

**BEFORE THE
NATIONAL FUTURES ASSOCIATION**

In the Matter of:)
)
CAPITAL BLU MANAGEMENT LLC) NFA Docket No. 08-MRA-004
(NFA ID #381906))

**NOTICE OF MEMBER RESPONSIBILITY ACTION
UNDER NFA COMPLIANCE RULE 3-15**

National Futures Association (“NFA”) hereby gives notice to Capital Blu Management LLC (“Capital Blu”), a commodity trading advisor (“CTA”) NFA Member that, pursuant to NFA Compliance Rule 3-15, the President of NFA, with the concurrence of NFA’s Executive Committee, has taken a Member Responsibility Action (“MRA”) against Capital Blu whereby:

1. Effective immediately and until further notice, Capital Blu is suspended from NFA membership;
2. Capital Blu is prohibited from acting in any manner which requires registration under the Commodity Exchange Act (“Act”);
3. Capital Blu is prohibited from soliciting or accepting any customer or pool participants’ funds or placing trades on behalf of any customers or pools;
4. Capital Blu is prohibited from disbursing or transferring any funds of customers or pools from any accounts (bank, trading, or any other types of accounts) without prior approval from NFA; and
5. Capital Blu is required to provide copies of this MRA via overnight courier to all customers having accounts which Capital Blu controls, to all pool participants in any pools that Capital Blu operates or over which it exercises control, and to all banks and other financial institutions with which money is on deposit in the name of CBM FX Fund LP or any other pools that Capital Blu operates or over which it exercises control, in the name of Capital Blu, or in the name of any customer of Capital Blu and over which Capital Blu exercises control or trading discretion.

This action is effective immediately and is deemed necessary to protect customers of Capital Blu because Capital Blu has affirmatively refused to cooperate with NFA in an examination of the firm and its operations, resulting from allegations that the firm has provided false account statements to customers and participants in the CBM FX Fund LP (the "FX Fund") and perhaps other pools as well.

In support of these actions, NFA attaches the affidavit of Melissa Glasbrenner ("Glasbrenner"), a Field Supervisor in NFA's Compliance Department, and based thereon alleges as follows:

1. Capital Blu has been a registered CTA and NFA Member since October 2007. Capital Blu is located in Melbourne, Florida.
2. Capital Blu operates the FX Fund for which it claimed an exemption under CFTC Regulation 4.13(a)(4). If able to claim this exemption, Capital Blu would not be required to be registered with the Commodity Futures Trading Commission (CFTC) as a commodity pool operator ("CPO") based on its operation of the FX Fund.
3. On Friday, September 12th NFA was contacted by a customer who indicated that he had invested in two different funds operated by Capital Blu. This customer indicated that he had been solicited to invest with Capital Blu by Blayne Davis ("B. Davis"), a listed principal, associated person ("AP"), and part owner of Capital Blu.
4. The customer represented that he had received account statements indicating that his investments in the funds were profitable. He further indicated, however, that he had recently received a call from B. Davis indicating that the two other owners of Capital Blu had removed all of the files from the Naples office in the middle of the night. Concerned, the customer called Capital Blu's Melbourne office. He represented to NFA that the people he spoke with there informed him that, despite the statements he had received, his investments had actually lost money, perhaps as much as 75%.
5. On Friday, September 12th, a futures commission merchant ("FCM") that previously had an account for the FX Fund informed NFA that the FX Fund's account at this firm currently had a debit balance of approximately \$40,000.
6. On Friday, September 12th, NFA attempted to contact Capital Blu through the telephone number it had provided to NFA but the number appeared to have been disconnected.
7. On September 15, 2008, the customer who previously contacted NFA provided NFA with copies of account statements he had received, account opening documents, and partnership agreements

for the FX Fund. NFA noted that the account opening documents included a box that had been checked indicating that the customer had a net worth exceeding \$1 million. NFA asked the customer about this when it spoke with the customer later that day and he represented to NFA that he had not checked that box and that he did not have a net worth in excess of \$1 million. Based upon this information, NFA is concerned that Capital Blu may have falsely claimed an exemption from registration as a CPO for operating the FX Fund.

