

UNITED STATES OF AMERICA
Before the
COMMODITY FUTURES TRADING COMMISSION

In the Matter of)	CFTC Docket No. 01-24
ALFRED A. L. GLADSTONE,)	ORDER MAKING FINDINGS AND
Respondent.)	IMPOSING REMEDIAL SANCTIONS
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)	

I.

On September 4, 2001, the Commodity Futures Trading Commission (“Commission”) issued a Complaint and Notice of Hearing against Alfred Gladstone (“Gladstone”). The Complaint charges that Gladstone violated Section 4c(b) of the Commodity Exchange Act, as amended (“Act”), 7 U.S.C. § 6c(b) (1994), and Section 33.10 of the Commission’s Regulations, 17 C.F.R. § 33.10 (2001) (“Regulations”).

II.

Gladstone has submitted an Offer of Settlement (“Offer”) that the Commission has determined to accept. Gladstone acknowledges service of this Order Making Findings and Imposing Remedial Sanctions (“Order”). Gladstone, without admitting or denying the findings of fact or conclusions of law herein, consents to the use of the findings contained in this Order in this proceeding and in any other proceeding brought by the Commission or to which the Commission is a party.¹

A. SUMMARY

From approximately January 1998 to May 2000, Gladstone, an associated person (“AP”) and principal at FSG International, Inc. (“FSGI”), registered introducing broker (“IB”), solicited prospective customers to open accounts to trade options on commodity futures contracts (“commodity options”) and solicited customers to purchase additional commodity options. Gladstone fraudulently solicited these customers and prospective customers (collectively “customers”) to purchase commodity options by knowingly

¹ Gladstone does not consent to the use of the Offer or this Order, or the findings consented to in the Offer as entered in this Order, as the sole basis for any other proceeding brought by the Commission other than a proceeding brought to enforce the terms of this order. Nor does he consent to the use of the Offer or this Order, or the findings consented to in the Offer as entered in this Order, by any other party in any other proceeding. The findings made in this Order are not binding on any other person or entity named as a defendant or respondent in this or any other proceeding.

misrepresenting, and failing to disclose, material facts concerning, among other things: (i) the likelihood that a customer would realize large profits from commodity options trading; (ii) the risk involved in trading commodity options; and (iii) the performance record of Gladstone's customers. From 1998 to 2000, over ninety-nine percent (99%) of Gladstone's customer accounts suffered net losses, and only one customer account made a profit.

B. RESPONDENT

Alfred Albert Louis Gladstone, whose address is 23634 Aetna Street, Woodland Hills, CA 91367, was registered with FSGI as an AP from August 1996 to May 2000, listed as a principal from October 1997 to December 1998, and listed as a branch manager from July 1999 to May 2000. Gladstone has most recently been registered with Ivy Financial as an AP from March 2000 to March 2001, and listed as a principal from March 2000 to March 2001. Gladstone is not currently registered with the Commission in any capacity.

C. FACTS

From approximately January 1998 to May 2000, Gladstone solicited customers to open accounts to trade commodity options and solicited customers who had accounts to purchase additional commodity options. Gladstone solicited his own customers, as well as virtually every new customer who invested with the FSGI's Los Angeles office. Gladstone instructed other APs in the office to introduce him to each new customer as a vice-president of the firm who was working out of that particular office for a short period of time and had taken a special interest in that customer's account. After being introduced, Gladstone would attempt to solicit the customer to purchase additional commodity options. In order to induce customers to invest, Gladstone frequently: (1) made exaggerated claims of profit potential; (2) minimized the risk involved in trading commodity options; and (3) overstated his track record trading commodity options for other customers.

