things, issuing and/or causing the issuance of at least one the statement that fraudulently misrepresented the cash balance of the Third Party Pool's investment.

106. By this conduct, Montgomery, Reynolds, Arjent and CT Managers violated Section 4b(a)(1)(A)-(C) of the Act as amended by the CRA, to be codified at 7 U.S.C. §§ 6b(a)(1)(A)-(C).

107. Defendants Montgomery, Reynolds, Arjent and CT Managers acted with scienter and did not act in good faith.

108. Defendant CT Managers is vicariously liable for any violations of the Act described in this Count by virtue of the acts of its managing members, representatives, employees and agents, including Defendants Montgomery and Reynolds, pursuant to Section 2(a)(1)(B) of the Act, 7 U.S.C. § 2(a)(1)(B), and Commission Regulation 1.2, 17 C.F.R. § 1.2.

109. Defendant Arjent is liable for any violations of the Act described in this count by Montgomery, Reynolds and CT Managers pursuant to Section 13(a), 7 U.S.C. § 13c(a), for aiding, abetting, counseling, commanding, inducing and/or procuring the commission of Montgomery, Reynolds and CT Managers' violation of 4b(a)(1)(A)-(C) of the Act.

110. Defendant Arjent is vicariously liable for any violations of the Act described in this Count by virtue of the acts of its managing members, representatives, employees and agents,

including Defendants Montgomery and Reynolds pursuant to Section 2(a)(1)(B) of the Act, 7 U.S.C. § 2(a)(1)(B), and Commission Regulation 1.2, 17 C.F.R. § 1.2.

111. Throughout the Relevant Period, Defendants Montgomery and Reynolds each had control over Arjent and the actions of its representatives, agents and employees who executed the fraudulent scheme and did not act in good faith or knowingly induced, directly or indirectly, the acts constituting the violations described in this Count. Accordingly, Defendants Montgomery and Reynolds are each liable for Arjent's violations of Section 4b(a)(1)(A)-(C), pursuant to Section 13(b) of the Act, 17 U.S.C. § 13c(b).

112. Throughout the Relevant Period, Defendants Montgomery and Reynolds each had control over CT Mangers and the actions of its representatives, agents and employees who executed the fraudulent scheme and did not act in good faith or knowingly induced, directly or indirectly, the acts constituting the violations described in this Count. Accordingly, Defendants Montgomery and Reynolds are each liable for CT Managers' violations of Section 4b(a)(1)(A)-(C), pursuant to Section 13(b) of the Act, 17 U.S.C. § 13c(b).

113. Each misrepresentation or omission of material fact, including but not limited to those specifically alleged herein, is alleged as a separate and distinct violation of Section 4b(a)(1)(A)-(C) of the Act as amended by the CRA, to be codified at 7 U.S.C. §§ 6b(a)(1)(A)-(C).

COUNT II

FRAUD AND DECEIT BY MONTGOMERY, REYNOLDS, ARJENT AND CT MANAGERS

114. The allegations set forth in paragraphs 1 through 101 are re-alleged and incorporated herein by reference.

115. During the Relevant Period, Montgomery and CT Managers used the mails or other means or instrumentality of interstate commerce directly or indirectly to employ a device, scheme or artifice to defraud the CT Pool Participants and the Third Party Pool, or to engage in transactions, practices or courses of business which operated as a fraud and deceit upon the CT Pool Participants and the Third Party Pool, all in violation of Section 4o(1)(A) and (B) of the Act, 7 U.S.C. § 6o(1)(A) and (B).

116. By this conduct, Montgomery and CT Managers violated Section 4o(1)(A) and (B) of the Act, 7 U.S.C. § 6o(1)(A) and (B).

117. Montgomery and CT Managers acted with scienter when employing this device, scheme or artifice to defraud.

118. Defendant CT Managers is vicariously liable for any violations of the Act described in this Count by virtue of the acts of its managing members, representatives, employees and agents, including Defendant Montgomery, pursuant to Section 2(a)(1)(B) of the Act, 7 U.S.C. § 2(a)(1)(B), and Commission Regulation 1.2, 17 C.F.R. § 1.2.

119. Throughout the Relevant Period, Montgomery and Reynolds, as principals of CT Managers, directly or indirectly controlled CT Managers, and did not act in good faith or knowingly induced, directly or indirectly, the acts constituting the violations described in this Count. Thus, pursuant to Section 13(b) of the Act, 7 U.S.C. § 13c(b), Montgomery and Reynolds are liable for the violations described in this Count to the same extent as CT Managers.

