NATIONAL FUTURES ASSOCIATION
BEFORE THE
BUSINESS CONDUCT COMMITTEE

In the Matter of: LONG LEAF TRADING GROUP, INC. (NFA ID #417912), JAMES ALAN DONELSON (NFA ID #509805), SCOTT JOSEPH GECAS (NFA ID #506029), NICHOLAS CHARLES GUNTHER (NFA ID #506035), CONNOR PAUL CAMPO (NFA ID #506028), and JAMES A. HATZIGIANNIS (NFA ID #499260), Respondents.	)	FILED FEB - 4 2020 NATIONAL FUTURES ASSOCIATION LEGAL DOCKETING NFA Case No. 20-BCC-001

COMPLAINT

Having reviewed the investigative report submitted by the Compliance Department of National Futures Association, and having 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 (BCC) issues this Complaint against Long Leaf Trading Group Inc., James Alan Donelson, Scott Joseph Gecas, Nicholas Charles Gunther, Connor Paul Campo and James A. Hatzigiannis.

ALLEGATIONS

JURISDICTION

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

2. Donelson was approved as an NFA Associate and registered as an associated person (AP) of Long Leaf on June 14, 2018. As such, Donelson was and is required to comply with NFA Requirements and is subject to disciplinary proceedings for violations thereof. Long Leaf is liable for violations of NFA Requirements committed by Donelson during the course of his activities on behalf of Long Leaf.

3. Gecas was approved as an NFA Associate on June 29, 2017 and registered as an AP of Long Leaf from July 20, 2017 until December 17, 2018. As such, Gecas was required to comply with NFA Requirements and is subject to disciplinary proceedings for violations thereof. Long Leaf is liable for violations of NFA Requirements committed by Gecas during the course of his activities on behalf of Long Leaf.

4. Gunther was approved as an NFA Associate on June 29, 2017 and registered as an AP of Long Leaf from June 30, 2017 until October 16, 2018. As such, Gunther was required to comply with NFA Requirements and is subject to disciplinary proceedings for violations thereof. Long Leaf is liable for violations of NFA Requirements committed by Gunther during the course of his activities on behalf of Long Leaf.

5. Campo was approved as an NFA Associate on June 29, 2017 and registered as an AP of Long Leaf from July 24, 2017 until July 20, 2018. As such, Campo was required to comply with NFA Requirements and is subject to disciplinary proceedings for violations thereof. Long Leaf is liable for violations of NFA Requirements committed by Campo during the course of his activities on behalf of Long Leaf.

6. Hatzigiannis was approved as an NFA Associate on September 12, 2016 and registered as an AP of Long Leaf from September 20, 2016 until December 17, 2019. As such, Hatzigiannis was required to comply with NFA Requirements and is subject to disciplinary proceedings for violations thereof. Long Leaf is liable for violations of NFA Requirements committed by Hatzigiannis during the course of his activities on behalf of Long Leaf.

BACKGROUND

7. Long Leaf is located in Chicago, Illinois and has been an IB Member of NFA since January 2010. From January 2010 to approximately November 2012, Long Leaf was a guaranteed IB. After November 2012, Long Leaf operated as an independent IB, until the firm again became a guaranteed IB in March 2019. On January 21, 2020, Long Leaf filed a request to withdraw its CFTC registration and NFA membership statuses.

8. In February 2017, the BCC authorized a Complaint against Long Leaf for failing to conduct independent audits of its AML program in 2012, 2014 and 2015. That Complaint was resolved in March 2017, when the BCC accepted Long Leaf's Offer of Settlement and ordered the firm to pay a $12,500 fine.

9. Donelson purchased Long Leaf in December 2017, at which time he became the firm's president. Since December 4, 2017, Donelson has been a principal of Long Leaf, but he did not become an AP of the firm and an NFA Associate until June 2018. Donelson's employment background before Long Leaf includes financial and business positions with proprietary trading firms located in Chicago. However, Donelson had limited options trading experience prior to purchasing Long Leaf.

NFA's Exam and Investigation

10. NFA commenced an exam and investigation of Long Leaf in July 2018, after NFA received customer complaints about Long Leaf and NFA staff members in NFA's Enhanced Surveillance Program (ESP) received misleading sales solicitations from Long Leaf brokers. (Under NFA's ESP, NFA staff members pose as prospective investors in an effort to receive sales solicitations from Member firms in order to determine if the Member's solicitations comply with NFA's sales practice rules.)

11. At the time of NFA's exam, Long Leaf sponsored eight APs, including Gecas, Gunther, Campo and Hatzigiannis, all of whom worked as brokers for the firm and solicited customers and orders on Long Leaf's behalf.

12. Also, at the time of NFA's exam, Long Leaf employed Andrew David Nelson as a broker who solicited customers and orders on the firm's behalf. Although Nelson was pending as an NFA Associate and an AP of Long Leaf from September 5, 2017 to November 19, 2018, he never became registered as an AP of the firm or

approved as an NFA Associate as he was disqualified from registration under the Commodity Exchange Act (CEA) as a result of a criminal conviction for theft.

13. NFA's exam found that Long Leaf used customer lead lists generated by third-party lead providers to identify prospective customers. Junior brokers at Long Leaf would act as "openers" by making initial sales calls to prospective customers. If a prospective customer expressed an interest in opening an account he would be referred to a "senior broker," such as Gecas, who would assist the customer in opening an account and completing the account application.

14. At the time of NFA's exam, Long Leaf had approximately 140 active customer accounts, the vast majority of which belonged to customers who traded based on Long Leaf's trading recommendations.

15. NFA reviewed account applications for approximately 35 customers who opened accounts with Long Leaf from January through September 2018 and followed the firm's trading recommendations. These applications revealed that about half of the customers were retired and almost 60% of them had one year or less of trading experience.