Gladstone routinely promised customers large and certain profits in a short period of time. Gladstone assured customers, for example, that: (1) the purchase of commodity options from him was "a can't miss"; (2) the recommended trade was "a sure bet," "a sure thing," "a real winner"; (3) they could easily triple their investment; (4) the customer would not complain when the trade made a profit of \$500,000; (5) they could make over \$40,000 in two months; (6) an \$18,000 investment would return over \$150,000 in profits. After leaving FSGI, and going to Ivy Financial, Gladstone continued to make exaggerated claims of profit potential. He told one customer, for example, that he was recommending the "trade of a lifetime" that would make the customer "a lot of money." When the customer indicated to Gladstone that he needed approximately \$56,000 for a special project, Gladstone replied, "I can make you that \$56,000 and more."

Gladstone routinely minimized the risk inherent in the purchase of commodity options. For example, when Gladstone's customers asked about the risk involved in

trading he would simply tell them to trust him, he knew what he was doing, and that they were going to make money based on his “sound advice.” When discussing the risk involved in a potential trade he was recommending, Gladstone told one customer that there was “no way this [the recommended trade] can go sour.”

Even when Gladstone acknowledged potential risk, he generally suggested that losses were a mere theoretical possibility that were unlikely to happen to his customers. When explaining the risk involved in trading commodity options, Gladstone told at least one customer that 90% of people who invest in commodities lose their money while the other 10% of people who invest in commodities “make big bucks.” Gladstone assured at least one of his customers that they would be among the 10% of investors that made “big bucks.”

Gladstone routinely misrepresented his performance record to customers. For example, Gladstone told prospective customers that: (1) all his customers were making money; and (2) he made his customers “lots of money” trading commodity options. Gladstone told at least one customer that he had made millions of dollars for his customers, many of whom allegedly were investing \$100,000 at a time with him. These representations were false. Gladstone’s customers entered into commodity option trades that seldom, if ever, made profits. Nearly all of Gladstone’s customers lost money on their trading as a whole.

IV. LEGAL DISCUSSION

A. Gladstone Violated Section 4c(b) of the Act and Regulation 33.10

1. The Legal Standard

Section 4c(b) of the Act and Commission Regulation 33.10 make it unlawful to cheat, defraud or deceive, or attempt to cheat, defraud, or deceive any person in or in connection with an offer to enter into, the entry into, the confirmation of the execution of, or the maintenance of, exchange-traded commodity option transactions. Under these provisions, liability for solicitation fraud involving options is established when a person or entity is found to have made misleading statements of, or omitted to disclose, material facts with *scienter*. See In re Staryk, [1996-1998 Transfer Binder] Comm. Fut. L. Rep. (CCH) ¶ 27,206 at 45,810 (CFTC Dec. 18, 1997) (*scienter* is a necessary element of options as well as futures fraud); see also Hammond v. Smith Barney, Harris Upham & Co., [1987-1990 Transfer Binder] Comm. Fut. L. Rep. (CCH) ¶ 24,617 at 36,657-36,659 (CFTC March 1, 1990) (*scienter* is a necessary element to establish futures fraud).

A statement is material if it is substantially likely that a reasonable investor would consider the matter important in making an investment decision. Sudol v. Shearson Loeb Rhoades Inc., [1984-1986 Transfer Binder] Comm. Fut. L. Rep. (CCH) ¶ 22,748 at 31,119 (CFTC Sept. 30, 1985).

Scienter requires proof that the respondent committed the alleged wrongful acts “intentionally or with reckless disregard for his duties under the Act.” Hammond, *supra*, at 36,659.

2. Gladstone’s Misrepresentations and Omissions

a. Gladstone Fraudulently Exaggerated the Profit Potential and Downplayed the Risk of Trading Options on Futures Contracts

In his solicitations, Gladstone made repeated misrepresentations touting the tremendous profit potential of the commodity options he recommended. In doing so, Gladstone misrepresented the likelihood of customers profiting from the purchase of commodity options, and routinely failed to disclose adequately the risk of loss inherent in the purchase of commodity options. Occasional references to risk were nullified by Gladstone’s high-pressure sales tactics and misrepresentations and omissions which falsely conveyed that while losses on commodity options were theoretically possible, purchasing commodity options with him was virtually risk free.

