

APPLICABLE RULES

3. NFA Bylaw 301(i)(a) provides, in pertinent part, that each Member must at all times register and maintain with NFA its correct name and principal address.
4. NFA Registration Rule 210(a) provides, in pertinent part, that a registrant must promptly correct any deficiency or inaccuracy in a Form 7-R or Form 8-R, which no longer renders accurate the information contained therein.
5. NFA Compliance Rule 2-2(f) provides, in pertinent part, that no Member shall willfully submit materially false or misleading information to NFA or its agents.
6. NFA Compliance Rule 2-5 provides, in pertinent part, that each Member and Associate shall cooperate promptly and fully with NFA in any NFA investigation, inquiry, audit, examination or proceeding regarding compliance with NFA requirements.
7. NFA Compliance Rule 2-13(a) provides, in pertinent part, that any Member who violates Commodity Futures Trading Commission ("CFTC") Regulations 4.16 through 4.41 shall be deemed to have violated an NFA requirement.
8. NFA Compliance Rule 2-38(a) provides, in pertinent part, that each Member must establish and maintain a written business continuity and disaster recovery plan that outlines procedures to be followed in the event of an emergency or significant business disruption.
9. NFA Compliance Rule 2-9(a) provides that each Member shall diligently supervise its employees and agents in the conduct of their commodity futures activities for or on behalf of the Member. Each Associate who has supervisory duties shall diligently exercise such duties in the conduct of that Associate's

commodity futures activities on behalf of the Member.

COUNT I

**VIOLATION OF NFA BYLAW 301(i)(a) AND NFA REGISTRATION RULE 210(a):
FAILURE TO UPDATE CHANGE OF BUSINESS ADDRESS.**

10. The allegations contained in paragraphs 1, 3, and 4 are realleged as paragraph 10.
11. In January 2007, NFA attempted to contact Black regarding Black Flag's failure to file its annual questionnaire, but was unable to get in contact with Black.
12. Being unable to contact Black, NFA visited Black Flag's offices, which – according to information the firm had provided to NFA – were located in Hoboken, New Jersey. When NFA arrived at the Hoboken office address, however, there was no one there from Black Flag.
13. Thereafter, NFA sought to find out the location of Black Flag's office and was eventually successful in reaching Black by telephone. Black represented that he was in Mexico and that he had been operating Black Flag mainly from Mexico for more than a year.
14. Black further represented that the Hoboken address was his former apartment and that an office in Manhattan, which was listed on Black Flag's website, was not a working office but one maintained for business meetings when he is in the United States.
15. Although Black Flag's offices have not been located in Hoboken since December 2005, Black Flag's information provided to NFA continues to list the Hoboken address as Black Flag's business address.

16. By reason of the foregoing acts and omissions, Black Flag is charged with violations of NFA Bylaw 301(i)(a) and NFA Registration Rule 210(a).

COUNT II

VIOLATION OF NFA COMPLIANCE RULE 2-2(f): PROVIDING FALSE AND MISLEADING INFORMATION TO NFA.

17. The allegations contained in paragraphs 1, 2, and 5 are realleged as paragraph 17.
18. During the phone conversation with Black referenced in paragraph 13, Black represented to NFA that Black Flag operated one pool, known as Black Flag Global Macro Fund LLC ("BFGMF"), that this pool had four participants, including himself, and that it only traded off exchange foreign currencies ("forex").
19. NFA requested that Black produce a number of documents to NFA. Among the documents requested were Black Flag's policy and procedures manuals; customer account opening documents; BFGMF's general ledger; balance sheets; income statements; and bank and broker statements.
20. NFA subsequently reviewed the most recent pool statement Black Flag sent to participants in BFGMF. According to this statement, BFGMF had net assets of approximately \$638,000 as of December 31, 2006. Certain bank and broker statements that NFA reviewed, however, showed BFGMF's net assets to be less than \$15,000, a difference of over \$620,000.
21. When NFA inquired about this discrepancy, Black represented that the bank and broker statements did not reflect a \$610,000 loan that BFGMF made in December 2006 to Riviera Maya Realty Partners LLC ("Riviera"), which Black represented was a Mexican real estate finance company. Such representations

directly contradicted Black's earlier representation to NFA that BFGMF only traded forex.

