

NATIONAL FUTURES ASSOCIATION  
BEFORE THE  
BUSINESS CONDUCT COMMITTEE

FILED

JUL - 1 2014

In the Matter of:

ASPIRANT MANAGEMENT LLC  
(NFA ID #358481),

LUCKOW GROUP, INC.  
(NFA ID #257206),

and

PAUL D. LUCKOW  
(NFA ID #84021),

Respondents.

NATIONAL FUTURES ASSOCIATION  
LEGAL DOCKETING

NFA Case No. 14-BCC-013

**COMPLAINT**

Having reviewed the investigative report submitted by the Compliance Department of National Futures Association (NFA), and having found reason to believe that NFA Requirements are being, have been or are about to be violated and that the matter should be adjudicated, NFA's Business Conduct Committee issues this Complaint against Aspirant Management LLC (Aspirant Management), Luckow Group, Inc. (Luckow Group), and Paul D. Luckow (Paul Luckow or Luckow).

**ALLEGATIONS**

**JURISDICTION**

1. At all times relevant to this Complaint, Aspirant Management was an NFA Member and a registered commodity pool operator (CPO) and commodity trading advisor (CTA). As such, Aspirant Management 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, Luckow Group was an NFA Member and a registered CTA. As such, Luckow Group was and is required to comply with NFA Requirements and is subject to disciplinary proceedings for violations thereof.
3. At all times relevant to this Complaint, Paul Luckow was a principal and associated person (AP) of Aspirant Management and Luckow Group, and an NFA Associate. As such, Luckow was and is required to comply with NFA Requirements and is subject to disciplinary proceedings for violations thereof. Aspirant Management and Luckow Group are liable for violations of NFA Requirements committed by Paul Luckow in the course of his activities on behalf of the firms.

#### **BACKGROUND**

4. Aspirant Management is located in Lake Forest, Illinois and has been registered as a CPO and CTA since October 2005. Aspirant Management operates a commodity pool called Aspirant LP (Aspirant LP or the Pool). As of December 2013, Aspirant LP had four pool participants and approximately \$200,000 in assets.
5. In August 2008, Aspirant LP filed an exemption from certain regulatory requirements, pursuant to Commodity Futures Trading Commission (CFTC) Regulation 4.7, on the basis that all of its participants were qualified eligible persons (QEPs).

6. Luckow Group is also located in Lake Forest and has been registered as a CTA since July 1994. In 1997, Luckow Group filed an exemption from certain regulatory requirements, pursuant to CFTC Regulation 4.7, on the basis that all of its CTA customers were QEPs. As of December 2013, Luckow Group had a nominal value of about \$13 million in assets under management.
7. Paul Luckow has been an NFA Associate since 1994, commencing with his registration as an AP of Luckow Group. In December 2009, Luckow became an AP of Aspirant Management and, in January 2010, Luckow became Aspirant Management's new owner. Currently, Luckow is the sole AP, principal and owner of both Luckow Group and Aspirant Management.
8. Luckow also is the sole AP, principal and owner of Luckow Trading Group, Inc. (Luckow Trading), which is an NFA Member introducing broker (IB), guaranteed by RJ O'Brien Associates LLC. Luckow Trading had approximately 30 active accounts and earned over \$300,000 in commissions from January through November 2013.
9. In August 2013, Aspirant LP filed a pool quarterly report which listed an obligation from Aspirant Management as an asset of the Pool. NFA learned that this obligation arose out of an agreement between Aspirant Management and Aspirant LP, which was entered into in January 2012 (January 2012 Agreement), whereby Aspirant Management guaranteed monies owed to Aspirant LP by the bankruptcy estate of MF Global, Inc. (MF Global) and, in return, Aspirant LP assigned its claim against the MF Global bankruptcy estate to Aspirant Management and also allowed Aspirant Management to take advances from the

Pool. As of June 30, 2013, there was an outstanding balance of \$89,000 due from Aspirant Management to Aspirant LP under the January 2012 Agreement.

10. In November 2013, NFA commenced an examination of Aspirant Management to explore the circumstances surrounding its January 2012 Agreement with Aspirant LP.
11. The exam revealed that Aspirant LP had a futures trading account at MF Global, which had a balance of approximately \$228,000, when MF Global filed for bankruptcy in October 2011. Aspirant LP had received approximately \$164,000 in disbursements from the MF Global bankruptcy trustee through December 2011, which left a remaining balance of less than \$64,000 due to Aspirant LP.
12. To reassure participants in Aspirant LP that the Pool would receive the rest of the money owed to it by the MF Global bankruptcy trustee, Luckow made the decision to have Aspirant Management guarantee the repayment of at least the bulk of the money due Aspirant LP from the bankruptcy trustee.
13. To accomplish this, Aspirant Management and Aspirant LP entered into the January 2012 Agreement in which Aspirant Management guaranteed the payment of at least 95% of the money owed to the Pool by the bankruptcy trustee in exchange for Aspirant LP assigning its claim against the MF Global bankruptcy estate to Aspirant Management and authorizing Aspirant Management to take advances from the Pool of up to \$100,000.
14. In July 2012, after the January 2012 Agreement was executed, approximately \$18,000 was received from the MF Global trustee and deposited into Aspirant LP's bank account, thereby reducing the outstanding balance due from MF

Global to approximately \$46,000. In October 2012, Aspirant Management sold the Pool's remaining bankruptcy claim to a third-party, who was buying MF Global claims, for the discounted price of \$37,000. However, Aspirant Management never disclosed this sale to the participants in Aspirant LP nor did Aspirant Management pay the proceeds of the sale to Aspirant LP until NFA required it to do so in December 2013 when NFA began its exam.