It is well established that promises of large and certain profits, like the promises made by Gladstone in his solicitations, are fraudulent. Munnell v. Paine Webber Jackson Curtis [1984-1986 Transfer Binder] Comm. Fut. L. Rep. (CCH) ¶ 23,313, at 32,863 (CFTC Oct. 8, 1986) (statements that an investor could conservatively expect a profit of 32% per year amount to a guarantee of profitability and are inherently fraudulent). Linking disclosure of risks to representations of virtually certain profits, as Gladstone did, also is fraudulent. *See* CFTC v. Commonwealth Financial Group, 874 F. Supp. 1345, 1353 (S.D. Fla. 1994) (combining claims that risks are subject to certain limitations, with “predictions of profit [that] exceeded mere optimism” violated § 4c(b) of the Act and § 33.10 of the Regulations); Levine v. Refco, Inc., [1987-1990 Transfer Binder] Comm. Fut. L. Rep. (CCH) ¶ 24,488 at 36,115 (CFTC July 11, 1989) (“bold predictions of significant profit coupled with claims that risks are subject to certain limitations amount to the type of guarantee of profits” that are prohibited); Keller v. First National Monetary Corp., [1984-1986 Transfer Binder] Comm. Fut. L. Rep. (CCH) ¶ 22,402 at 29,823 (CFTC Oct. 22, 1984) (“statements that lead investors to believe that a particular investment is risk free and will almost certainly yield a profit are not protected from claims of fraud simply because the broker has made pro forma disclosure of risk”). Gladstone’s representations concerning profit potential and the risks of trading commodity options were, thus, fraudulent.

b. Gladstone Fraudulently Overstated his Performance Record for Customers Trading Options on Futures Contracts

Gladstone made fraudulent representations regarding his performance record for customers. CFTC v. Commonwealth, 874 F. Supp. at 353-54 (misrepresentations regarding the trading record and experience of a firm or broker are fraudulent because past success and experience are material factors to reasonable investors). Gladstone’s

customers did not make anywhere near the profits he touted in his solicitations. Contrary to his claims of successful options trading, over 99% of Gladstone's customers suffered net losses.

c. Gladstone's Misrepresentations and Omissions were Material

A statement or omitted fact is material if it is substantially likely that a reasonable investor would consider the matter important in making an investment decision. In re Citadel Trading Co., [1986-1987 Transfer Binder] Comm. Fut. L. Rep. (CCH) ¶ 23082 (CFTC May 23, 1986). See R&W Tech. Serv., Ltd. v. Commodity Futures Trading Commission, 205 F.3d 165, 170 (5th Cir. 2000) ("[B]ecause extravagant claims understate the inherent risks in commodities trading, a reasonable investor would find [such] fraudulent misrepresentations to be material"); In re JCC, Inc., [1992-1994 Transfer Binder] Comm. Fut. L. Rep. (CCH) ¶ 26,080 at 41,576 n.23 (CFTC May 12, 1994) ("When the language of a solicitation obscures the important distinction between the possibility of substantial profit and the probability that it will be earned, it is likely to be materially misleading to customers"); CFTC v. British Am. Commodity Options Corp., [1977-1980 Transfer Binder] Comm Fut. L. Rep. (CCH) ¶ 20,662, at 22,701 (S.D.N.Y. 1978) ("[U]nsupported and unreasonable predictions [of price shifts] unmistakably implied the near-certainty of sizeable and immediate returns, and were thus materially misleading to potential investors"); CFTC v. Commonwealth, 874 F. Supp. at 353-54. The misstatements and omissions regarding profit potential, risk of loss, and performance record by Gladstone were material because a reasonable investor would have relied on these statements in determining whether to invest in the commodities markets with Gladstone.

