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JUN 10 2009

NATIONAL FUTURES ASSOCIATION
LEGAL DOCKETING

NATIONAL FUTURES ASSOCIATION
BEFORE THE
BUSINESS CONDUCT COMMITTEE

In the Matter of:	)	
	)	
BREWER FUTURES GROUP LLC (NFA ID #300729),	)	
	)	NFA Case No. 09-BCC-014
STEVEN JOHN BREWER (NFA ID #246323),	)	
	)	
and	)	
	)	
CHERYL ANN ARTS (NFA ID #262345)	)	
	)	
Respondents.	)	

COMPLAINT

Having reviewed the investigative report submitted by the Compliance Department of National Futures Association ("NFA"), and having found reason to believe that NFA Compliance Rules and Financial Requirements ("NFA Requirements") are being, have been, or are about to be violated and that the matter should be adjudicated, NFA's Business Conduct Committee ("Committee") issues this Complaint against Brewer Futures Group LLC ("BFG"), Steven John Brewer ("Brewer") and Cheryl Ann Arts ("Arts").

ALLEGATIONS

JURISDICTION

1. At all times relevant to this Complaint, BFG was an introducing broker ("IB") Member of NFA. As such, BFG was and is required to comply with NFA Requirements and is subject to disciplinary proceedings for violations thereof.

2. At all times relevant to this Complaint, Brewer and Arts were principals and associated persons ("APs") of BFG and Associate NFA Members. As such, Brewer and Arts were and are required to comply with NFA Requirements and are subject to disciplinary proceedings for violations thereof. BFG is liable for violations of NFA Requirements committed by Brewer and Arts during the course of their activities on behalf of BFG.

BACKGROUND

3. BFG is located in Chicago, Illinois and has been an NFA Member IB since February 2000. BFG shares office space with its parent company, Brewer Investment Group LLC ("BIG").

4. The Committee issued a Complaint against BFG and Brewer in 2003 alleging that they failed to supervise BFG's branch offices and that BFG failed to correct a registration deficiency, failed to provide required information to pool participants and failed to observe high standards of commercial honor and just and equitable principles of trade. The Committee accepted a settlement offer in which BFG and Brewer agreed to pay a $30,000 fine. In addition, BFG and any other entity of which Brewer is a principal are prohibited from operating any branch offices.

5. The Committee issued a second Complaint against BFG and Brewer in 2006. It also alleged a failure to supervise and, further, alleged that the firm failed to file and distribute annual pool financial statements, failed to maintain required books and records, and failed to review and approve promotional material prior to using it. They settled that Complaint by paying a $45,000 fine and agreeing that neither BFG, nor any other Member of which Brewer was a principal, could register as a commodity pool operator, operate any commodity pools or use

promotional material unless NFA approved the material prior to its use. In addition, they agreed not to employ any AP who has been sponsored by a Member that had been disciplined for sales practice fraud.

6. NFA initiated an examination of BFG in August 2008. At that time the firm had 22 APs and approximately 500 futures, forex and options customer accounts. NFA's audit revealed a series of financial transactions that BFG and BIG engaged in that created the false impression BFG was in capital compliance at all times and, in particular, when the firm prepared its month end financial reports. In reality, BFG was undercapitalized on numerous dates over several months and engaged in activities crafted to give the impression that it was in compliance with its capital requirements at all times when that was not the case.

7. NFA's examination ultimately revealed a number of violations related to the firm's compliance with capital and financial recordkeeping requirements, as well with the supervisory efforts of BFG, Brewer and Arts.

APPLICABLE RULES

8. NFA Compliance Rule 2-4 provides that Members and Associates shall observe high standards of commercial honor and just and equitable principles of trade in the conduct of their commodity futures business.

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.

10. NFA Compliance Rule 2-10 provides that each Member shall maintain adequate books and records necessary and appropriate to conduct its business including, without limitation, the records required to be kept under Commodity Futures Trading Commission ("CFTC") Regulations 1.18 and 1.32 through 1.37 for the period required under CFTC Regulation 1.31.

11. NFA Financial Requirements Section 5(a) provides, in pertinent part, that Member IBs that are not operating pursuant to a guarantee agreement must maintain Adjusted Net Capital ("ANC") equal to or in excess of the greatest of:

    (i) $45,000;

    (ii) For Member IBs with less than $1,000,000 in ANC, $6,000 per office operated by the IB (including the main office); or

    (iii) For Member IBs with less than $1,000,000 in ANC, $3,000 for each AP sponsored by the IB.

12. NFA Financial Requirements Section 5(c) provides, in pertinent part, that any Member that is required to file notice under CFTC Regulations 1.10 and 1.12 is required to file such notice with NFA.

COUNT I

VIOLATION OF NFA COMPLIANCE RULES 2-4 AND 2-10 AND NFA FINANCIAL REQUIREMENTS SECTIONS 5(a) AND 5(c): FAILURE TO OBSERVE HIGH STANDARDS OF COMMERCIAL HONOR AND JUST AND EQUITABLE PRINCIPLES OF TRADE; FAILURE TO MAINTAIN REQUIRED BOOKS AND RECORDS; FAILURE TO MAINTAIN REQUIRED CAPITAL; AND FAILURE TO GIVE NOTICE.