8. The customer further represented to NFA that he had spoken with B. Davis earlier that day and B. Davis had indicated to him that Capital Blu was going to reimburse all of its investors 65% to 70% of their investment.
9. On September 15th, NFA also went to the Melbourne offices of Capital Blu. When NFA arrived at the offices none of the principals of the firm were present. When NFA asked to speak with a principal of the firm, Damien Bromfield ("Bromfield") was contacted via telephone. Bromfield asked the NFA staff why they had come to Capital Blu's offices. NFA staff indicated that they were conducting an on-site examination of the operations of the firm. The staff indicated that they would like to speak with B. Davis, who is the only listed principal/AP of Capital Blu. Bromfield represented to NFA that B. Davis worked from Naples, Florida and provided a telephone number at which he could be contacted.
10. NFA staff contacted B. Davis via telephone. B. Davis represented that his employment with Capital Blu had been terminated several weeks before and that he has not had any contact with any customers nor access to the firm's books and records since his termination.
11. B. Davis represented to NFA that during his employment with Capital Blu he worked from the firm's Naples, Florida office with six sales representatives until approximately two weeks ago when the office was closed. B. Davis represented that all of the records from the Naples office had been transferred to the firm's Orlando office.
12. After the telephone conversation with B. Davis, NFA staff received a call from Bromfield who indicated that Donovan Davis ("D. Davis"), another principal and owner of the firm, would be in the Melbourne office to meet with NFA staff in approximately twenty minutes.
13. NFA staff indicated to Bromfield that they had spoken to B. Davis and that he had represented that his employment with the firm had been terminated. Bromfield stated to NFA that B. Davis had been

terminated and that the Naples office had been shut down. When NFA asked how many offices Capital Blu had, Bromfield indicated that in addition to the Melbourne office there was also an office in Orlando.

14. When NFA asked Bromfield why B. Davis' employment had been terminated, he indicated he wanted to speak with his attorney before discussing the matter with NFA.
15. NFA provided Bromfield, via facsimile, with a list of documents that it was requesting as part of the examination including, among other things, broker statements, participation agreements for the FX Fund, and monthly account statements sent to participants. NFA also indicated that it required a list of all FCMs and introducing brokers with which Capital Blu conducts business.
16. When D. Davis arrived at the offices he represented to NFA staff that he was the Director of Corporate Affairs. D. Davis indicated that he was unsure how many accounts Capital Blu manages, how many participants were in the FX Fund, or the approximate value of the FX Fund. D. Davis further represented that the firm's financial records were not at the main office in Melbourne, but rather were located in Orlando. D. Davis then indicated that he did not want to speak any further with NFA until he spoke with his attorney.
17. After leaving the room, D. Davis came back approximately a half hour later and indicated that he was now ready to speak with NFA. D. Davis represented that he and Bromfield had access to the operating accounts of the firm, but that B. Davis had been responsible for all of the trading and related accounts conducted by the firm. D. Davis represented that until the termination of B. Davis the firm had a Naples office with seven to eight employees.
18. D. Davis indicated to NFA that in late August he became aware that B. Davis had set up his own company. D. Davis further indicated that since B. Davis handled all of the trading he and Bromfield were unable to get accurate information about the FX Fund. D. Davis represented that after consulting with an attorney, he and Bromfield decided to terminate B. Davis and had all of the files from the Naples office moved to Orlando. D. Davis indicated that Capital Blu and its attorneys are currently reviewing these files.
19. D. Davis represented that after terminating B. Davis he attempted to gather information from the firms with which the FX Fund had accounts. D. Davis represented that when he reviewed documents from one of the FCMs he found that funds had been transferred out to B. Davis' company.