16. NFA also interviewed several Long Leaf customers regarding their dealings with the firm and its brokers, including three customers (referred to herein as Customer #1, Customer #2 and Customer #3) who opened accounts with Long Leaf in 2018.

17. Customer #1, who lived in Georgia, opened his account at Long Leaf in March 2018 at which time he was 70 years old and self-employed as a real estate

property appraiser. Customer #1 and his wife, who was retired, had an annual income of between $250,000 and $500,000 and a net worth between $500,000 and $1,000,000. Although Customer #1 and his wife had some prior investment experience investing in securities, neither had any prior experience trading futures or options before opening their account with Long Leaf.

18. Customer #1 first learned of Long Leaf through a cold call, but he could not recall with whom he spoke. According to Customer #1, he did some Internet research on Long Leaf and after finding no negative information about the firm, he decided to open an account with the firm, using $50,000 from his savings. After opening his account, Customer #1 dealt with Long Leaf AP Campo. However, Campo subsequently left the firm, and Gecas was assigned as Customer #1's broker.

19. Customer #2, who lived in New York, opened his account at Long Leaf in February 2018 at which time he was 57 years old, unmarried and worked as a business analyst. Customer #2 had an annual income of between $100,000 and $250,000 and a net worth between $500,000 and $1,000,000. Although Customer #2 had several years' experience trading securities, he had less than one year of experience trading futures and limited experience trading options, which consisted of trading equity options over 20 years ago.

20. Customer #2 received a cold call from Long Leaf AP Gunther and became interested in the option strategy Gunther described. When Customer #2 opened his account in February 2018, Nelson became his contact person at Long Leaf. Long Leaf later reassigned Nelson during the summer of 2018, and Gecas became Customer #2's new contact person at the firm.

21. Customer #3, who lived in New Jersey, opened his account with Long Leaf in April 2018 at which time he was 61 years old, married and worked as an account manager. His annual income was between $100,000 and $250,000, and his net worth was between $1,000,000 and $5,000,000. Customer #3 had no futures or options trading experience before he opened his account at Long Leaf.

22. Customer #3 told NFA that he called Long Leaf and spoke with AP Hatzigiannis after receiving an e-mail solicitation from the firm. Hatzigiannis convinced Customer #3 to open an account at Long Leaf with an investment of approximately $100,000, which Customer #3 withdrew from his 401K retirement account. Customer #3 told NFA that both Hatzigiannis and Gecas were aware that his investment came from his retirement account.

23. As alleged in more detail below, NFA's interviews of Customers #1, #2 and #3 revealed that Long Leaf brokers Gecas, Gunther, Campo, Nelson and Hatzigiannis used misleading solicitations, which exaggerated the profit potential of trading options, to entice these customers to open and maintain their accounts with Long Leaf. The interviews also found that Gecas, Gunther, Campo, Nelson and Hatzigiannis failed to explain the fundamentals and risks of options trading and failed to adequately explain the firm's commission and fee charges or how those charges impacted profitability.

24. NFA's investigation also found that Long Leaf brokers Gecas and Gunther made misleading sales solicitations to two NFA ESP agents.

Long Leaf's Trading Strategy

25. NFA's exam and investigation found that Long Leaf compounded the misleading sales solicitations of its brokers by using an unfair and abusive trading strategy that gradually eroded the equity in customers' accounts, resulting in significant losses to customers while enriching Long Leaf through the numerous trades it placed for customers at the commission rate of $35 per contract.

26. Long Leaf's trade recommendations involved complex trades that generally consisted of various multi-legged options strategies (e.g., vertical spreads, butterfly spreads) and included numerous product types (e.g., soybeans, gold, T-bonds).

27. Some recommendations involved spread trades, in which Long Leaf simultaneously entered into longer-dated options and shorter-dated options (e.g., weekly options), using the net premiums collected from the trades to partially offset any premiums the customers paid. When the shorter-dated options expired, Long Leaf often initiated new positions with earlier expiration dates than the expiration dates of the existing longer-dated positions. Donelson referred to these new positions as "trade adjustments."

28. The following three charts reflect account analyses for Customers #1, #2 and #3 and illustrate how Long Leaf's trading strategy of recommending multi-legged spreads, on which commissions were charged on both legs of the spread on a per-lot basis, had the effect over time of slowly eroding the customers' account equity while consistently generating commission revenue for Long Leaf.

Customer #1

Month	Beginning NLV	Trading PnL	Comm/Fees	Ending NLV	Net PnL
Mar 18	$50,000.00	$1,793.75	$3,951.20	$47,842.55	($2,157.45)
Apr 18	$47,842.55	$3,561.90	$4,494.45	$46,910.60	($932.55)
May 18	$46,910.00	($5,006.95)	$3,147.95	$38,755.10	($8,154.90)
Jun 18	$38,755.10	$3,188.69	$3,250.25	$38,693.54	($61.56)
Jul 18	$38,693.54	$2,543.80	$3,940.70	$37,296.64	($1,396.90)
Aug 18	$37,296.64	$7,465.28	$5,082.59	$39,679.33	$2,382.69
Sep 18	$39,679.33	$911.64	$3,756.86	$36,834.11	($2,845.22)
Oct 18	$36,834.11	$1,959.90	$3,206.30	$35,587.71	($1,246.40)
Nov 18	$35,587.11	($7,156.25)	$281.02	$28,150.44	($7,437.27)
Totals		**$9,261.76**	**$31,111.32**	**$28,150.44**	**($21,849.56)**

