

**IN THE UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF ILLINOIS**

COMMODITY FUTURES TRADING
COMMISSION,

Plaintiff,

v.

PHILLIP GALLES, TYCHE ASSET
MANAGEMENT LLC, TYCHE MASTER
FUND LTD, TYCHE ASSET TRADE LLC,
TYCHE OFFSHORE FUND LTD., TYCHE
ONSHORE FUND LP, TYCHE PML
MASTER FUND LTD., TYCHE PML
ONSHORE FUND L, TYCKE ONSHORE
FUND GP LLC, and TYCHE ASSET
TRADE LLC,

Defendants.

Hon. Elaine E. Bucklo

Case No.: 1:23-cv-029770

**ORDER FOR FINAL JUDGMENT BY DEFAULT, PERMANENT INJUNCTION, CIVIL
MONETARY PENALTIES, AND OTHER STATUTORY AND EQUITABLE RELIEF**

On May 11, 2023, the Commodity Futures Trading Commission (“CFTC” or “Commission” or “Plaintiff”) filed a Complaint charging Defendants Phillip Galles (“Galles”), Tyche Asset Management LLC, Tyche Master Fund Ltd, Tyche Asset Trade LLC, Tyche Offshore Fund Ltd., Tyche Onshore Fund LP, Tyche PML Master Fund Ltd, Tyche PML Onshore Fund LP, and Tyche Onshore Fund GP, LLC (collectively “Defendants,” and when the entity defendants are described separately, they are referred to as the “Tyche entity defendants” or “Tyche”) with violating Sections 4b(a)(2)(A)-(C), 4o(1)(A)-(B), 6(c)(1), and 9(a)(4) of the Commodity Exchange Act (“Act”), 7 U.S.C. §§ 6b(a)(2)(A)-(C), 6o(1)(A)-(B), 9(1), and 13(a)(4), and Commission Regulations (“Regulations”) 180.1(a)(1)-(3) and 4.20(a)-(c), 17 C.F.R. Pts. 180.1(a)(1)-(3) and 4.20(a)-(c) (2022).

On July 7, 2023, Defendants were properly served with the summons and Complaint pursuant to the Court's Order granting Plaintiff's Motion for an Order Allowing Service Upon Defendants by Alternative Means (Dkt. No. 9) by (1) sending the Summons and Complaint via ordinary mail, no signature required, to Galles at his residence; (2) sending the Summons and Complaint by email to Galles' personal email account; and (3) leaving copies of the Summons and Complaint posted on or at the doorstep of the door to Galles' residence.

Defendants have failed to appear or answer the Complaint within the time permitted by Fed. R. Civ. P. 12(a)(1). The Commission filed a motion for entry of a clerk's default against Defendants, and on October 5, 2023, the Court entered a default pursuant to Federal Rule of Civil Procedure 55(a) against Defendants. (Dkt. No. 16.)

The Commission has moved this Court to grant final judgment by default against Defendants, including permanent injunctive relief, the imposition of a restitution obligation, and the imposition of a civil monetary penalty.

The Court has carefully considered the Complaint, the allegations of which are well-pleaded and hereby taken as true, the Commission's memorandum in support of its motion for default judgment, the affidavit of CFTC Investigator Joseph Patrick submitted in support of the motion, and the record in this case. The Court being advised in the premises, it is hereby:

ORDERED that the Plaintiff's Motion for Final Judgment by Default, Permanent Injunction, Civil Monetary Penalties, and Other Statutory and Equitable Relief against Defendants is **GRANTED**. Accordingly, the Court enters findings of fact, conclusions of law, and an Order of Final Judgment by Default for Permanent Injunction, Civil Monetary Penalties, and Other Statutory and Equitable Relief ("Order") pursuant to Section 6c of the Act, 7 U.S.C. § 13a-1, as set forth herein.

I. FINDINGS OF FACT

A. The Parties

1. Plaintiff Commodity Futures Trading Commission is an independent federal regulatory agency that is charged by Congress with administering and enforcing the Act, 7 U.S.C. §§ 1–26, and the Regulations promulgated thereunder, 17 C.F.R. pts. 1–190 (2022).