d. Gladstone Acted with *Scienter*

Gladstone was well aware that his customers did not make anywhere near the profits he represented in his solicitations and that the profit claims he made were false and misleading. Gladstone controlled the Los Angeles office of FSGI in which he worked and spoke to every client that had an account and reviewed each customer's daily equity run. Therefore, Gladstone had to be aware that almost all of his customers lost money. Thus, Gladstone knew that the trading results of his customers belied his boasts of tremendous profit potential with only modest risk of loss. In short, when Gladstone made sales solicitations, he knew that few customers had made anywhere near the profits he was claiming. At a minimum, he made the material misrepresentations with reckless disregard for their truth or falsity, and therefore acted with *scienter*.

IV. OFFER OF SETTLEMENT

Gladstone has submitted an Offer of Settlement in which, without admitting or denying the findings herein, he acknowledges service of the Complaint and receipt of this Order and admits the jurisdiction of the Commission with respect to the matters set forth in the Complaint and this Order; and waives: a hearing, all post-hearing procedures,

judicial review by any court, any objection to the staff's participation in the Commission's consideration of the Offer, any claim of double jeopardy based upon the institution of this proceeding or the entry in this proceeding of any order imposing a civil monetary penalty or any other relief, and all claims which he may possess under the Equal Access to Justice Act, 5 U.S.C. § 504 (1994) and 28 U.S.C. § 2412 (1994), as amended by Pub. L. No. 104-121, §§ 231-32, 110 Stat. 862-63, and Part 148 of the Commission Regulations, 17 C.F.R. §§ 148.1, et seq. (2001), relating to, or arising from this action.

Gladstone stipulates that the record basis on which this Order is entered consists solely of the Complaint and findings in this Order, the entry of which he has consented to in the Offer. He consents to the Commission's issuance of this Order, which makes findings, as set forth herein, and orders that: (1) Gladstone cease and desist from violating the provisions of the Act and Regulations that he has been found to have violated; (2) Gladstone pay restitution in an amount of up to \$51,092, plus prejudgment interest of \$9,966.92, pursuant to a ten year payment plan as provided below; (3) Gladstone pay a contingent civil monetary penalty of up to \$110,000 pursuant to a ten year payment plan as provided below; and (4) Gladstone comply with his undertakings as set forth in the Offer and incorporated in this Order including, but not limited to: (a) never to apply for registration or seek exemption from registration with the Commission in any capacity, except as provided for in Regulation 4.14(a)(9), and never to engage in any activity requiring registration or exemption from registration, unless such exemption is pursuant to Regulation 4.14(a)(9), and (b) not to take any action or make any public statement denying, directly or indirectly, any allegation in the Complaint or finding or conclusion in this Order or creating, or tending to create, the impression that the Complaint or this Order is without a factual basis.

V.

FINDING OF VIOLATIONS

Solely on the basis of Gladstone's consent, as evidenced by the Offer, and prior to any adjudication on the merits, the Commission finds that Gladstone violated Section 4c(b) of the Act, 7 U.S.C. § 6c(b), and Section 33.10 of the Commission's Regulations, 17 C.F.R. § 33.10.

VI.

ORDER

Accordingly, it is hereby ordered that:

1. Gladstone shall cease and desist from violating Section 4c(b) of the Act, 7 U.S.C. § 6c(b), and Section 33.10 of the Commission's Regulations, 17 C.F.R. § 33.10.