Customer #2

Month	Beginning NLV	Trading PnL	Comm/Fees	Ending NLV	Net PnL
Feb 18	$25,000.00	$1,136.96	$2,067.96	$24,249.00	($751.00)
Mar 18	$24,249.00	$1,870.41	$3,226.41	$22,893.00	($1,356.00)
Apr 18	$22,893.00	$1,968.91	$3,183.63	$21,723.28	($1,169.72)
May 18	$21,723.28	($3,426.39)	$2,126.22	$16,170.67	($5,552.61)
Jun 18	$16,170.67	$2,002.59	$1,800.15	$16,373.11	$202.44
Jul 18	$16,373.11	$1,526.28	$2,364.42	$15,534.97	($838.14)
Aug 18	$15,534.97	$4,336.89	$2,357.58	$17,514.28	$1,979.31
Sep 18	$17,514.28	$521.25	$1,967.19	$16,068.34	($1,445.94)
Oct 18	$16,068.34	$1,109.44	$1,788.78	$15,389.00	($679.34)
Nov 18	$15,389.00	($4,177.61)	$209.33	$11,002.06	($4,386.94)
Totals		**$7,048.73**	**$21,046.67**	**$11,002.06**	**($13,997.94)**

Customer #3

Month	Beginning NLV	Trading PnL	Comm/Fees	Ending NLV	Net PnL
Apr 18	$99,355.00	($6,812.50)	$8,743.70	$83,798.80	($15,556.20)
May 18	$83,798.80	($5,621.30)	$6,986.60	$71,190.90	($12,607.90)
Jun 18	$71,190.90	$6,377.48	$6,000.50	$71,567.88	$367.98
Jul 18	$71,567.88	$468.88	$4,177.02	$67,859.74	($3,708.14)
Aug 18	$67,859.74	$6,687.16	$5,028.08	$69,518.82	$1,659.08
Sep 18	$69,518.82	$1,261.64	$7,325.06	$63,455.40	($6,063.42)
Oct 18	$63,455.40	$4,029.80	$6,412.60	$61,072.60	($2,382.80)
Nov 18	$61,072.60	($14,096.90)	$1,851.14	$45,124.56	($15,948.04)
Dec 18	$45,124.56	($6,318.75)	$369.18	$38,436.63	($6,687.93)

Jan 19	$38,436.63	($1,299.89)	$1,347.84	$35,788.90	($2,647.73)
Feb 19	$35,788.90	($1,642.91)	$1,720.11	$32,425.88	($3,363.02)
Mar 19	$32,425.88	($10,935.60)	$2,224.44	$19,265.84	($13,160.04)
Apr 19	$19,265.84	$4,464.19	$97.25	$23,632.78	$4,366.94
May 19	$23,632.78	($4,265.64)	$152.19	$19,214.95	($4,417.83)
Jun 19	$19,214.95	($891.25)	$1,773.84	$16,549.86	($2,665.09)
Jul 19	$16,549.86	$4,036.94	$1,253.10	$19,333.70	$2,783.84
Aug 19	$19,333.70	$2,609.77	$2,587.47	$19,356.00	$22.30
Sep 19	$19,356.00	($995.21)	$3,148.83	$15,211.96	($4,144.04)
Oct 19	$15,211.96	$1,042.72	$3,809.34	$12,445.34	($2,766.62)
Totals		**($21,901.37)**	**$65,008.29**	**$12,445.34**	**($86,909.66)**

29. NFA also reviewed account statements reflecting the commission and fee charges, as well as IRS 1099 Forms showing profits and losses, for more than 130 customers who followed Long Leaf's trading recommendations from January 1 through December 31, 2018. NFA's review of this information revealed that over 95% of these customers (i.e., 125 customers) experienced losses totaling more than $1.1 million during 2018. Nearly $1 million of such losses represented commissions and fees charged to customers.

30. In contrast, only five of Long Leaf's customers who followed the firm's trade recommendations made money in 2018, with net profits ranging from approximately $100 to slightly more than $900. Four of these five customers also followed Long Leaf's trading recommendations in 2017; however, in 2017, these customers experienced losses ranging from approximately $5,000 to $11,000.

31. NFA found that Long Leaf and Donelson sometimes provided commission credits to customers that were labeled on customers' monthly account statements as a "volume discount." However, even these credits could not overcome the commission and fee charges that the customers paid. Further, Long Leaf's

"volume discounts" had the effect of masking how much customers had paid in commissions and fees, potentially enticing customers to continue trading with the firm.

32. NFA's interviews of Customers #1, #2 and #3 also revealed that Long Leaf's brokers – Gecas, Gunther, Campo, Nelson and Hatzigiannis – concealed the negative impact of Long Leaf's trading strategy on the equity in customers' accounts by failing to adequately apprise the customers of the commissions and fees charged on recommended trades and how such charges would affect customers' profit potential.

33. Long Leaf implemented the above-described trading strategy after Donelson purchased the firm. Pursuant to this strategy, Long Leaf would – approximately four times a month – recommend trades for a customer's account. The recommendation usually ranged from one to four trades, and the number of contracts per trade depended on the equity available in the customer's account. Donelson worked with Gecas to design the trades, with Gecas determining the market (e.g., soybeans) and Donelson and Gecas together deciding on the strike prices.

34. Long Leaf sent e-mails with the formal trade recommendations to each customer who followed the firm's recommendations. Customers who wanted to participate in the suggested trades generally responded directly to the firm's e-mail recommendation, although a Long Leaf broker might make a telephone call to a customers who did not respond promptly to the e-mail.

35. Once Long Leaf obtained a customer's authorization for the trade, Donelson entered the trade details onto a spreadsheet, which he e-mailed to the FCM trade desk to execute as a bunched order. (After July 2018, Long Leaf began clearing through a different FCM, which gave Long Leaf and Donelson direct access to the FCM's trading platform.) After execution, the trade would be allocated across the participating customers' accounts.

36. The e-mails Long Leaf sent to customers included the specific trade recommendations as an attachment and were usually sent by the Long Leaf broker assigned to the account. The e-mails instructed customers to "simply respond yes" to accept the positions or to call the firm to discuss any questions. The recommendation sheets would typically specify the number of contracts, the underlying futures product (e.g., soybeans, gold), the direction (buy or sell), and the option type (put or call), as well as the strike price and entry order price.