2. Defendant Phillip Galles resides in Chicago, Illinois and during the relevant period described by the Complaint of October 2019 to May 2023 (the “Relevant Period”), was a principal and owner of the Tyche entity defendants. Galles was registered with the National Futures Association (“NFA”), the self-regulatory organization for the U.S. derivatives industry, as an Associated Person (“AP”) of Tyche Asset Management LLC, a CFTC-registered Commodity Pool Operator (“CPO”).

3. Defendant Tyche Asset Management LLC is a Delaware limited liability company organized in October 2019 that maintained offices at One North Wacker Drive and One South Dearborn Street in Chicago, Illinois. Tyche Asset Management LLC has been registered with the CFTC as a CPO since March 1, 2021.

4. Tyche Master Fund Ltd is a company established in the Cayman Islands with its principal place of business in Chicago, Illinois. According to Defendants’ filings with NFA, Tyche Master Fund Ltd is a “Master fund (a pool in which its only participants are other pools operated by the same for or an affiliate).” Galles opened at least two trading accounts in the name of Tyche Master Fund Ltd at CFTC-registered Futures Commission Merchants (“FCMs”).

5. Tyche Offshore Fund Ltd is a company established in the Cayman Islands with its principal place of business in Chicago, Illinois. According to a private placement memorandum

provided by Galles to a registered FCM, this entity “is a collective investment vehicle organized and managed by Tyche Asset Management, LLC.”

6. Tyche Onshore Fund, LP is a Delaware limited partnership with its principal place of business in Chicago, Illinois. According to a private placement memorandum provided by Galles to a registered FCM, this entity is a “feeder fund” into Tyche Master Fund Ltd, with an investment objective of seeking “superior risk-adjusted rates of return with no significant correlation to any major market index” through the purchase and sale of “futures contracts, options on futures contracts, derivatives, securities, options on securities, foreign exchange contracts, and other financial instruments on domestic and international exchanges and markets.” The “investment manager” of the fund is Tyche Asset Management LLC.

7. Tyche PML Master Fund Ltd is a company established in the Cayman Islands with its principal place of business in Chicago, Illinois. According to a private placement memorandum Tyche filed with NFA, this fund is a “master” fund commodity pool under the management of Galles and Tyche Asset Management LLC.

8. Tyche PML Onshore Fund LP is a Delaware limited partnership with its principal place of business in Chicago, Illinois. According to a private placement memorandum Tyche filed with NFA, this fund is a “feeder” fund into Tyche PML Master Fund, Ltd, with Tyche Asset Management LLC functioning as the “Investment Manager” of both, and Tyche Onshore Fund GP LLC being the fund’s “General Partner.”

9. Tyche Onshore Fund GP, LLC is a Delaware limited liability company with its principal place of business in Chicago, Illinois. It is the “general partner” of Tyche PML Onshore Fund LP.

10. Tyche Asset Trade LLC is a Delaware limited liability company with its primary place of business in Chicago, Illinois. In a private placement memorandum Galles provided to a CFTC-registered FCM, Tyche Asset Trade LLC was described as a “proprietary trading firm” affiliated with Tyche Asset Management LLC. Galles solicited several participants to execute an “investment agreement” with Tyche Asset Trade LLC, with Galles purportedly acting as the “investment manager.”

11. During the Relevant Period, the Tyche entity defendants shared a single website: tycheam.com. Despite being incorporated or organized in various jurisdictions, the Tyche entity defendants’ business operations were all conducted from the same offices and through the same employees. Galles commingled funds received from participants in various Tyche entity bank and trading accounts for the various Tyche entities. There was no operational distinction between the entities in the overall Tyche business scheme. Galles controlled the operations of the Tyche entity defendants, including their financial activity in bank and trading accounts.

B. Overview of the Tyche Scheme

12. Galles received at least \$6 million from approximately 50 individuals throughout the United States since October 2019 to invest with the Tyche entity defendants. Galles described Tyche to prospective participants as a “managed futures” fund that traded futures and options contracts on the Chicago Board of Trade and Chicago Mercantile Exchange.

13. Galles claimed he was a billionaire hedge-fund magnate who oversaw Tyche’s sprawling trading operation, which he claimed had more than 100 employees based in offices in Chicago, Miami, London, and other locations. Galles further claimed to employ sophisticated technology and strategies that generated returns in excess of 200% in recent years trading commodity futures and options. All of these claims were false.