13. The allegations contained in paragraph 1 through 3, 6, 8 and 10 through 12 are realleged as paragraph 13.

14. BFG was an IB Member with less than $1,000,000 in ANC and by operation of NFA Financial Requirements Section 5(a)(iii), was required to maintain ANC

equal to or in excess of $3,000 for each of the 22 APs that it sponsored, which is to say $66,000.

15. BFG failed to maintain its minimum required ANC on, at least, March 25, March 28, May 20, June 13 and June 18, 2008.

16. CFTC Regulation 1.12(a), in pertinent part, requires IBs to give notice to the CFTC and NFA immediately after it knows or should know that its ANC is less than its required minimum.

17. On, at least, March 25, March 28, May 20, June 13 and June 18, 2008, BFG failed to give notice to the CFTC and/or NFA immediately after it knew or should have known that it failed to maintain its minimum required ANC.

18. CFTC Regulation 1.18, in pertinent part, requires registrant IBs to keep current records and documentation of each transaction affecting its asset, liability, income, expense and capital accounts. In addition, each registrant must make formal monthly computations of its ANC and its minimum financial requirements.

19. At various times between, at least, December 31, 2007 and June 18, 2008, BFG failed to keep current records and documentation of each transaction affecting its asset, liability, income, expense and capital accounts.

20. CFTC Regulation 1.12(c), in pertinent part, requires registrants that fail to keep current books and records to give notice to the CFTC and NFA of that failure on the day on which such failure occurs.

21. BFG failed to give timely notice to NFA of its failure to keep current books and records at various times between December 31, 2007 and June 18, 2008.

22. The observance of high standards of commercial honor and just and equitable principles of trade, in part, prohibits Members from engaging in financial

transactions that are crafted to create a false impression that the Member is in compliance with its applicable minimum capital requirements at all times when the reality is that it is not.

23. BFG engaged in financial transactions that were crafted to create a false impression that it was in compliance with its applicable minimum capital requirements at all times. For example, BFG's June 2008 month end financial report reflected that the firm met its minimum capital requirement as of June 30, 2008. However, BFG was only able to report its apparent compliance due to a $50,000 transfer from BIG that it received on June 30, 2008, which, in turn, was transferred back to BIG on the very next day. In reality, BFG was below its minimum capital requirement both before the receipt of $50,000 from BIG and after it transferred the funds back to BIG. In addition, BFG failed to properly account for all current assets and liabilities as of June 30, 2008. For example, BFG overstated its commissions receivable by more than $4,000 and understated its current liabilities by about $36,000, contrary to generally accepted accounting principles and NFA Requirements.

24. BFG used improper accounting methods and transfers of funds between BFG and BIG similar to those described in paragraph 23 above on various occasions – between at least December 31, 2007 and June 2008 – so as to give the false impression that it was in compliance with its minimum capital requirements.

25. The cash transfer activity between BFG and BIG, particularly the June 30th and July 1st transactions, constitutes a deliberate course of conduct by BFG to create the false impression that it was in capital compliance when it prepared its month end financial reports.

26. By reason of the foregoing acts and omissions BFG is charged with violations of NFA Compliance Rules 2-4 and 2-10 and NFA Financial Requirements Sections 5(a) and 5(c).

COUNT II

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

27. The allegations contained in paragraphs 1 through 3 and 9 are realleged as paragraph 27.

28. The duty to diligently supervise employees and agents in the conduct of their commodity futures activities for or on behalf of the Member requires, in part, diligent supervision so as to insure that the Member's books and records are maintained in compliance with regulatory obligations and that the Member maintains required capital and accurately reports its financial position in reports prepared for the CFTC and NFA.

29. Brewer was responsible for reviewing the financial statements that BFG submitted to NFA. Arts reported directly to Brewer and had first line responsibility for supervising BFG's senior controller, who, in turn, prepared all of BFG's financial statements and was in charge of accounting for BFG. In addition, Arts instructed BFG's senior controller to write checks for expenses and she was the individual who executed an expense sharing agreement with BIG on BFG's behalf.

30. The allegations contained in paragraphs 14 through 25 are realleged as paragraph 30.

31. By reason of the foregoing acts and omissions, BFG, Brewer and Arts 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
300 South Riverside Plaza
Suite 1800
Chicago, Illinois 60606
Attn: Legal Department-Docketing

E-Mail: Docketing@nfa.futures.org
Facsimile: 312-781-1672

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, the Committee 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: 06/10/09 By: _____
Chairperson

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AFFIDAVIT OF SERVICE

I, Nancy Miskovich-Paschen, on oath state that on June 10, 2009, I served copies of the attached Complaint, by sending such copies in the United States mail, first-class delivery, and by messenger service, in envelopes addressed as follows:

Brewer Futures Group LLC
200 S. Michigan Avenue
Suite 2100
Chicago, IL 60604
Attn: Rita Tandaric
Vice President

Steven J. Brewer
400 W. Ontario Street
Chicago, IL 60610

Cheryl A. Arts
1217 W. George Street
Chicago, IL 60657

Nancy Miskovich-Paschen

Nancy Miskovich-Paschen

Subscribed and sworn to before me
on this 10th day of June 2009.

Mary A. Patton

Notary Public

OFFICIAL SEAL
Mary A. Patton
Notary Public, State of Illinois
MY COMMISSION EXPIRES 7-17-09