22. After learning of BFGMF's investment in Riviera, NFA made numerous inquiries of Black to determine his relationship and involvement with Riviera.
23. Black represented to NFA that his business partner owned Riviera, and that he had assisted Riviera when it was starting up by helping with the drafting of offering documents and soliciting the initial investors. Black, however, stated that he was not an officer, partner, or managing member of Riviera or otherwise responsible for its operations.
24. Yet, a booklet used by BFGMF, entitled "Due Diligence Booklet," dated October 22, 2006, described Black as a general partner of Riviera.
25. NFA also subsequently learned that Black was an authorized signatory on Riviera's bank account at Wachovia Bank. When NFA asked Black about this, he represented that he had helped Riviera set up this bank account and that he maintained signatory authorization in order to transfer funds from Riviera's bank account to BFGMF.
26. By reason of the foregoing acts and omissions, Black Flag and Black are charged with violations of NFA Compliance Rule 2-2(f).

COUNT III

VIOLATION OF NFA COMPLIANCE RULE 2-5: FAILING TO COOPERATE PROMPTLY AND FULLY WITH NFA.

27. The allegations contained in paragraphs 1, 2, and 6 are realleged as paragraph 27.

28. On February 8, 2007, during its investigation of Black Flag, NFA requested Black to produce the loan agreement between BFGMF and Riviera. NFA also asked Black for supporting documentation regarding certain disbursements from BFGMF's bank accounts. Black provided documentation for the disbursements, but only the signature page of the loan agreement between BFGMF and Riviera.
29. On February 12th, via e-mail, NFA contacted Black and again requested the complete loan agreement between BFGMF and Riviera. Black did not provide NFA with the complete loan agreement, however, until February 21, 2007, almost two weeks after the initial request.
30. In the February 12th e-mail, NFA also asked Black what due diligence he had performed prior to BFGMF making the loan to Riviera and what his involvement was with Riviera.
31. Black represented in an e-mail that he had met all of the "key players" involved with Riviera. When NFA asked who the "key players" were, Black responded that "the key players are the people involved in putting this investment deal together."
32. With regard to his involvement with Riviera, Black represented that he had assisted in starting Riviera, including securing outside investors for Riviera, and had created a company to act as the co-managing member of Riviera. According to Black, he received 50% of the management and incentive fee for investors he referred to Riviera, excluding BFGMF.
33. Black represented to NFA that Riviera had loaned most, if not all, of the money it had received from BFGMF to a Mexican land developer. On February 22, 2007,

NFA requested that Black produce a copy of the loan agreement between Riviera and the land developer as well as evidence that such loan was secured, as Black had represented. Black indicated he would request this information from Riviera and provide it to NFA by the following week.

34. However, on March 2nd, Black told NFA that he would only provide the requested documents to NFA if NFA made its request in writing and represented that it would keep the documents confidential and destroy them upon completion of the examination.
35. That same day, NFA advised Black, in writing, that NFA would retain the requested documents in accordance with its standard policies and procedures regarding document retention and confidentiality. NFA reiterated its request that Black produce a copy of the loan agreement between Riviera and the land developer and evidence that the loan was secured. NFA also asked Black to produce bank statements for Riviera's bank account at Wachovia (for which Black was an authorized signatory) to determine if such statements reflected principal and interest payments to BFGMF. NFA instructed Black to produce the requested items by March 5, 2007.
36. Black failed to produce these items until March 8th, and only after NFA made two additional demands for these items.
37. To date, NFA has still not received all of the documents that it requested from Black, including the account opening documents for BFGMF, which NFA first requested from Black in January 2007.

38. By reason of the foregoing acts and omissions, Black Flag and Black are charged with violations of NFA Compliance Rule 2-5.

COUNT IV

VIOLATION OF NFA COMPLIANCE RULE 2-13(a): FAILING TO PROVIDE A CURRENT AND ACCURATE DISCLOSURE DOCUMENT.