14. Galles told prospective participants of the depth of his experience and expertise trading commodities. He claimed to be the valedictorian of a prestigious U.S. university. He touted his past success as a manager of a hedge fund based in Bermuda, where he supposedly was responsible for managing a portfolio worth billions of dollars. He claimed to have sold a previous fund before launching Tyche in 2019 after awaiting the expiration of a non-compete agreement. All of these claims were false.

15. Galles also used Tyche's status as an entity registered with the CFTC to deceive participants into depositing funds with Tyche.

16. Galles filed documents with NFA to register Tyche Asset Management LLC as a CPO. In filings with NFA, Galles represented that this entity would – in the future – be responsible for operating numerous commodity pools. In his applications and in all subsequent filings, Galles represented that the Tyche funds were not currently active, and he and Tyche were not actively soliciting participants.

17. Galles bolstered his pitch to prospective participants by cultivating an image of personal wealth and sophistication. For example, in public posts to his “phillip_g724” and “tradeitup” Instagram accounts, Galles:

- a. boasted about his luxury car collection that supposedly included multiple Lamborghinis and Ferraris;
- b. bragged about his luxury homes in Miami, Chicago and Palm Beach;
- c. described his high-end watch collection alongside photos of Rolex and Longines watches;
- d. claimed to be hanging art by Picasso and Chagall in one of his homes; and
- e. touted the opening of Tyche offices in Chicago, Miami and London.

18. Galles' claims about his personal and business success were false. In fact, since he first opened a bank account in the name of a Tyche entity in 2019, Galles used almost none of the funds he received from participants to place any trades. Instead, Galles used the money he received into Tyche bank accounts from the participants he solicited (or hired others to solicit for him) to fund his lavish lifestyle and to further promote his fabricated image of a hedge fund magnate.

C. Galles' Fabricated Tyche Operations, Trading Strategies, and Investment Returns

19. Galles made a grandiose pitch to prospective participants. In a "Fire Side Chat" interview video posted to Youtube in January of 2021, Galles advertised his Tyche fund. During this public interview, Galles echoed false and misleading statements that he also made directly to prospective participants. Galles made false claims, including that:

- a. Tyche had "in the U.S. \$275 million under management, and \$1.7 billion off shore."
- b. "Last year we had a stellar year, a 238% return."
- c. "I've been in hedge fund industry since 2008. From 2011 to 2018 I was part owner of a company called Peregrine. We were based in Bermuda. We were a \$3 billion hedge fund, and I've been averaging about 22% return every year since 2010. Last year's 238% gain brings that average up to over 44%."
- d. "I've got about 30 employees that work for us, and 15 of them are ex-Goldman employees."
- e. "Everything is based off of algorithms and programmers."
- f. "60% of our trades go through the S&P and NASDAQ. Another 40% are used in currencies and bonds, depending on how we see the market."

- g. “As of next summer we will be a \$5 billion fund, and I just raised \$3 billion from a New York Pension group.”
- h. “I can do up to \$10 billion managed-wise. After that it gets a little too difficult [...] We’re small and nimble [...] I’m trying to stay under the \$10 billion mark.”

20. Galles used a similar pitch in promotional materials provided directly to participants. For example, Galles and Tyche falsely claimed in promotional materials that:

- a. Tyche is “Committed to delivering Prosperity and Fortune to our clients.”
- b. “Tyche was founded in late 2018 after analyzing years of model combinations on Long-Term, Intermediate-Term, Short-Term, High-Frequency & Options strategies coordinated to technically drive as one. This strategy has proven the possibility of generating annual returns of 25%+ each year.”
- c. “Tyche is a new venture whose genesis is the vision of founder Phillip Galles. Galles has 30 years of Stock Options, Futures, Foreign Exchange & Risk Arbitrage experience. Phillip started on the Floors of the CBOT and CBOE as a market maker for Stock Options, Bond Options, Futures, FX Options, and off the floor Risk Arbitrage from 1992-2007. In 2007 Phillip joined the hedge fund world starting at the Pelerine Fund as a FX Forward and FX Options trader. From 2012 to 2019 Phillip joined the Peregrine Fund and became a Senior Asset/Portfolio Manager-Partner and eventual owner of the fund capping off an average return of over 24% every year for that duration. During his time there he developed the use of his highly profitable “Swing Trade” technique which lasts from (1 to 4 day). He also used another profitable

technique called “Medium Term” (30, 60 & 240 minute) along with a short term “High Frequency” strategy. During those years Phillip started using a technically based trading concept working with a combination of Futures and Options. Phillip’s current model is based on many market momentum concepts while still using his own proprietary Short-Term methodology & Swing Trade concepts. Phillip has been a registered CME Member, CBOE & NFA member as well.”