37. The trade recommendation sheets also included a field labeled as "exit price" and contained the term "market" without any further detail. In addition, the e-mails included what purported to be the proposed trades' maximum gain or loss, the targeted gain, targeted maximum loss, and the cost. A June 2018 trade recommendation, set forth below, illustrates a typical Long Leaf recommendation.

Trade Recommendation: Silver Calendar Spread Underlying: September Silver Futures					
Buy	**Sell**	**Max Gain/Loss**	**Target Gain**	**Target Max Loss**	**Expiration**
OSIQ8 C17 OSIU8 C16.25	OSIQ8 C16.5 OSIU8 C17	2,940.24 (799.88)	440.24 0.25	(559.76) 0.05	7/25/2018 8/27/2018
Trade Approval Entry Order: -0.1300 OB GTC Exit Order: Market				**COST**: (799.88)	

38. At least one of the customers NFA interviewed told NFA he did not understand fully the trades that Long Leaf recommended and indicated the information on the recommendation sheets, including the terminology used (e.g., "OSIQ8" and "OSIU8"), was complicated.

39. Long Leaf's recommendation sheets also portrayed the trades in a positive light, without adequately explaining what the purported gain, loss and cost calculations represented or how Long Leaf computed them.

40. NFA also evaluated the performance of customers who followed Long Leaf's trading recommendations during 2017 and 2016. Although Long Leaf employed a different strategy during those years, the trading performance of the firm's customers was not any better than the performance described in Paragraphs 29 and 30 for 2018.

41. Monthly account statements and IRS 1099 Forms for 162 customer accounts that were active at Long Leaf during 2017 showed that approximately 98% of the customer accounts (i.e., 159 of them) experienced losses that totaled more than $1.7 million. In contrast, only three customer accounts made money, with a combined profit of only approximately $4,000.

42. To evaluate the performance of accounts that traded with Long Leaf in 2016, NFA reviewed the "Account Sequence Status Report" the firm received from its FCM. This report showed information for approximately 120 Long Leaf customer accounts, including the year-to-date profit and loss amount as of the end of 2016. Virtually every active account listed in the report reflected a negative year-to-date balance for 2016.

43. In addition to the abusive trading strategy alleged above, NFA's exam and investigation found that Long Leaf exercised discretion over customers' accounts without obtaining written authority from the customers to exercise such discretion. In addition, Long Leaf permitted Donelson and Nelson to act as APs of the firm without being registered in such capacity, and Long Leaf – together with Donelson after he became an AP of the firm and an NFA Associate – failed to adequately supervise the firm's operations and employees.

APPLICABLE RULES

44. NFA Bylaw 301(b) provides, in pertinent part, that no person may be associated with a Member of NFA unless the person is registered with NFA as an Associate or is an NFA Member.

45. NFA Compliance Rule 2-2(a) provides that no Member or Associate shall cheat, defraud or deceive, or attempt to cheat, defraud or deceive, any commodity futures customers.

46. 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. A related Interpretive Notice entitled, "Commissions, Fees and Other Charges," makes clear that a Member who recommends transactions that maximize commissions without regard to the customers' best interests violates high standards of commercial honor and just and equitable principles of trade under NFA Compliance Rule 2-4.

47. The Notice also sets forth a number of factors for Members to consider regarding the impact commission and fee charges have on the likelihood a customer will

obtain a profit. Among the factors discussed in the Notice is whether the Member or Associate adequately disclosed the amount of commissions, fees and other charges before the transaction occurred. In evaluating the adequacy of disclosure, the Notice states that a Member or Associate should consider whether the customer has little or no experience trading futures and options, as well as the customer's estimated annual income, net worth and prior investment experience.

48. NFA Compliance Rule 2-8(a) provides, in pertinent part, that no Member or Associate shall exercise discretion over a customer's commodity futures account unless the customer or account controller has authorized the Member or Associate, in writing, by power of attorney or other instrument, to exercise such discretion.

49. 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.

50. NFA Compliance Rule 2-29(a)(1) provides that no Member or Associate shall make any communication with the public which operates as a fraud or deceit.

COUNT I

VIOLATIONS OF NFA COMPLIANCE RULES 2-2(a), 2-4 AND 2-29(a)(1): FAILING TO OBSERVE HIGH STANDARDS OF COMMERCIAL HONOR AND JUST AND EQUITABLE PRINCIPLES OF TRADE AND MAKING MISLEADING SALES SOLICITATIONS.

51. The allegations contained in paragraphs 1 through 42, 45 through 47 and 50 are realleged as paragraph 51.

52. As alleged above, and described in more detail below, Long Leaf brokers – Gecas, Gunther, Campo, Nelson and Hatzigiannis – employed misleading sales solicitations and communications, which included exaggerated profit claims and omitted material information regarding the fundamentals and risks of options trading. These brokers also failed to adequately disclose the amount of commissions and fees before the trades were placed and failed to explain how the firm's commission and fee charges impacted a customer's ability to profit.

Gecas' Misleading Sales Solicitations

53. At the time of NFA's exam, Gecas' job title at Long Leaf was senior strategic account executive. However, before he joined Long Leaf in June 2017, Gecas was never registered with the CFTC in any capacity, including as an AP.

54. Reports from NFA's ESP agents (referred to hereafter as Agent #1 and Agent #2) and customer interviews revealed that Gecas misled prospective and existing Long Leaf customers by exaggerating profit potential and failing to explain the fundamentals and risks of options trading. In addition, Gecas failed to explain how the firm's commission and fee charges would impact profitability.

55. In acting as the "closer" for Agent #1 (who was posing as a prospective customer), Gecas made the following misleading claims and omissions during their February 2018 telephone conversation:

- Gecas told Agent #1 that he would not be comfortable with a target profit return any higher than 25-to-30% since anything higher would be "unrealistic." Gecas also claimed the firm was not looking for "home runs" and instead was seeking consistent returns within a 12-month time frame. However, those profit claims ignored the overall negative performance of Long Leaf customers in 2016 and 2017.