120. Defendants Arjent and Reynolds are liable for any violations of the Act described in this count by Montgomery and CT Managers pursuant to Section 13(a), 7 U.S.C. § 13c(a), for aiding, abetting, counseling, commanding, inducing and/or procuring the commission of

Montgomery, Reynolds and CT Managers' violation of Section 4o(1)(A) and (B) of the Act, 7 U.S.C. § 6o(1)(A) and (B).

121. Defendant Arjent is vicariously liable for any violations of the Act described in this Count by virtue of the acts of its managing members, representatives, employees and agents, including Defendants Montgomery and Reynolds pursuant to Section 2(a)(1)(B) of the Act, 7 U.S.C. § 2(a)(1)(B), and Commission Regulation 1.2, 17 C.F.R. § 1.2.

122. Each act constituting a violation of Section 4o(1)(A) and (B) of the Act, 7 U.S.C. § 6o(1)(A) and (B), is alleged as a separate and distinct violation.

VI.

RELIEF REQUESTED

WHEREFORE, the Commission respectfully requests that the Court, as authorized by Section 6c of the Act, 7 U.S.C. § 13a-1 (2006), and pursuant to its own equitable powers, enter:

a) An order finding that Defendants violated Sections 4b(a)(1)(A) - (C) of the Act as amended by the CRA, to be codified at 7 U.S.C. §§ 6b(a)(1)(A)-(C) and Section 4o(1)(A) and (B) of the Act, 7 U.S.C. § 6o(1)(A) and (B).

b) An order of permanent injunction prohibiting Defendants and any of their agents, servants, employees, assigns, attorneys, and persons in active concert or participation with any Defendant, including any successor thereof, from directly or indirectly:

- (i) engaging in conduct in violation of Sections 4b(a)(1)(A)-(C) of the Act as amended by the CRA, to be codified at 7 U.S.C. §§ 6b(a)(2)(A)-(C) and Section 4o(1)(A) and (B) of the Act, 7 U.S.C. § 6o(1)(A) and (B);
- (ii) Trading on or subject to the rules of any registered entity (as that term is defined in Section 1a of the Act, as amended by the Dodd-Frank Act, 7 U.S.C. § 1a);

- (iii) Entering into any transactions involving commodity futures, options on commodity futures, commodity options (as that term is defined in Regulation 1.3(hh), 17 C.F.R. § 1.3(hh) (2011) (“commodity options”), security futures products , and/or foreign currency (as described in Sections 2(c)(2)(B) and 2(c)(2)(C)(i) of the Act as amended by the Dodd-Frank Act, to be codified at 7 U.S.C. §§ 2(c)(2)(B) and 2(c)(2)(C)(i)) (“forex contracts”), for their own personal accounts or for any account in which they have a direct or indirect interest;
- (iv) Having any commodity futures, options on commodity futures, commodity options, security futures products, and/or forex contracts traded on their behalf;
- (v) Controlling or directing the trading for or on behalf of any other person or entity, whether by power of attorney or otherwise, in any account involving commodity futures, options on commodity futures, commodity options, security futures products, and/or forex contracts;
- (vi) Soliciting, receiving, or accepting any funds from any person for the purpose of purchasing or selling any commodity futures, options on commodity futures, commodity options, security futures products, and/or forex contracts;
- (vii) 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) (2011);

and

- (viii) Acting as a principal (as that term is defined in Regulation 3.1(a), 17 C.F.R. § 3.1(a) (2011)), agent, or any other officer or employee of any person registered, exempted from registration or required to be registered with the CFTC except as provided for in Regulation 4.14(a)(9), 17 C.F.R. § 4.14(a)(9) (2011).

c) An order directing Defendants to disgorge, pursuant to such procedure as the Court may order, all ill-gotten gains or benefits received from the acts and practices which constitute violations of the Act, as described herein, and pre- and post-judgment interest thereon from the date of such violations;

d) An order directing each Defendant to pay a civil monetary penalty in the amount provided pursuant to Section 6c(d)(1) of the Act, 7 U.S.C. § 13a-1 (2006), and Commission Regulation 143.8, 17 C.F. R. § 143.8 (2008), or triple the monetary gain to each Defendant for each violation of the Act described herein, plus post-judgment interest;

e) An order requiring Defendants to pay costs and fees as permitted by 28 U.S.C. §§ 1920 and 2412(a)(2); and

f) Such other and further relief as the Court deems proper.

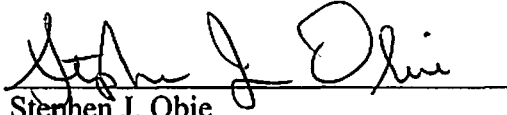
VII.
DEMAND FOR JURY TRIAL

Plaintiff hereby demands a jury trial.