- d. “Tyche’s current strategy is to filter in low-risk entry to gain access at exactly the precise moment to maximize potential gains. After entry, the model is designed to define risk with each additional position and evaluate levels in real time to establish an exit strategy as the market regresses to the mean. We closely monitor open positions to lower our risk, both upside and downside until objectives are achieved.”
- e. “Additionally, our Long-Term Model uses longer time frames seeking Undervalued and Overvalued market extremes. We use Call and Put Options to help with fluctuations before the extremes in the market are generated. This intertwines our short-term approach with our long-term positions. This combination aims to significantly lower the volatility and drawdowns for longer-term positions, while the short-term is actively managed using an intraday strategy. The long-term approach is directional and can be highly correlated together with the short-term.”
- f. “In summary: Our risk management techniques are designed to limit daily drawdowns to 5% of margin. When compounded over time, returns may

outperform the Dow Jones Industrial Average, Nasdaq Composite, and the S&P 500 with less downside volatility. Our non-correlated model-driven approach tempers the downside volatility while aiming to enhance returns during trending markets.”

- g. “Tyche is dedicated to ‘Prosperity and Fortune.’ We have a strategy that focuses on generating consistent income through our proven proprietary trading strategy.”
- h. “We’re continuously grateful for our success, but we are never fully satisfied. Outperformance is our expectation, and our definition of a meaningful Long-Term Investment is one that stretches far beyond a few weeks, months, or years.”

21. Galles also gave prospective participants promotional materials in which he fabricated trading strategies supposedly employed by Tyche. For example, in a presentation provided to one participant, Galles described the purported trading strategies employed by Tyche. Galles described an “Automated Trading Model” with a “Repeatable Strategy.” He claimed that Tyche “continuously evaluates thousands of securities prices for multiple time frames simultaneously.” He went on to describe five “automated trading models looking across 11 different time frames for Futures; S&P500, Nasdaq 100; Treasuries, Crude Oil, Gold and FX.”

- a. “Model 1: Directionally biased Market Making. The algorithms mimic an experienced market maker, but with a speed, accuracy no human trader could achieve, over a number of instruments simultaneously.

- b. Model 2: Algorithmically determined ‘inflection points’ are filtered using order book dynamics/market microstructure analysis to profit from price movements in either direction around these areas.
- c. Model 3: Continuously evaluates thousands of securities prices across multiple time frames simultaneously, referred to as ‘local rotation analysis’ to determine the rotational direction in the market.
- d. Model 4: Complete ‘U’ Rotation. Primarily mean reverting. However, longer term model instances will not trade against a strong trend. Directionally biased market making (short term trading) based on 30 years of historical data.

Repeat?

- e. Model 5: Standard Pattern Recognition algorithm with continual optimization based on years of historical data used to make trading decisions without curve fitting.”

22. In fact, Galles and Tyche placed only a few trades in a futures trading account in the name of a Tyche entity, and those futures trades did not occur until January of 2023, well after Galles claimed to have been employing these purported models.

23. Galles had participants sign agreements with various Tyche entities including Tyche Asset Management LLC and Tyche Asset Trade LLC. Galles and Tyche made misleading statements and misrepresentations in these participant agreements. For example,

- a. “The investment manager undertakes to maintain the funds entrusted to it separate from its own assets and away from the claims of creditors.”
- b. “The Manager performs investment advisory services for various clients and the investment funds (including the Pooled Funds) that it manages.

- c. “The Manager . . . will ensure that all investments and recommendations made on behalf of the Account are suitable for the Client.”

24. Galles and Tyche also provided prospective participants and participants with a fictional trading history for Tyche, and specific, false historic trading results. For example, Tyche promotional materials stated that Tyche had no losing months; that Tyche had a 190.18% rate of return for 2020; a 133.22% rate of return for 2021; and a year-to-date rate of return of 84.51% for 2022 as of July 2022. In another presentation to a different participant, Galles and Tyche claimed that Tyche outperformed the S&P 500 by more than 300% in 2020. In fact, Tyche did not place any trades in any trading account during this time period.