- Gecas sent Agent #1 a link to a WebEx presentation that included a screen discussing risks. Gecas remarked that the risk slide contained everything Agent #1 "already knew" and he failed to discuss the risks of trading any further.

- When Agent #1 asked about costs and fees, Gecas said there was a flat fee of $35 per contract and no management, incentive or account opening fees. However, Gecas failed to explain that the $35 "per contract fee" represented a commission charge and how the "per contract fee" and other charges would impact the profitability of a customer's account equity.

- Gecas said that, under the Long Leaf strategy, the optimum number of option spreads to have as part of a trade was four, when Gecas knew that the more contracts a customer traded meant greater commission revenue for Long Leaf and its brokers (i.e., the more lots purchased and sold, the greater the total commission charges).

- Gecas told Agent #1 that the firm's trading strategies were not dependent on the amount of cash in an account, even though the firm based the number of contracts in a trade recommendation on the customer's account equity.

- Gecas claimed that Long Leaf customers rarely abandoned the firm's trading strategy, and that most customers stay with Long Leaf for three-to-seven years. However, these claims are refuted by the fact that at least 35 accounts at Long Leaf closed in 2017 alone.

- Gecas told Agent #1 that he wanted to produce results for him because if Agent #1 does not "stick around," then Long Leaf does not make money. Gecas also mentioned that Long Leaf has an A+ rating from the Better Business Bureau and no complaints from NFA, even though the firm was named in a 2017 BCC Complaint.

- When Gecas asked Agent #1 if he had an idea of how much he wanted to invest, the Agent said $25,000 but could possibly go up to $50,000. Gecas responded, "that is on the low end" but said Long Leaf would still work with him.

56. Gecas made similar misleading and deceptive claims when he was acting as the "closer" during an April 2018 telephone conversation with Agent #2. For example:

- Gecas assured Agent #2 that targeting an 8-to-12% profit range was very attainable; claimed that most Long Leaf customers had returns around 25% and that the "top end guys" did around 50%. Gecas also said he goes after 25% returns and reiterated that he had no doubt he could hit 8-to-10% for Agent #2 if not monthly, then annually.

- Gecas said that last month (March 2018) was the "best month in Long Leaf history." However, this statement was misleading since the "return" that Gecas referenced was not based on a comparison of the monthly trades' profit to the customers' account equity but, rather, was based on a comparison of the monthly trades' profit to the margin required to enter those trades.

- Gecas claimed Agent #2 would not get hurt if a position turned against him and said the trading would generate a solid return in the long run. Gecas also said that while Agent #2 may have losses from time to time, Long Leaf would build a structure for the account over time to absorb losses when they come.

- Gecas showed Agent #2 a risk disclosure slide from a WebEx presentation and said, "this was the basic risk disclosure associated with futures trading" and that Agent #2 "knew this information already." Further, Gecas mentioned that Agent #2 needed to understand the risk, but failed to elaborate on any of the risks associated with trading options.

- Gecas told Agent #2 that his number one goal was risk reduction and said that meant Agent #2 could not put all of his available capital towards risk capital because it will leave no room for growth. According to Gecas, 14-18% of Agent #2's capital in a Long Leaf account would be at risk at any time.

- Gecas told Agent #2 he would never put him in a trade that he would not trade himself. Gecas also said there was a reason that Long Leaf was located in the Chicago Board of Trade building and not in a mini-mall or in someone's basement.

57. In addition to his misleading statements to NFA's ESP agents, Gecas engaged in deficient solicitations and communications with Long Leaf customers, which included the following:

- Gecas never discussed commissions and fees with Customer #1. Gecas told Customer #1 that "we don't care which way the market moves" which Customer #1 understood to mean he was in a position to make money, or at least stay even, regardless of market movement. However, he lost approximately $10,000 in his account after Gecas was assigned as his broker.

- Gecas never discussed with Customer #2 the risks associated with trading options or the impact to his account of the commission and fee charges.

- Because Customer #2's account value was declining, he asked Gecas for a commission reduction. Although Customer #2 received a slight reduction, his account continued to lose money. Further, when Customer #2 attempted to talk to Gecas about the negative performance in his account, Gecas would not respond to Customer #2's attempts to reach him.

- Gecas serviced Customer #3's account and knew the funds Customer #3 invested came from a retirement account. However, Gecas never talked to Customer #3 about the commissions and fees that were going to be charged to his account and never told him the effect commissions and fees would have on his account value.

- Gecas falsely told Customer #3 that all other Long Leaf customers trading in the same strategy were making significant returns, with profits of 5-to-10% per month.

- When Customer #3's account began to lose money, he contacted Gecas and tried to find out why he was losing money since he had been told Long Leaf's investment strategy was conservative. Customer #3 said he had a hard time trying to get answers out of Gecas and that Gecas repeatedly attributed his losses to Long Leaf "misreading" the market.

58. NFA also obtained a recording of a June 11, 2018 telephone call between Gecas and another Long Leaf customer, referred to as Customer #4. At the time, Customer #4 was a 49-year-old, married, automotive sales manager from Iowa who had opened an account through Long Leaf in April 2018 with a deposit of approximately $24,300. At the start of the call, Customer #4 asked Gecas whether he was making money. He also told Gecas he did not understand how to read his account statements, but noticed his net liquidating balance "was way down." (Customer #4's May 2018 statement reflected an ending balance of about $14,700, which was down 40% from his opening balance in April.)

59. Gecas downplayed Customer #4's losses by saying he had money tied up in three open positions and blamed the way the FCM marked positions in his account. Gecas also attributed Customer #4's losses to "outside forces." He claimed May was a "rough month" industrywide, with "major hedge funds" down 35%, though he said Long Leaf "wasn't that bad."

