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NATIONAL FUTURES ASSOCIATION
LEGAL DOCKETING

NATIONAL FUTURES ASSOCIATION
BEFORE THE HEARING PANEL

In the Matter of:	)	
	)	
American National Trading Corp.,	)	
et. al. (Karl A. Flowers,	)	NFA Case No. 06-BCC-034
NFA ID #42880)	)	
	)	
Respondent.	)	

DECISION

Having reviewed the Complaint issued by the Business Conduct Committee ("BCC") of National Futures Association ("NFA") in the above-captioned case, and having considered the Offer of Settlement ("Offer") submitted by Karl A. Flowers ("Flowers") and having accepted his Offer, the Hearing Panel hereby issues this Decision as to Flowers.

I

ALLEGED VIOLATIONS OF NFA REQUIREMENTS

On November 16, 2006, the BCC issued a sales practice Complaint against American National Trading Corp. ("ANTC"), a futures commission merchant Member of NFA located in Century City, California. In addition to ANTC, the Complaint also named a number of ANTC's associated persons ("AP"), including former ANTC AP Flowers. The Complaint alleged that Flowers, while an AP of ANTC, made misleading sales solicitations to an NFA Compliance staff member, posing as a prospective customer, which were misleading in that they included claims that greatly exaggerated the profit potential of trading options and downplayed the substantial risk of loss. Moreover, Flowers never disclosed that the vast majority of ANTC's and Flowers'

customers lost money. (Over 95% of Flowers' customers lost money in 2005 and over 88% lost money in 2004.) Flowers also emphasized well-known current facts (e.g., limited oil refinery capacity in U.S.), suggesting that these well-known facts would move the market in one direction or another, when this information had already been factored into the market. The Complaint charged Flowers with violations of NFA Compliance Rules 2-2(a) and 2-29(a)(1).

II

OFFER OF SETTLEMENT

Without admitting or denying the allegations of the Complaint, Flowers submitted an Offer to the Hearing Panel in which he agreed to settle the charges against him on the following terms: Flowers agreed that he shall be permanently barred from NFA membership and associate membership and from acting as a principal of an NFA Member, commencing on the effective date of a Decision accepting his Offer. Flowers also agreed, as part of his Offer, that a Decision issued by the Hearing Panel accepting his Offer shall include findings that he committed the violations alleged against him in the Complaint.

III

FINDINGS

Having considered the matter and having accepted the Offer submitted by Flowers, the Hearing Panel finds that Flowers violated NFA Compliance Rules 2-2(a) and 2-29(a)(1) by making misleading sales solicitations to an NFA Compliance staff member, posing as a prospective customer, which included claims that greatly exaggerated the profit potential of trading options and downplayed the substantial risk of

loss. Moreover, the Hearing Panel finds that Flowers never disclosed that the vast majority of ANTC's and Flowers' customers lost money. (Over 95% of Flowers' customers lost money in 2005 and over 88% lost money in 2004.) In addition, the Hearing Panel finds that Flowers emphasized well-known current facts (e.g., limited oil refinery capacity in U.S.), suggesting that these well-known facts would move the market in one direction or another, when this information had already been factored into the market.

IV

PENALTY

Having considered the matter and having accepted the Offer submitted by Flowers, the Hearing Panel orders as follows: Flowers is hereby permanently barred from NFA membership and associate membership and from acting as a principal of an NFA member, commencing on the effective date of this Decision.

This Panel's acceptance of Flowers's Offer shall a) operate to bar any future Member Responsibility Actions or BCC Complaints against him for any conduct occurring prior to the date of his Offer of which NFA had corporate knowledge; and b) resolve and terminate all complaints, investigations and audits relating to Flowers which were pending as of the date of Flowers's Offer.

V

INELIGIBILITY

Pursuant to the provisions of Commodity Futures Trading Commission ("CFTC") Regulation 1.63, this Decision and the sanctions imposed herein render Flowers permanently ineligible to serve on a disciplinary committee, arbitration panel,

oversight panel or governing board of any self-regulatory organization, as that term is defined in CFTC Regulation 1.63.

NATIONAL FUTURES ASSOCIATION
HEARING PANEL

Date: 12/10/07

By: _____
Chairperson

m/rvh/ANTC (Flowers Decision)

AFFIDAVIT OF SERVICE

I, Nancy Miskovich-Paschen, on oath state that on December 10, 2007, I served copies of the attached Decision, by sending such copies in the United States Mail, postage prepaid, certified mail, return receipt requested, and by regular mail, in envelopes addressed as follows:

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and by hand delivery to:

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Nancy Miskovich-Paschen

Subscribed and sworn to before me
on this 10th day of December 2007.

Notary Public

OFFICIAL SEAL
CHRISTINE MAKINO
NOTARY PUBLIC - STATE OF ILLINOIS
MY COMMISSION EXPIRES:10/03/08