25. Tyche did not place any trades at all in 2020, 2021 or 2022. The only trades placed in a Tyche futures trading account occurred in January and February 2023. And those few futures trades were in an account that first received a deposit of \$25,000 in September of 2022. Most of the funds in that trading account were withdrawn by Tyche in February 2023, after only a few trades.

26. Galles’ and Tyche’s claims of massive profitable trading returns in promotional materials, in verbal statements, and in account statements provided to participants, are false.

D. Galles Misappropriated Tyche Participant Funds

27. Galles used the funds deposited by participants into Tyche’s bank accounts to pay his own personal expenses, to repay certain earlier participants, and to pay expenses designed to make Tyche appear to be a legitimate operation.

28. In general, Galles directed the individuals he solicited to invest with Tyche to deposit their funds into a bank account in the name of Tyche Asset Management LLC.

29. For example, in February of 2021 a participant made an initial investment with Tyche, depositing \$25,000 into a bank account in the name of Tyche Asset Management LLC. Those funds were not transferred to any trading account. Instead, in the days following the deposit of this participant's funds, Galles used the funds to pay personal expenses including payments to Uber, Macy's and Best Buy.

30. On September 6, 2022, a second participant deposited \$200,000 to a bank account in the name of Tyche Asset Management LLC. The following day, a third participant deposited \$100,000 to that same Tyche bank account. Only a small portion of the funds received into this Tyche bank account during September 2022 were transferred to a trading account, and ultimately almost none of this money was used for trading activity.

31. The customer funds deposited to Tyche's bank account in September 2022 were instead used for other purposes, such as the repayment of portions of investments made by certain earlier participants, payments to Tyche employees or contractors, or for personal expenses. In September 2022, Galles transferred at least \$55,000 to employees or contractors for Tyche, made payments of at least \$40,000 to law firms, paid \$18,790 in rent for his personal residence in a high-end apartment building in Chicago, spent more than \$14,000 at a jeweler, paid \$6,000 to Dynasty Luxury (a luxury car rental service in Miami), and paid \$19,282.80 towards a credit card.

E. Galles Controlled the Tyche Entities

32. Galles controlled the operations of the Tyche entity defendants. According to a Tyche private placement memorandum, Galles is "the founder and sole owner of the General Partner and Investment Manager and the trading principal of the [Tyche] Master Fund. [...] In November 2019, Mr. Galles began forming the Investment Manager and now serves as its Chief

Executive Officer, Chief Investment Officer, and Chief Compliance Officer.” Galles is identified in filings with the CFTC and NFA as the key point of contact and the executive responsible for various key functions for Tyche.

33. Galles first applied to the CFTC to register Tyche Asset Management LLC as a CPO on March 25, 2020. The application states that it was “submitted by Phillip Galles.” Galles is listed as the only point of contact for Tyche Asset Management LLC in this and the other applications filed for Tyche Asset Management LLC to register with the CFTC as a CPO. Galles is identified as the point of contact for Tyche’s enforcement, NFA membership, accounting, arbitration, and compliance functions.

34. Galles is also identified as the key point of contact at Tyche in filings with NFA. According to a Pool Quarterly report for CPOs submitted on behalf of Tyche for the quarter ending December 31, 2021, for example, Galles is identified as President, Chief Compliance Officer and the relevant point of contact for Tyche Asset Management LLC.

35. Galles is also a signatory for and an authorized person for all of the Tyche entities’ bank and financial accounts. Galles signed account opening documents for Tyche Asset Management LLC in applications for accounts at several banks in Chicago. Galles identified himself as the “Managing Member” of Tyche Asset Management LLC on bank account opening documents.

36. Galles signed corporate resolutions for Tyche entities. For example, Galles signed a December 2020 resolution as the “designated representative” of Tyche Asset Management LLC to authorize his access to and control over a TAM LLC bank account at Chicago-based bank.

37. In an application Galles submitted to an FCM to open a trading account in the name of a Tyche entity, Galles represented that he is the only person authorized to act on behalf of the Tyche Master Fund Ltd.

F. Tyche Issued False or Misleading Account Statements to Participants

38. During the Relevant Period, Defendants sent periodic account statements to participants that misrepresented the value of their respective interests in the Pool, and falsified returns. The statements reflected that Tyche participants' funds were earning consistent profits with no losses.