60. NFA reviewed the activity in Customer #4's account for the eight months his account was open, as illustrated in the chart on the following page. Similar to other Long Leaf customers, the firm's trading strategy, combined with the commission and fee charges, gradually eroded Customer #4's account equity and, over time, caused him to lose more than 60% of his initial investment.

Customer #4

Month	Beginning NLV	Trading PnL	Comm/Fees	Ending NLV	Net PnL
Apr 18	$24,340.00	($2,295.00)	$2,389.95	$19,655.05	($4,684.95)
May 18	$19,655.05	($3,004.53)	$1,888.77	$14,761.75	($4,893.30)
Jun 18	$14,761.75	$1,908.87	$1,950.15	$14,720.47	($41.28)
Jul 18	$14,720.47	$1,526.28	$2,364.42	$13,882.33	($838.14)
Aug 18	$13,882.33	$4,336.89	$2,897.58	$15,321.64	$1,439.31
Sep 18	$15,321.64	$521.25	$2,237.19	$13,605.70	($1,715.94)
Oct 18	$13,605.70	$1,109.94	$1,923.78	$12,791.86	($813.84)
Nov 18	$12,791.86	($3,574.38)	$160.08	$9,057.40	($3,734.46)
Totals		**$529.32**	**$15,811.26**	**$9,057.40**	**($15,282.60)**

61. Gecas also sent misleading e-mails to Long Leaf customers. For example, when a customer told Gecas he wanted to opt out of a trade recommendation, Gecas claimed the customer's success in the strategy depended on him taking the recommended trades, without disclosing the impact that commissions and fees had on the customer's ability to profit.

Gunther's Misleading Sales Solicitations

62. Reports from NFA's ESP agents demonstrated that Long Leaf broker Gunther misled prospective Long Leaf customers by exaggerating profit potential and failing to disclose the fundamentals and risks of options trading. In addition, Gunther failed to explain how the firm's commission and fee charges would impact a customer's ability to profit.

63. For example, Gunther made the following misleading claims in a February 2018 telephone call when he was acting as the "opener" for Agent #1:

- Gunther sent Agent #1 a link to a WebEx presentation that Gunther controlled. The presentation started with a cover page, followed by a screen with a full-page of risk disclosures, which Gunther displayed for about 15 to 20 seconds. Even though Agent #1 had advised Gunther that he had limited trading experience and very little knowledge of commodities, Gunther quickly stated that past performance was not indicative of future results and did not mention any specific risks regarding options trading.

- Gunther asked Agent #1 about the returns he had received and wanted to receive, to which Agent #1 responded he had received a 6% return over the last few years and would be happy with a 10% return. In response, Gunther said Long Leaf creates return targets of between 10-to-25%. When Agent #1 asked Gunther if a 25% return is even realistic, Gunther replied, "sure it is."

- Gunther said the foundation of the firm's strategy revolved around the "statistical fact" that 76.5% of all options expire worthless. Gunther said the brokers at Long Leaf use this "statistical fact" to create investment moves to find consistent returns. Gunther also talked about how Long Leaf preferred selling options over buying options. However, at no time did Gunther explain the fundamentals of options trading or any of the risks associated with options trading or disclose the overall negative performance of Long Leaf's customers.

- Gunther also failed to explain the firm's commission and fee charges or how they would impact Agent #1's ability to profit.

64. Gunther made similar misleading claims during an April 2018 telephone conversation when he was acting as the "opener" to Agent #2. For example:

- After Gunther asked what Agent #2 wanted as a target return, Agent #2 replied that he would like to target between 5-to-10%. In response, Gunther falsely told Agent #2 most Long Leaf customers earn around 7-to-10% and many other customers are upwards of 20%.

- Gunther stated Long Leaf is not built to "hit home runs" and said "singles" are the name of the game as they still drive in runs.

- Agent #2 told Gunther his investments included a 401K and a self-managed Roth IRA where he traded equities, mutual funds and ETFs. He also said he had never traded options before. Even so, Gunther did not explain the fundamentals of trading options.

- Gunther claimed it is a "statistical fact" that 76.5% of all options expire worthless and that it is preferable to sell options rather than buy options because the buyer has to be right about direction, change and timing while the seller of options only has to be right about the timing. Other than that, Gunter provided no further explanation.

- The WebEx presentation Gunther used included a risk disclosure page, which Gunther briefly went through and asked Agent #2 if he understood there were risks. While Agent #2 said the risks made sense, Gunther did not further explain the risks of options trading, even though Agent #2 told him he had never traded options before. Similarly, Gunther stated during the presentation that, "past performance is not indicative of future results" but failed to further discuss the risks of trading option spreads.

- Guenther also failed to explain the firm's commission and fee charges or how they impact a customer's ability to profit.

- Gunther represented that Long Leaf is a Member of NFA and never had a complaint taken against it, even though the firm was named as a respondent in the 2017 BCC Complaint.

65. Further, in his cold-call solicitation, Gunther claimed that Customer #2's investment would yield profits of up to 20% annually under Long Leaf's strategy. Gunther also failed to discuss with Customer #2 the risks associated with trading options, the commissions or fees he would be charged for trading with Long Leaf or the impact those charges would have on his ability to profit.

<u>Campo's Misleading Sales Solicitations</u>

66. Long Leaf broker Campo misled Customer #1 by exaggerating profit potential and failing to disclose the fundamentals and risks of options trading. In addition, Campo failed to explain how the firm's commission and fee charges would impact Customer #1's ability to profit.

67. As alleged above, after opening his account, Customer #1 was contacted by Campo, whose misleading solicitations included the following statements and claims:

- During a telephone call with Customer #1, Campo discussed the Long Leaf trading philosophy. Customer #1 said Campo assured him the Long Leaf brokers were professionals and the Long Leaf strategy would work to Customer #1's economic advantage.