2. Gladstone shall pay restitution in an amount of up to \$51,092, plus prejudgment interest of \$9,966.92, pursuant to a payment plan as provided below, to those persons identified as investors and listed in Attachment A to the Offer. Gladstone shall make annual restitution payments, as calculated under the payment plan set forth in paragraph 4, below, to an account designated by a monitor designated by the Commission (the "Monitor")² on or before July 31 of each calendar year (the "Annual Restitution Payment"), starting in calendar year 2003 and continuing for ten years³ (or until full restitution is made, if that happens first). Such funds shall be distributed annually as restitution payments to those persons identified in Attachment A, in the amounts calculated by the Monitor, unless, based upon the amount of funds available for distribution, the Monitor decides to defer distribution. Provided, however, that if Gladstone can verify to the Monitor's satisfaction that he has made payments to any of his customers listed on Attachment A to his Offer separate from the Annual Restitution Payment, Gladstone's overall restitution obligation to that customer will be reduced by the amount of such separate payments. However, Gladstone's Annual Restitution Payment will not be reduced by such separate payments and will continue until ten years have passed or full restitution is made, whichever happens first. If, at any time during the ten year period, the Annual Restitution Payment completely satisfies Gladstone's restitution plus prejudgment interest obligations, any remaining amount of the Annual Restitution Payment as calculated under the annual payment plan set forth in paragraph 4, below, shall be applied immediately to payment of the contingent civil monetary penalty set forth in paragraph 3, below. If, at the end of the ten year payment period or upon full restitution being made or otherwise discharged, if that happens first, any of the Annual Restitution Payments have not been distributed, the Monitor shall either distribute the funds in the account or make a recommendation to the Commission that the funds instead be paid and applied as a payment on Gladstone's civil monetary penalty obligation, as provided in paragraph 3 below. In the event that the Commission rejects the Monitor's recommendation, the funds shall be distributed as restitution;

3. Gladstone to pay a contingent civil monetary penalty ("CMP") in an amount of up to \$110,000, pursuant to a payment plan, as provided below, commencing upon Gladstone's fulfillment or discharge of his restitution obligation as set forth in

² Gladstone agrees that the National Futures Association is hereby designated as the Monitor for a period of ten years commencing from January 1, 2002. Notice to the Monitor shall be made to Daniel A. Driscoll, Esq., Executive Vice President, and Compliance Officer, or his successor, at the following address: National Futures Association, 200 West Madison Street, Chicago, IL 60606. For ten years, based on the information contained in Gladstone's sworn financial statements, tax returns and the other financial statements and records provided to the Monitor, the Monitor shall calculate the total amount of restitution or civil monetary penalty to be paid by Gladstone for the year and the specific amounts of restitution payable to each person listed in Attachment A. On or before June 30 of each year and starting in calendar year 2002 and concluding in calendar year 2011, the Monitor shall also send written notice to Gladstone with instructions to pay by no later than July 31 of the following year the amount of restitution to an account designated by the Monitor, or, if Gladstone's restitution obligation has been satisfied, the amount of civil monetary penalty to be paid in accordance with the payment instructions provided above in paragraph 4.

³ Gladstone's ten year restitution period shall run from January 1, 2002 through December 31, 2011. Restitution payments for a calendar year shall take place by July 31 of the following year. Therefore, the final restitution payment for the year 2011 will occur on or before July 31, 2012.

paragraph 2 above. Gladstone shall make an annual civil monetary penalty payment (“Annual CMP Payment”), as calculated under the payment plan set forth in paragraph 4 below, following Gladstone’s satisfaction of his restitution obligation, and continuing until July 31, 2012 (or until the civil monetary penalty is paid in full, if that happens first). Gladstone shall make each Annual CMP Payment by electronic funds transfer, or by U.S. postal money order, certified check, bank cashier’s check, or bank money order, made payable to Commodity Futures Trading Commission, and sent to Dennese Posey, or her successor, Division of Trading and Markets, Commodity Futures trading Commission, Three Lafayette Centre, 1155 21st Street, N.W., Washington, D.C. 20581, under cover letter that identifies Gladstone and the name and docket number of the proceeding; Gladstone shall simultaneously transmit a copy of the cover letter and the form of payment to the Monitor; and to the Director, Division of Enforcement Commodity Futures trading Commission, Three Lafayette Centre, 1155 21st Street, N.W., Washington, D.C. 20581;