39. For example, a participant received a Tyche "Earnings Statement" for "Fourth Quarter 2022" that included the following claims: "For the Fourth Quarter of 2022, Tyche Asset Trade generated a Net Return of 25.47%." This statement was false, as Tyche did not place any trades during the fourth quarter of 2022.

40. The Quarterly statement provided to this participant also represented that Tyche's "Proprietary Model-Driven Performance" outperformed the S&P 500 index in each month of the 4th quarter of 2022. The statement claimed Tyche achieved a return of 11.7% in October 2022; a 7.58% return in November 2022; a 6.19% return in December 2022; and a year-to-date return of 137.39%. These figures were entirely fabricated, as Tyche had no trading activity at all in 2022.

41. In a quarterly account statement issued to this participant for the period ending March 31, 2023, Tyche valued the participant's account at \$354,578.53, and claimed a 25.92% rate of return for the account, with income during the first quarter of 2023 of \$72,988.21. These figures were fabricated, and the statement issued to this participant was false.

G. Galles Lied to Prolong His Scheme and Delay Return of Funds

42. In late 2022, Galles' scheme began to unravel as several participants sought to withdraw their funds. Galles did not have sufficient funds to meet these customer withdrawal requests. Galles attempted to delay the return of participant funds by lying about, among other things, the location of Tyche funds, and the process he needed to undertake to return investor funds.

43. For example, on December 12, 2022, a participant submitted a request to Tyche to withdraw a portion of his invested funds. Galles did not immediately return any funds, but indicated that he would begin the process of returning this participant's funds.

44. As of February 6, 2023, Galles and Tyche had not returned the participant's funds. On February 6, 2023, Galles told this participant that he was at the bank, claiming he was on the verge of correcting purported problems sending the participant's funds by wire transfer. Galles wrote, "I think everything is cleared up. I'm just waiting for them to send me this last docusign. Then I should be good to go." He added, "Trying to get this out before 4 PM. If not, you'll get it tomorrow morning for sure I'm gonna be sending you 55,000 to cover the problems that we had in the last few weeks. I truly apologize that this got so fucked up."

45. The next day, February 7, 2023, Galles wrote: "Money will coming from Wintrust this morning. It will come in small amounts because they are limiting me to 100k a day and 25k per customer in transfers. You will see 25k this morning. I will be at BMO later this morning to get that solved so that we can wire from multiple accounts. Finally getting things out. So sorry for the delay."

46. When the wire did not immediately arrive, the participant followed up. Galles wrote: "You should see it. In the next half hour they had to ask more questions in the wire

department. So I called them. I literally just got off the phone with them about pushing us through right now.”

47. Galles was unable to return the full amount of Participant C’s funds. On February 15, 2023, Participant C asked “when do I get rest of distribution?” Galles responds that he would have sent it, but his daughter had serious medical issues that needed to be addressed that impeded his ability to wire all of the requested funds.

48. Galles continued to delay and make additional excuses for his inability to return the participant’s funds. On February 16, 2023, Galles wrote “I am headed back to Chicago later this afternoon. I have to go to Milwaukee to pick my car then head back home. The banks do not have us set up to make wires from my online account so I have to go in there and get things set up. I will text you tomorrow once everything is done”

49. On February 18, still not having received his funds, the participant wrote to Galles: “I ended up putting my property taxes on my credit card. 3 properties. All together it’s \$50k. Thought I would have money weeks ago. Credit cards are at 18% interest. I’m not worried about a wire fee. I just want to get these damn credit cards paid off. Please send money!!!!!!!!!!!!!! No one has replied toot [sic] my email. I want my entire balance back. Filled out the form. When do I get that???”

50. On March 3, 2023 Galles wrote that his money “will go out Monday because [another participant] wanted all of her money now so I had to put everybody else on Monday. I’m still here trying get them to raise the limit so I can go above \$500,000. She said that everybody else needed to wait because she’s been on hold the longest.”

51. On March 24, 2023, Galles sent an image of a purported pending balance of a checking account at BMO Harris for \$20,200,000. Galles claimed he was waiting for the pending funds to clear to the account in order to send funds.