15. As alleged above, the January 2012 Agreement also included a provision which allowed Aspirant Management to take "advances" from Aspirant LP totaling up to \$100,000. These advances were required to be repaid to Aspirant LP within 90 days after Aspirant LP received the full amount of its claim against the MF Global bankruptcy estate or by no later than December 2013. No interest was to be charged on these advances. Thus, under this arrangement, Aspirant Management – as the CPO – could, in effect, borrow \$100,000, interest free, from the commodity pool which it operated – Aspirant LP – and not have to repay the loan for nearly two years. (This assumes that the advance was taken at or about the time the January 2012 Agreement was executed and not repaid until the due date of December 2013.)
16. During 2012, Aspirant Management took approximately \$80,000 in advances from Aspirant LP most of which (approximately \$75,000) was repaid to the Pool before the end of the year so that, after factoring in the management and incentive fees that were owed by Aspirant LP for 2012, only a small receivable was reported on the Pool's 2012 certified pool financial statement (PFS).

17. During 2013, Aspirant Management took almost \$100,000 in advances from Aspirant LP, which accounted for roughly 50% of the Pool's net asset value at that time. As of November 30, 2013, Aspirant Management had only repaid \$1,600 to Aspirant LP and still owed the Pool approximately \$98,400 for the advances it received in 2013. Nearly \$90,000 of the \$100,000 which Aspirant Management received in advances was transferred to Luckow's affiliated CTA, Luckow Group, which then paid about \$70,000 of these funds to Luckow and used the remaining approximately \$30,000 to pay medical expenses for Luckow and his family, as well as other personal expenses of Luckow.
18. Even before the January 2012 Agreement, and shortly after Luckow assumed ownership of Aspirant Management in January 2010, Luckow began transferring funds from Aspirant LP to Aspirant Management, usually at the beginning of the month. According to Luckow, these monthly transfers were a prepayment of estimated incentive and management fees which, according to the private placement memorandum were to be paid quarterly, not monthly. Luckow told NFA that once the Pool's administrator calculated the actual quarterly incentive and management fees owed by the Pool, Aspirant Management would repay the Pool any excess fees it had previously received.
19. NFA determined that, between January 1 and September 30, 2010, Aspirant Management took approximately \$51,000 in advances from Aspirant LP for fees and expenses that should have been borne by Aspirant Management and not the Pool. Aspirant Management repaid this money shortly before the end of 2010. Thus, the 2010 PFS for Aspirant LP did not report any outstanding receivable

due from Aspirant Management. In 2011, Aspirant Management also took funds from Aspirant LP which were in excess of the fees and costs owed to it by Aspirant LP by approximately \$5,000.

20. Luckow claimed the 2012 and 2013 advances represented "consideration" for Aspirant Management guaranteeing the money owed to Aspirant LP from the MF Global bankruptcy estate. However, the \$180,000 in advances which Aspirant Management took from Aspirant LP in 2012 and 2013 far exceeded the amount which the MF Global bankruptcy estate owed Aspirant LP, which – at the time the January 2012 Agreement was entered into – was less than \$65,000. Moreover, during 2013, when Aspirant Management took advances totaling \$100,000 from Aspirant LP, there was nothing left to be paid to the Pool by the MF Global bankruptcy estate as the Pool had discounted its remaining claim and sold it to a third party in October 2012.
21. NFA determined that, in 2012 and 2013, Aspirant Management took approximately \$98,000 from Aspirant LP over and above the fees and costs it was owed by Aspirant LP. In addition, Aspirant Management failed to pay Aspirant LP the \$37,000 which it received for the sale of the Pool's MF Global claim. As a result, Aspirant Management owed approximately \$135,000 to Aspirant LP, as of November 2013 when NFA commenced its exam.
22. NFA advised Luckow that Aspirant Management needed to immediately repay the \$135,000 to Aspirant LP. Therefore, Luckow obtained an unsecured loan for \$150,000 from a customer of his affiliated IB, Luckow Trading, and, in December 2013, repaid Aspirant LP the \$135,000 which Aspirant Management owed to the

Pool. According to Luckow he used the remaining \$15,000 of the \$150,000 which he had borrowed to pay legal fees and other expenses related to NFA's exam.