39. The allegations contained in paragraphs 1 and 7 are realleged as paragraph 39.
40. CFTC Regulation 4.26 requires, among other things, that if a CPO knows or should know that its disclosure document is materially inaccurate or incomplete, it must correct the defect and distribute the correction to all existing pool participants within 21 calendar days of the date upon which the CPO first knows or has reason to know of the defect. CFTC Regulation 4.24(h) provides that the disclosure document must include a description of the types of interest in which the pool will trade.
41. BFGMF's disclosure document states that the fund will trade only forex. BFGMF, however, made a large non-forex investment in Riviera, a real estate finance firm that purportedly offered collateralized loans. In spite of this variance in trading, participants of BFGMF were not provided with a corrected disclosure document prior to BFGMF's investment in Riviera.
42. CFTC Regulation 4.24(j) provides, in pertinent part, that a disclosure document must include a full description of any actual or potential conflicts of interest regarding the pool on the part of a principal of the CPO.
43. Black received 50% of the management and incentive fees for investors he referred to Riviera, excluding BFGMF. Further, Black represented that he set up a company to act as co-manager of Riviera. Black Flag, however, failed to

amend BFGMF's disclosure document to provide BFGMF's participants with this information.

44. By reason of the foregoing acts and omissions, Black Flag is charged with violations of NFA Compliance Rule 2-13(a).

COUNT V

VIOLATION OF NFA COMPLIANCE RULE 2-13(a): FAILING TO PREPARE POOL PARTICIPANT STATEMENTS PROPERLY.

45. The allegations contained in paragraphs 1 and 7 are realleged as paragraph 45.
46. The pool participant account statements provided by Black Flag to BFGMF's participants were not prepared in accordance with generally accepted accounting principles, as required by CFTC Regulation 4.22(a).
47. For example, a \$12,000 withdrawal was made from BFGMF's bank account to the personal account of Black, but this withdrawal was not reflected in the limited partner value.
48. Additionally, the account statements did not separately itemize total additions and withdrawals or include a signed oath and affirmation, as required by CFTC Regulations 4.22(a)(1) and (h), respectively.
49. By reason of the foregoing acts and omissions, Black Flag is charged with violations of NFA Compliance Rule 2-13(a).

COUNT VI

VIOLATION OF NFA COMPLIANCE RULE 2-13(a): FAILING TO PREPARE AND MAINTAIN ACCURATE AND CURRENT BOOKS AND RECORDS.

50. The allegations contained in paragraphs 1 and 7 are realleged as paragraph 50.
51. Black Flag failed to prepare and maintain accurate and current books and

records as required under CFTC Regulation 4.23.

52. Specifically, Black Flag failed to prepare and maintain a current receipts and disbursements journal, a subsidiary ledger for each participant of BFGMF, a general ledger, or statements of financial condition, and income or loss, for the end of each month.
53. By reason of the foregoing acts and omissions, Black Flag is charged with violations of NFA Compliance Rule 2-13(a).

COUNT VII

VIOLATION OF NFA COMPLIANCE RULE 2-13(a): FAILING TO TIMELY FILE ANNUAL POOL FINANCIAL STATEMENT.

54. The allegations contained in paragraphs 1 and 7 are realleged as paragraph 54.
55. Pursuant to CFTC Regulation 4.22, as incorporated by NFA Compliance Rule 2-13(a), BFGMF's 2006 annual pool statement was required to be filed with NFA by April 2, 2007.
56. The statement was not filed until June 20, 2007.
57. By reason of the foregoing acts and omissions, Black Flag is charged with violations of NFA Compliance Rule 2-13(a).

COUNT VIII

VIOLATION OF NFA COMPLIANCE RULE 2-38(a): FAILING TO ESTABLISH AND MAINTAIN A WRITTEN BUSINESS CONTINUITY AND DISASTER RECOVERY PLAN.

58. The allegations contained in paragraphs 1 and 8 are realleged as paragraph 58.
59. Black Flag did not develop and implement a written business continuity and disaster recovery plan.

60. By reason of the foregoing acts and omissions, Black Flag is charged with violations of NFA Compliance Rule 2-38(a).

COUNT IX

VIOLATION OF NFA COMPLIANCE RULE 2-9(a): FAILING TO SUPERVISE.