Dated: March 13, 2012

Respectfully submitted,

ATTORNEYS FOR PLAINTIFF U.S. COMMODITY
FUTURES TRADING COMMISSION



Stephen J. Obie
Associate Director/Regional Counsel
sobie@cftc.gov

Laura Martin, Trial Attorney
Janine Gargiulo, Trial Attorney

Manal Sultan, Chief Trial Attorney
msultan@cftc.gov
David Acevedo, Chief Trial Attorney

U.S. Commodity Futures Trading Commission
Division of Enforcement
140 Broadway, 19th floor
New York, NY 10005
Telephone: (646) 746-9700
Fax: (646) 746-9940

EXHIBIT A

From: Brian Reynolds <brian@>
Sent: Tuesday, June 9, 2009 5:18 PM
To: [REDACTED]
Cc: spencer@>
Subject: Fw: ACM Financial Condition
Attach: ACM_Financials.xls; CTP_LockUp.xls

----- Original Message -----

From: Brian Reynolds
To: [REDACTED]; spencer@> [REDACTED]
Sent: Monday, June 08, 2009 3:22 PM
Subject: ACM Financial Condition

Hopefully the below and the attachments clarify things.
Let me know if you need any further explanation.

Thanks,
Brian

****Notes (General):**

Net Liq of BD a/o 5/31/09: \$3.4 M
 Total Member Equity: \$5.4 M

Difference \$-2.0 M (LOC from [REDACTED] i)

****Notes ACM_Financials.xls (Statement of Equity Tab):**

Class A Members: Equity is highlighted in Yellow. All P&L up to 5/31/09 is represented for Managing members.
 Class B Members: All P&L is up to 12/31/08. P&L is not allocated and entered here, until end of year.

The amount to be allocated to Class B members, a/o 5/31/09, is -\$2,332,413.58 (Un Allocated RetEm on Balance Sheet)

M [REDACTED] D [REDACTED]: has -\$3.12 M in equity (Highlighted in Red). We are currently pursuing. No change in Equity for 2009.

****Notes ACM_Financials.xls (Balance Sheet Tab):**

Retained Earnings -2,332,413.58 is 2009's unallocated P&L to Class B Members.

****Notes CTP_LockUp.xls**

Dates member's equity come off lock up. Members originated from Members of CTP and from the UK.

EXHIBIT B

From: Brian Reynolds <brian@>
Sent: Friday, September 11, 2009 11:29 AM
To: [REDACTED]
Subject: Net Liq

Account	Net Liq
ACM Capital Account (4Y8B)	-9,560,921
ACM Override SEC (4Y7G)	393,739
ACM Override XM (4Y8T)	603,278
A [REDACTED] S [REDACTED] (4V9L)	-5,272
E [REDACTED] - D [REDACTED] (4Y7H)	-350
B [REDACTED] - S [REDACTED] (40T9)	2,128,467
C [REDACTED] C [REDACTED] P [REDACTED], LP (4T5W)	-3,239,071
C [REDACTED] F [REDACTED] - P [REDACTED] (7VJT)	1,249,623
C [REDACTED] F [REDACTED] M [REDACTED] LLC (7YXL)	991,651
F [REDACTED] R [REDACTED] (7YYR)	78,831
F [REDACTED] R [REDACTED] - [REDACTED] (4KYY)	1,380,325
F [REDACTED] R [REDACTED] - [REDACTED] (31LL)	179,358
F [REDACTED] R [REDACTED] - [REDACTED] (31T8)	-39
G [REDACTED] C [REDACTED] G [REDACTED] LLC (7VLK)	98,805
G [REDACTED] C [REDACTED] G [REDACTED] LLC (7VLL)	99,925
G [REDACTED] C [REDACTED] G [REDACTED] LLC (7VLM)	98,022
G [REDACTED] C [REDACTED] G [REDACTED] LLC (7VLW)	1,200,000
G [REDACTED] C [REDACTED] G [REDACTED] LLC (7VLY)	250,000
G [REDACTED] C [REDACTED] G [REDACTED] LLC (7YVC)	5,362
G [REDACTED] C [REDACTED] G [REDACTED] LLC (7YVD)	149,314
G [REDACTED] C [REDACTED] G [REDACTED] LLC (7YVE)	1,096,255
G [REDACTED] E [REDACTED] F [REDACTED] (40N9)	-728,552
G [REDACTED] E [REDACTED] F [REDACTED] (4KY3)	25,044
G [REDACTED] M [REDACTED] F [REDACTED] Inc. (7YXM)	1,533,499
G [REDACTED] M [REDACTED] - P [REDACTED] (7VKH)	-1,077
G [REDACTED] M [REDACTED] (4Y7J)	54,958
Hedge - GBP (4XB0)	1,298,011
Hedge - Offset (42J4)	-1,331,215
Interest Bearing (40N7)	38,493
J [REDACTED] B [REDACTED] (4KY2)	-2
M [REDACTED] C [REDACTED] (4Y8C)	-3,148,145
M [REDACTED] M [REDACTED] (4K0L)	17,237
M [REDACTED] R [REDACTED] (31K5)	1,841,203
P [REDACTED] - [REDACTED] (40C1)	-182,644
P [REDACTED] (40N8)	-1,813,297
P [REDACTED] F [REDACTED] LP (7VMH)	2,400,000
P [REDACTED] F [REDACTED] LP (7VMJ)	2,400,000
R [REDACTED] O [REDACTED] (4Y8D)	1,765,951
R [REDACTED] H [REDACTED] (31H4)	184,168
S [REDACTED] R [REDACTED] (43K8)	-149,591
T [REDACTED] W [REDACTED] (4T5K)	-691
T [REDACTED] W [REDACTED] (7YVF)	-2,050