### **APPLICABLE RULES**

23. NFA Compliance Rule 2-2(f) provides that no Member or Associate shall willfully submit materially false or misleading information to NFA or its agents.
24. NFA Compliance Rule 2-2(h) provides that no Member or Associate shall embezzle, steal, purloin or knowingly convert any money, securities or other property received from or accruing to a customer, client or pool participant in or in connection with commodity futures contracts.
25. 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.
26. 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.
27. NFA Compliance Rule 2-45 provides, in pertinent part, that no NFA Member CPO may permit a commodity pool to use any means to make a direct or indirect loan or advance of pool assets to the CPO or any other affiliated person or entity.

## COUNT I

**VIOLATIONS OF NFA COMPLIANCE RULES 2-2(h), 2-4 AND 2-45:  
CONVERTING ASSETS OF POOL PARTICIPANTS; PERMITTING A  
COMMODITY POOL TO MAKE LOANS OR ADVANCES TO ITS CPO OR AN  
AFFILIATED ENTITY; AND FAILING TO UPHOLD HIGH STANDARDS OF  
COMMERCIAL HONOR AND JUST AND EQUITABLE PRINCIPLES OF TRADE.**

28. The allegations contained in paragraphs 1 through 22, 24, 25 and 27 are realleged as paragraph 28.
29. As alleged above, Aspirant Management and Luckow converted monies due to the participants of Aspirant LP by retaining the \$37,000 received in October 2012 from the sale of the Pool's remaining MF Global bankruptcy claim to a third-party.
30. In addition, from January 2010 through November 2013, Aspirant Management took loans and advances from Aspirant LP which resulted in Aspirant Management owing more than \$98,000 to the Pool as of November 2013, after factoring in repayments that Aspirant Management and Luckow had previously made to the Pool. A large portion of the funds which Aspirant Management obtained as advances from Aspirant LP was subsequently misappropriated by Aspirant Management and paid to Luckow Group and Luckow who used the money to pay personal expenses.
31. By reason of the foregoing acts and omissions, Aspirant Management, Luckow Group and Luckow are charged with violations of NFA Compliance Rules 2-2(h) and 2-4; and Aspirant Management is charged with violations of NFA Compliance Rule 2-45.

## COUNT II

### VIOLATIONS OF NFA COMPLIANCE RULE 2-2(f): PROVIDING MISLEADING INFORMATION TO NFA.

32. The allegations contained in paragraphs 1 through 23 are realleged as paragraph 32.
33. The 2012 certified PFS that Aspirant Management and Luckow submitted to NFA on behalf of Aspirant LP contained inaccurate and misleading information about the Pool's MF Global claim, even though Luckow had affirmed that the information contained in the PFS was accurate and complete.
34. Specifically, the PFS reported that the MF Global estate owed more than \$45,000 to the Pool as of December 31, 2012. This statement was false, however, as nothing remained owing to the Pool on the MF Global claim, as of December 31, 2012, due to the sale of the claim to a third party in October 2012.
35. Like the 2012 PFS, the 2013 certified PFS submitted for Aspirant LP also contained misleading information regarding the status of the Pool's MF Global claim and suggested that efforts to collect on the claim were ongoing as of December 31, 2012 – when, in fact, the claim had been sold to a third party in October 2012.
36. By reason of the foregoing acts and omissions, Aspirant Management and Luckow are charged with violations of NFA Compliance Rule 2-2(f).

## COUNT III

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

37. The allegations contained in paragraphs 1 through 22, 26, 29 through 30, and 33 through 35 are realleged as paragraph 37.

38. The violations alleged herein demonstrate Aspirant Management, Luckow Group and Luckow's failure to adequately supervise Aspirant Management's and the Luckow Group's operations to ensure they complied with NFA Requirements. As a result, assets of the Pool were converted by Aspirant Management and Luckow, which improperly retained the \$37,000 of proceeds from the sale of the Pool's remaining MF Global claim to a third party. In addition, Aspirant Management was permitted to take numerous prohibited loans (in the form of advances) from the Pool which Luckow Group and Luckow misappropriated to pay Luckow's personal expenses.
39. Luckow's failure to adequately carry out his supervisory duties was further evidenced by his lack of knowledge of regulatory requirements applicable to CPOs and commodity pools which contributed to the foregoing violations.
40. By reason of the foregoing acts and omissions, Aspirant Management, Luckow Group and Luckow 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 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.

NFA staff is authorized to grant such reasonable extensions of time in which an Answer may be filed as it deems appropriate.

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](mailto: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, 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.

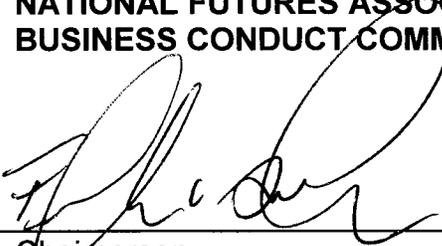
The allegations herein may constitute a statutory disqualification from registration under Section 8a(3)(M) of the Commodity Exchange Act. Respondents in

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: 07/01/2014

By:   
Chairperson

m/cxc/Complaints/Aspirant, et al. Complaint