20. D. Davis indicated to NFA staff that he believed that the approximate value of the FX Fund as of August 31, 2008, is \$16.9 million. D. Davis, however, was unsure of where all of the FX Fund's monies were being held.
21. When asked by NFA, D. Davis indicated that participants in the FX Fund had been provided with notice of the issues involving the possible misappropriation of funds, but he indicated that he did not have a copy of the notice that had been sent to customers, but Bromfield should.
22. While NFA was at Capital Blu's office they noticed customers coming into the offices. When NFA staff asked D. Davis about this, he indicated that these were people who had individual managed accounts with Capital Blu. D. Davis indicated that B. Davis had been responsible for trading these accounts and he guessed that the customers were probably inquiring as to why there was no trading occurring in their accounts.
23. Subsequent to the conversation with D. Davis, NFA spoke with Bromfield again via telephone and he indicated that he would provide NFA with all account opening documents and participant subscription agreements.
24. A few hours later, after returning to Capital Blu's offices from lunch, D. Davis represented to NFA staff that the firm was working on providing the documents requested by NFA. Capital Blu subsequently provided NFA with copies of the firm's articles of organization, a general ledger for the period of June 1, 2008, through September 12, 2008, and account statements from a bank account in the name of Capital Blu from June 1, 2008 through August 31, 2008.
25. NFA's review of the account statements revealed funds being transferred to and from numerous other banks and brokers as well as the FX Fund and an entity named FX Blue Management LLC. Additionally, as of August 31, 2008, the account statements indicated a negative balance of approximately \$3,000.
26. Approximately a half hour after receiving the bank statements and before NFA could inquire about what it found on the statements, Bromfield contacted NFA staff via telephone and indicated that he was no longer willing to cooperate with NFA in its examination and would not provide any further information. After this conversation, staff at Capital Blu's offices indicated that the firm's attorneys requested that NFA staff leave the offices of Capital Blu.

27. After Capital Blu indicated that it would no longer cooperate, NFA sent Bromfield and D. Davis an e-mail notifying them that their actions constituted a violation of NFA Compliance Rule 2-5 and that their failure to cooperate may result in an MRA against the firm. To date, neither Capital Blu nor its principals have responded to this e-mail.

The MRA will remain in effect until such time as Capital Blu has demonstrated to the satisfaction of NFA that it is in complete compliance with all NFA Requirements.

NFA Members receiving notice of this MRA by service or otherwise who carry accounts in the name of Capital Blu, the FX Fund, or any other pools operated by or controlled by Capital Blu are prohibited from disbursing funds to any persons for any reason without prior approval of NFA.

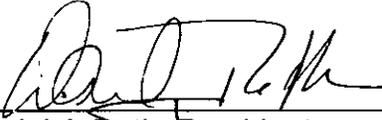
Capital Blu is entitled to a prompt hearing on this matter before NFA's Hearing Committee if it so requests. The request for a hearing shall be made in writing to:

National Futures Association
300 West Riverside Plaza
Suite 1800
Chicago, IL 60606
Attn: Legal Docketing Department
E-Mail: Docketing@nfa.futures.org
Facsimile: 312-781-1672

Aggrieved parties may petition the CFTC for a stay of this MRA pending a hearing pursuant to and in conformity with the terms set forth in CFTC Regulation 171.41.

NATIONAL FUTURES ASSOCIATION

Date: September 16, 2008

By: 
Daniel J. Roth, President

AFFIDAVIT

THE AFFIANT, MELISSA GLASBRENNER, BEING DULY SWORN AND UNDER OATH STATES THAT:

1. My name is Melissa Glasbrenner and I am employed by National Futures Association ("NFA") as a Field Supervisor in the Compliance Department. In my capacity as Field Supervisor, I led a team that has been investigating Capital Blu Management LLC ("Capital Blu"). Capital Blu has been a registered CTA and NFA Member since October 2007. Capital Blu is located in Melbourne, Florida.
2. Capital Blu operates the CBM FX Fund LP (the "FX Fund") for which it claimed an exemption under CFTC Regulation 4.13(a)(4). If able to claim this exemption, Capital Blu would not be required to be registered with the Commodity Futures Trading Commission (CFTC) as a commodity pool operator ("CPO") based on its operation of the FX Fund.
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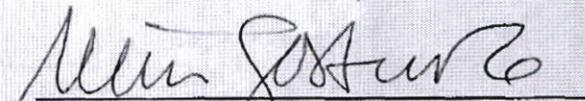
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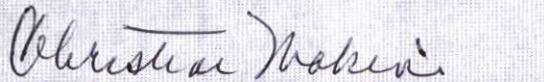
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Further Affiant sayeth not.


Melissa Glasbrenner

Subscribed and sworn to before me
On this 16th day of September 2008.


Notary Public