EXHIBIT C

From: spencer@
Sent: Wednesday, June 4, 2008 10:52 AM
To: [REDACTED]
Cc: Brian Reynolds <brianrey@> [REDACTED]
[REDACTED] SpencerArj Montgomery
<spencer@>
Subject: Spencer per email 6.3.08.

Hi [REDACTED],

I was going to respond last week but thought [REDACTED] had cleared this up. I would be happy to go over all of this with you at your convenience.

I want to point out a couple of items. Brian and I and [REDACTED] and you were not paid out Dec, Jan, Feb, or Mar. Starting Ap 1st Brian and I agreed to reduce our payout to a minimum subsistence amount of 10K a month as we are the working and operational parties in this company. This all transpired as a result of a rocky start but things really seem to be turning around and going well now.

Your payout has been assessed to your capital account and we were not paying out because of the debit balance the member accounts were at. We agreed to this in the recent addendum we executed.

If you have been out of the loop then I am happy to sit down with you and go over everything if you would like.

Spencer

Sent via BlackBerry by AT&T

EXHIBIT D

From: [REDACTED]
Sent: Monday, June 16, 2008 11:49 AM
To: Spencer Montgomery <spencer@[REDACTED]>
Subject: RE: EXECUTION COPY ACM Amendment

Spencer, [REDACTED] and Brian;
This is what I want to send out to [REDACTED] and the others before the addendum is finalized:

I just had a chance to look over this addendum as I was not available on Friday. First I was surprised by this change in the addendum as I still don't understand why we are paying out Salaries when Managing Member accounts are in deficit. The only managing member that has put in any capital and has a positive capital balance is me. I have not taken any money out in Salary since last November and my capital account has still gone down. Further the salaries I took out last year were considered draws not salaries so I ended up depleting my own capital account. Besides Spencer and Brian needing some funds to live off of I certainly don't think that a Managing member who has a deficit capital account and frankly hasn't made much of a contribution to turning this JBO around and getting it back on its feet should be receiving any salary. I'm not particularly interested in funding this which is what happens when no one else has any capital.

If [REDACTED] clears up their deficit account by putting the long awaited stock into the account as well as Arjent resumes putting capital back into the JBO from investors then salaries can begin going out. I have heard that this is the plan but haven't seen any results of this. Both of these things should happen before we start depleting the JBO with Salaries.

Also, the Salary that is paid per 5 of the addendum to [REDACTED] and [REDACTED] should clearly state that the 16,667 is divided between the two of them with 13,399 to [REDACTED] (41/51) and 3,268 going to [REDACTED] (10/51) or however [REDACTED] wants to divide this payment. The way it reads now it looks like each of them gets 16,667 when there is only one payment being made.

I'm very positive about this future prospects for this JBO now that we have been producing some very nice results for a while. I don't want all of that progress to be torn apart by overburdening the JBO with too much overhead. I'm looking forward to the support and contributions from the Arjent side and certainly believe that once that kicks into gear that the JBO can grow and support the Managers going forward.

From: [REDACTED]
Sent: Friday, June 13, 2008 4:34 PM
To: Spencer Montgomery; [REDACTED]
Subject: EXECUTION COPY ACM Amendment

Please only sign the attached copy.