- Customer #1 had his eyes on retirement when he opened his account with Long Leaf and told Campo that if Long Leaf could make him a 10% return, he could retire. He said Campo responded by saying that 10% "was so low it was laughable."

- Campo made no mention of the firm's commissions and fees, and Customer #1 told NFA that he did not think he ever paid Long Leaf a commission or fee.

- Campo discussed different trading strategies with Customer #1 and used the terms "iron condor" and "broken wing butterfly." However, Customer #1 said he did not understand what those terms meant due to his limited knowledge of options.

Nelson's Misleading Sales Solicitations

68. As alleged above, Nelson was Customer #2's contact person at Long Leaf.

Nelson's solicitations to Customer #2 included the following deficiencies:

- Nelson never discussed with Customer #2 the commissions, fees or risks that were associated with trading options or explain the effect commissions and fees would have on profitability.

- Although Customer #2 had some experience trading securities, he assumed that Long Leaf's commissions and fees would be charged per transaction, instead of per contract, and was surprised to learn the commissions and fees were separate charges to his account.

- Nelson failed to adequately explain the firm's trading strategy since Customer #2 told NFA he did not understand the strategy that Long Leaf was using and did not know he was trading option spreads.

Hatzigiannis' Misleading Sales Solicitations

69. As alleged above, Customer #3 called Long Leaf after receiving an e-mail solicitation and talked to Hatzigiannis, whose solicitation was deficient and misleading in the following respects:

- Hatzigiannis told Customer #3 that the firm's trading strategy was not aggressive and was a conservative trading strategy designed to make small returns on each transaction that would amount to 5-to-10% per month.

- Hatzigiannis represented that commissions and fees were included in the projected, positive monthly returns. He also failed to adequately disclose those trade charges or the effect they would have on Customer #3's profitability.

70. In addition, Gecas and Nelson made misleading and deceptive statements to customers in an effort to keep the customers' accounts with Long Leaf. For example, Gecas misled customers who wanted to close their Long Leaf accounts by attributing losses to market conditions (which ignored the impact of commissions and fees on profitability) and offering reduced commissions and smaller lot sizes to induce customers to continue trading with the firm.

71. Similarly, Nelson sent misleading e-mails to customers about how to read their account statements and insinuated the FCM's account statements were inaccurate. In addition, when a customer inquired about past performance, Nelson misled the customer by stating a "track record" would not show the customer the information he wanted since clients seek different returns. Nelson also told the customer, "...if we were consistently losing money for any one of them [the firm's customers] they would not be giving me the permission [to trade] and Long Leaf would have ceased to exist years ago."

72. The practice of Long Leaf brokers highlighting substantial profit opportunities in the face of a history of substantial customer losses without disclosing those losses to their customers or prospective customers has been specifically held to be misleading by NFA's Appeals Committee. See, for example, in In the Matter

of Siegel Trading Company, Inc., NFA Case No. 01-BCC-011 (App. Comm., Oct. 6, 2003); and In the Matter of Barkley Financial Corporation, NFA Case No. 05-BCC-020 (App. Comm., July 6, 2007).

73. Furthermore, in the Siegel case, NFA's Appeals Committee cited the 2002 decision of the United States Court of Appeals for the 11th Circuit in CFTC v. R.J. Fitzgerald & Co., in holding that a Member's APs cannot tout substantial and likely profits if their customers are generally suffering losses without disclosing that the vast majority of the Member's customers have lost money.

74. NFA's Appeals Committee reiterated its position when it considered the Barkley case in 2007. It stated that:

> In Siegel, this Committee specifically held that it was misleading for Siegel APs to imply that profits were almost inevitable without also disclosing that most of Siegel's customers lost money. Although this Committee emphasized that there is no general duty to disclose customer performance, such a duty arises when a firm's APs make profit projections that are contradicted by actual customer performance.

75. Furthermore, once Long Leaf's brokers lured customers to open accounts with Long Leaf, the firm subjected the customers to its abusive trading strategy. However, as alleged above, the strategy only benefitted the firm and its brokers to the detriment of their customers since NFA's analyses revealed that 96% of the customers who followed Long Leaf's trade recommendations during 2018 lost more than $1.1 million while the firm earned commission revenue of nearly $1 million. In fact, Long Leaf customers have consistently lost money trading with Long Leaf since 2016.

76. Long Leaf and Donelson supported the firm's illicit business model by fostering an environment that encouraged APs to mislead customers by using deficient webinars and presentations that contained misleading information. In fact, Long Leaf and Donelson permitted brokers in early 2018 to continue promoting the trading strategy that Donelson's predecessor utilized, even though they had altered the strategy soon after Donelson purchased the firm.

77. Long Leaf and Donelson also knew of the trading strategy's detrimental impact on customers, based on NFA's examination findings, customer complaints and other information available to them. They also acknowledged the strategy's negative impact on customers by changing the trading strategy in late 2018.

78. By reason of the foregoing acts and omissions, Long Leaf, Gecas, Gunther, Campo and Hatzigiannis are charged with violations of NFA Compliance Rules 2-2(a), 2-4 and 2-29(a)(1). Long Leaf is also charged for the violations of NFA Compliance Rules 2-2(a), 2-4 and 2-29(a)(1) by its employee Nelson; and Donelson is charged with violations of NFA Compliance Rule 2-4, after he became an NFA Associate on June 14, 2018.

COUNT II

VIOLATIONS OF NFA COMPLIANCE RULE 2-8(a): EXERCISING DISCRETION OVER CUSTOMER ACCOUNTS WITHOUT OBTAINING WRITTEN AUTHORITY TO EXERCISE SUCH DISCRETION.

79. The allegations contained in paragraphs 1, 7, 14 through 16, 19 through 20, 25 through 27, 33 through 38, 43 and 48 are realleged as paragraph 79.