4. The amount of Gladstone’s Annual Restitution or CMP Payment shall consist of a portion of: (1) the adjusted gross income (as defined by the Internal Revenue Code) earned or received by Gladstone during the course of the preceding calendar year; plus (2) all other net cash receipts, net cash entitlements or net proceeds of non-cash assets received by Gladstone during the course of the preceding calendar year. The Annual Restitution or CMP Payment will be determined as follows:

Where Adjusted Gross Income plus Net Cash Receipts Total:	Percent of Total to be paid by Gladstone is:
Up to \$25,000	0%
\$25,000 - \$50,000	20% of the amount above \$25,000
\$50,000- \$100,000	20% of the amount between \$25,000 and \$50,000 plus 30% of the amount between \$50,000 and \$100,000
Above-\$100,000	20% of the amount between \$25,000 and \$50,000 plus 30% of the amount between \$50,000 and \$100,000 plus 40% of the amount over \$100,000;

5. In the event that Gladstone does not make payments as directed in paragraph 4, above, the Commission may bring a proceeding or an action to enforce compliance with this Order and at its option may seek payment of the unpaid Annual Restitution or CMP payment(s) or immediate payment of the entire amount of the restitution or civil monetary penalty. The only issue Gladstone may raise in defense of such enforcement action is whether Gladstone has made the Annual Restitution or CMP Payment(s) as directed by the Monitor. Any action or proceeding brought by the

Commission compelling payment of the Restitution or Annual CMP Payments, due and owing pursuant to paragraph 4, above, or any portion thereof, or any acceptance by the Commission of partial payment of the Annual Restitution or CMP Payments made by Gladstone, shall not be deemed a waiver of Gladstone's obligation to make further payments pursuant to the payment plan, or a waiver of the Commission's right to seek to compel payment of the remaining balance of the restitution or civil monetary penalty assessed against Gladstone.

6. The Commission notes that an order requiring immediate payment of restitution and the civil monetary penalty against Gladstone would be appropriate in this case, but does not impose it based upon Gladstone's financial condition. Gladstone acknowledges that the Commission's acceptance of the Offer is conditioned upon the accuracy and completeness of the sworn Financial Statement Gladstone has provided regarding his financial condition. Gladstone consents that if at any time following entry of this Order the Division of Enforcement ("Division") of the Commission obtains information indicating that Gladstone's representations concerning his financial condition were fraudulent, misleading, inaccurate or incomplete in any material respect at the time they were made, the Division may, at any time following the entry of this Order, petition the Commission to: (1) reopen this matter to consider whether Gladstone provided accurate and complete financial information at the time such representations were made; (2) require immediate payment of the full amount of the restitution and civil monetary penalty required in paragraphs 2 and 3 above; and (3) seek any additional remedies that the Commission would be authorized to impose in this proceeding if Gladstone's Offer had not been accepted. No other issues shall be considered in connection with this petition other than whether the financial information provided by Gladstone was fraudulent, misleading, inaccurate or incomplete in any material respect, and whether any additional remedies should be imposed. Gladstone may not, by way of defense to any such petition concerning the financial information provided by him, contest the validity of or, or the findings in, this Order, assert that payment of a civil monetary penalty should not be ordered, or contest the amount of the restitution or civil monetary penalty to be paid. If in such proceeding, the Division petitions for, and the Commission orders, immediate payment of less than the full amount of restitution and the civil monetary penalty, such petition shall not be deemed a waiver of Gladstone's obligation to pay the remaining balance of the restitution and civil monetary penalty assessed against him, pursuant to the payment plan; and

7. Gladstone shall comply with the following undertakings as set forth in his Offer:

A. Reporting/Disclosure Requirements to be Reviewed by Monitor

Gladstone shall provide his sworn financial statement, CFTC Form 177, to the Monitor on June 30 and December 31 of each calendar year, starting on June 30, 2002, and continuing through and including June 30, 2012. The financial statement shall provide:

1. a true and complete itemization of all of Gladstone's rights, title and interest in (or claimed in) any asset, wherever, however and by whomever held;
2. an itemization, description and explanation of all transfers of assets with a value of \$1,000 or more made by or on behalf of Gladstone over the preceding six-month interval; and
3. a detailed description of the source and amount of all of Gladstone's income or earnings, however generated.