61. The allegations contained in paragraphs 1 and 9 are realleged as paragraph 61.
62. Black is the sole owner, principal, and AP of Black Flag. Accordingly, he is personally responsible for diligently supervising Black Flag in its activities.
63. The numerous violations alleged above in Counts I – VIII, which are incorporated herein by reference, evidence a failure on the part of Black to adequately supervise Black Flag's activities.
64. The Interpretive Notice entitled "Compliance Rule 2-9: Self-Audit Questionnaires," which expands upon the requirements of NFA Compliance Rule 2-9(a), provides that in order for NFA Members to satisfy their continuing supervisory responsibilities they must review their operations on a yearly basis using the self-audit questionnaire provided on NFA's website. After such review, appropriate supervisory personnel must sign the questionnaire and the Member must retain it for a period of five years.
65. Black Flag failed to retain a signed attestation that it had reviewed its operations using NFA's self-audit questionnaire.
66. By reason of the foregoing acts and omissions, Black Flag and Black are charged with violations of NFA Compliance Rule 2-9(a).

PROCEDURAL REQUIREMENTS

ANSWER

You must file a written Answer to the Complaint with NFA within thirty (30) days of the date of the Complaint. The Answer shall respond to each allegation in the Complaint by admitting, denying or averring that you lack sufficient knowledge or information to admit or deny the allegation. An averment of insufficient knowledge or information may only be made after a diligent effort has been made to ascertain the relevant facts and shall be deemed to be a denial of the pertinent allegation.

The place for filing an Answer shall be:

National Futures Association
200 West Madison Street
Suite 1600
Chicago, Illinois 60606-3447
Attn: Legal Department-Docketing

Failure to file an Answer as provided above shall be deemed an admission of the facts and legal conclusions contained in the Complaint. Failure to respond to any allegation shall be deemed an admission of that allegation. Failure to file an Answer as provided above shall be deemed a waiver of hearing.

POTENTIAL PENALTIES, DISQUALIFICATION AND INELIGIBILITY

At the conclusion of the proceedings conducted as a result of or in connection with the issuance of this Complaint, NFA may impose one or more of the following penalties:

- (a) expulsion or suspension for a specified period from NFA membership;
- (b) bar or suspension for a specified period from association with an NFA Member;
- (c) censure or reprimand;

- (d) a monetary fine not to exceed \$250,000 for each violation found; and
- (e) order to cease and desist or any other fitting penalty or remedial action not inconsistent with these penalties.

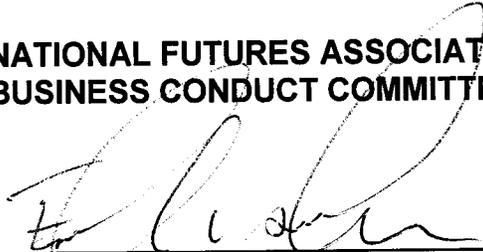
The allegations in this Complaint may constitute a statutory disqualification from registration under Section 8a(3)(M) of the Commodity Exchange Act.

Respondents in this matter who apply for registration in any new capacity, including as an AP with a new sponsor, may be denied registration based on the pendency of this proceeding.

Pursuant to the provisions of CFTC Regulation 1.63, penalties imposed in connection with this Complaint may temporarily or permanently render Respondents who are individuals ineligible to serve on disciplinary committees, arbitration panels and governing boards of a self-regulatory organization, as that term is defined in CFTC Regulation 1.63.

**NATIONAL FUTURES ASSOCIATION
BUSINESS CONDUCT COMMITTEE**

Dated: 9-14-07

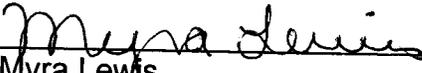
By: 
Chairperson

AFFIDAVIT OF SERVICE

I, Myra Lewis, on oath state that on September 14, 2007, I served copies of the attached Complaint, by sending such copies in the United States mail, first-class delivery, and by overnight mail, in envelopes addressed as follows:

Black Flag Capital Partners LLC
613 4th Street
Hoboken, NJ 07030
Attn: Jes Black

Jason Black
613 4th Street
#505
Hoboken, NJ 07030


Myra Lewis

Subscribed and sworn to before me
on this 14th day of September 2007.


Notary Public