80. As alleged above, Long Leaf e-mailed customers trade recommendations that contained specific information, including the exit price for the recommended

trades. Although Long Leaf obtained authorization from customers by e-mail or telephone to initiate the trades, Long Leaf exercised discretion to exit positions without obtaining customers' authorization. Donelson said Long Leaf considered a customer's "yes" response to a trade recommendation to authorize the firm not only to place the initial trade, but also to exit the trade at the price stated on the recommendation sheet.

81. For example, Customer #2 said he received trade recommendation e-mails from Long Leaf and, while he did not always understand what they meant, he would respond to the e-mail approving the trades since he considered Long Leaf broker, Nelson, his "link to the trading desk." However, Customer #2 said that when an existing trade lost money or made the expected profit, the firm would close out the trade without contacting him.

82. In a February 2018 letter sent to customers who followed the firm's strategy, Long Leaf announced its policy to consider a customer's "yes" response to a trade recommendation to authorize the firm not only to place the initial trade, but also to exit the trade at the price stated on the recommendation sheet. Among other things, the letter discussed the "new process" Long Leaf was initiating to address timing issues associated with obtaining customers' approval to exit positions and announced the trade recommendation e-mail would, going forward, also include the exit price which was often listed as "market" with no further details.

83. Long Leaf also failed to obtain customers' authorization to place other trades in the customers' accounts. As alleged above, often when a shorter-dated option

spread expired, Long Leaf would initiate a new position with an expiration date earlier than the expiration date of the existing longer-dated spread, which trades Donelson referred to as a "trade adjustment."

84. When NFA asked whether Long Leaf obtained customers' authorization to place these new trades, Donelson asserted that he and Long Leaf did not consider a "trade adjustment" to require the firm to send another trade recommendation or otherwise obtain customers' approval. According to Donelson, the customers had, in effect, approved any subsequent trades when they agreed to participate in the initial trade recommendation. Donelson also said that adding a new position to replace an expired one did not alter the initial trade strategy.

85. By reason of the foregoing acts and omissions, Long Leaf is charged with violations of NFA Compliance Rule 2-8(a).

COUNT III

VIOLATIONS OF NFA BYLAW 301(b) AND COMPLIANCE RULE 2-4: PERMITTING AN INDIVIDUAL TO ACT AS AN AP WITHOUT SPONSORING THE INDIVIDUAL AS AN AP OF THE FIRM.

86. The allegations contained in paragraphs 2, 9, 12, 20, 23, 32, 43 through 44, 46, 52, 68, 70 through 71, 76 through 77 and 80 through 84 are realleged as paragraph 86.

87. As alleged above, Long Leaf permitted Donelson and Nelson to act as APs of the firm without being registered as APs.

88. When Donelson purchased Long Leaf in December 2017, he became the president and a principal of the firm and assumed responsibility for the overall

supervision of Long Leaf's operations and employees. However, Donelson did not become registered as an AP and an NFA Associate until June 14, 2018.

89. On February 8, 2018, NFA served Nelson and Long Leaf with a Notice of Intent to Deny Registration to Nelson, based on the fact that he had pled guilty to and was found guilty of a misdemeanor offense involving theft that disqualified him from registration under the CEA.

90. Despite knowing that NFA intended to deny Nelson's application for registration as an AP, Long Leaf permitted him to act as an AP of the firm without registration. On the first day of the exam, NFA noticed Nelson soliciting customers, even though he was not an AP of Long Leaf or an NFA Associate. When NFA questioned Nelson about his activities, he represented that he was a senior broker at Long Leaf responsible for soliciting customers for the firm's trading strategy and also aided junior Long Leaf APs in their solicitations. Further, Nelson admitted to NFA that he serviced approximately 25 customer accounts, where he discussed positions with customers on the phone and answered their questions about margin calls and account balances, and one customer told NFA that Nelson was his contact person at Long Leaf.

91. By reason of the foregoing acts and omissions, Long Leaf is charged with violations of NFA Bylaw 301(b) and NFA Compliance Rule 2-4.

COUNT IV

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

92. The allegations contained in paragraphs 1 through 43 and 49, and Counts I through III are realleged as paragraph 92.

93. Long Leaf fell far short in terms of fulfilling its supervisory obligations. Long Leaf permitted its brokers to solicit customers using misleading and deficient sales solicitations. After Long Leaf brokers lured customers to open accounts, the firm subjected them to an abusive trading strategy geared more towards generating commission revenue for Long Leaf, Donelson and the firm's employees, to the detriment of customers. In addition, Long Leaf exercised discretion over customer accounts without written authorization and permitted Donelson and Nelson to each act as an AP of the firm without registration.

94. Donelson also fell far short in terms of fulfilling his supervisory obligations. Before purchasing Long Leaf in December 2017, Donelson was never registered with the CFTC in any capacity, including as an AP, and had limited options trading experience. When he purchased Long Leaf, Donelson became the firm's president and responsible for overseeing Long Leaf's operations and employees. Donelson is also the architect of the firm's trading strategy and the individual chiefly responsible for all of the deficiencies at Long Leaf. Although Donelson did not become an AP of the firm and NFA Associate until June 2018, after he became an AP and NFA Associate, Donelson failed to properly supervise the firm and its agents to ensure compliance with NFA Requirements.

95. By reason of the foregoing acts and omissions, Long Leaf is charged with violations of NFA Compliance Rule 2-9(a) and Donelson is charged with violations of NFA Compliance Rule 2-9(a) for his conduct after becoming an NFA Associate on June 14, 2018.

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.

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
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.

Under CFTC Regulation 1.63, penalties imposed with respect to 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 defined in CFTC Regulation 1.63.

NATIONAL FUTURES ASSOCIATION
BUSINESS CONDUCT COMMITTEE

Dated: 02/04/2020

By: Chairperson

m/cxc/Complaints/Long Leaf, et al Complaint