Gladstone shall also provide the Monitor with complete copies of his signed, individual or joint federal income tax return, including all schedules and attachments thereto (e.g., IRS Forms W-2 and Forms 1099), as well as any filings he is required to submit to any state tax or revenue authority, on or before June 30 of each calendar year or as soon thereafter as the same are filed. In the event Gladstone moves his residence at any time, he shall provide written notice of his new address to the Monitor and the Commission within ten (10) calendar days thereof.

If, during the same time period, Gladstone elects to file a joint tax return, he shall provide all documents called for by this paragraph, including the signed and filed joint tax return, plus a draft individual tax return prepared on IRS Form 1040 containing a certification by a licensed certified public accountant that the "Income" section (currently lines 7-22 of Form 1040) truly, accurately and completely reflects all of Gladstone's income, that the "Adjusted Gross Income" section truly, accurately and completely identifies all deductions that Gladstone has a right to claim, and that the deductions contained in the "Adjusted Gross Income" section are equal to or less than 50% of the deductions that Gladstone is entitled to claim on the joint tax return; provided however that Gladstone may claim 100% of the deductions contained in the "Adjusted Gross Income" section that are solely his. Such individual tax return shall include all schedules and attachments thereto (e.g., IRS Forms W-2) and Forms 1099, as well as any filing required to be submitted to any state tax or revenue authority.

B. Cooperation

Gladstone shall cooperate fully and expeditiously with the Monitor and the Commission in carrying out all aspects of his Annual Payment, including providing sworn testimony, in explaining his financial income and earnings, status of assets, financial statements, asset transfers, tax returns, and shall provide any information concerning himself as may be required by the Commission. Furthermore, Gladstone shall provide such additional information and documents with respect thereto as may be requested by the Monitor or the Commission.

C. Fraudulent Transfers

Gladstone shall not transfer or cause others to transfer funds or other property to the custody, possession, or control of any member of the Gladstone family or any other

person for the purpose of concealing such funds or property from the Monitor or the Commission.

D. Registration With The Commission

Gladstone shall never apply for registration or claim exemption from registration with the Commission in any capacity, and shall never engage in any activity requiring registration or exemption from registration, except as provided for in Section 4.14(a)(9) of the Commission Regulations, 17 C.F.R. § 4.14(a)(9); or act as a principal, agent or officer of any person registered, exempted from registration or required to be registered with the Commission, unless such exemption is pursuant to Section 4.14(a)(9) of the Commission Regulations, 17 C.F.R. § 4.14(a)(9); and Gladstone shall not, beginning on the date of the Order:

1. directly or indirectly act as a principal, partner, officer, or branch office manager of any entity registered or required to be registered with the Commission; or
2. directly or indirectly act in any supervisory capacity over anyone registered or required to be registered with the Commission.

E. Gladstone agrees that neither he nor any of his agents or employees under his authority or control shall take any action or make any public statement denying, directly or indirectly, any allegation in the Complaint or finding or conclusion in the Order or creating, or tending to create, the impression that the Complaint or the Order is without a factual basis; provided, however, that nothing in this provision affects Gladstone's: (i) testimonial obligations; or (ii) right to take legal positions in other proceedings to which the Commission is not a party. Gladstone will undertake all steps necessary to assure that all of his agents and employees under his authority or control understand and comply with this agreement.

Unless otherwise specified, the provisions of this Order shall be effective on this date.

By the Commission.

Jean A. Webb
Secretary to the Commodity Futures
Trading Commission

Date: March 19, 2002