52. On March 27, 2023, Galles claimed “I talk to the head of compliance and the law department and I wasn’t aware that they put a 48 hour hold because it was transferred to a new account which they are holding tomorrow 10% of the total transfer which I already knew of and then I’ll be able to transfer Wednesday morning Everything out. Friggen finally!!! Yay I feel relieved”

53. On March 29, 2023 Galles continued to make excuses to delay returning funds: “Ran into a major personal problem which put in the emergency room. I will be out in a little bit. A pill opened up in my throat by accident and closed my throat for 2 full minutes. I thought that it was an onion and tried to get it back up. It didn’t go so well.”

54. Galles employed similar delay tactics, and made similar excuses as to his inability to return funds, in communications with other Tyche pool participants who attempted to withdraw funds during the fall of 2022 and spring of 2023.

H. Galles and Tyche Asset Management LLC Lied in Filings with NFA, and in Response to Questions from NFA Examiners

55. Galles’ and Tyche Asset Management’s misrepresentations to NFA began with the applications filed to register Tyche as a CPO, and continued through false statements to NFA staff in April of 2023 after NFA initiated an examination of the Tyche entities following complaints by customers about potential fraud by Galles and Tyche.

56. Galles filed, or caused to be filed, various reports with NFA in order to maintain the registration of Tyche Asset Management LLC as a CPO.

57. As a part of its regulatory duties, NFA requires that member firms including CPOs such as Tyche Asset Management LLC complete and file an Annual Questionnaire. The questionnaire provides NFA with information on a member's activities and operations, serves as a continuous source of data for NFA's risk monitoring systems, and is frequently the first resource that NFA staff reviews when engaging with or performing work related to a Member.

58. Tyche Asset Management LLC, acting through its employees or agents including Galles, filed an Annual Questionnaire with NFA on July 13, 2022 for the annual period ending May 31, 2022. On the questionnaire, the primary contact for Tyche Asset Management LLC was Phillip Galles, and Galles was also identified as the Chief Executive Officer of the firm.

59. The first substantive question on the Annual Questionnaire form asks, "Does the firm currently have customers and/or pools that engage in activity relating to commodity interests?" Tyche Asset Management LLC answered "No." The second question on the form asks, "Does the firm currently solicit customers to trade commodity interests? Tyche Asset Management LLC answered "No." Tyche Asset Management LLC also represented in this form that while it had three commodity pools, it had "not yet accepted investor funds into the pools." These statements to NFA were false. The Tyche entities had been soliciting and accepting funds from customers to trade commodity interests since at least 2019.

60. NFA also requires CPOs to file quarterly reports. Tyche Asset Management LLC filed at least seven quarterly reports with NFA between June 2021 and December 2022. In each of those quarterly reports, Tyche Asset Management LLC stated that it had no assets under management and no assets or liabilities. These statements were false, as the Tyche entities had accepted funds from participants for the purpose of trading commodity interests, and had substantial liabilities to its participants.

61. In April 2023, in furtherance of its official duties under the Act, NFA staff initiated an examination of the Tyche entities. In connection with that examination, NFA representatives spoke with Phillip Galles.

62. On April 3, 2023, Galles told NFA representatives that the Tyche entities did not have any customers. Galles told NFA representatives that Tyche did engage in trading, but only “proprietary” trading through an affiliated entity. These statements are false and misleading because Galles and the Tyche entities had been soliciting customers and accepting customer deposits since at least 2019 for the purposes of trading commodity interests in a commodity pool.

63. On April 3, 2023 Galles also told NFA representatives that Tyche was engaged in futures trading through a proprietary account at UBS. This statement is false, as the Tyche entities do not have any account at UBS.

I. Losses Suffered by Defendants’ Victims, and Gains to Defendants

64. Defendants’ victims deposited funds into bank accounts in the names of the Defendants, all controlled by Galles.

65. During the Relevant Period, Defendants’ victims deposited \$6,262,673 into Defendants’ bank accounts for the purpose of investing in a commodity pool. \$935,500 of the pool participant deposits were repaid, leaving an unpaid balance of \$5,327,173 still owed to pool participants.

66. Defendants gained an amount equal to the losses suffered by their victims:
\$5,327,173

II. CONCLUSIONS OF LAW

A. Jurisdiction and Venue

67. This Court has jurisdiction over this action pursuant to Section 6c of the Act, 7 U.S.C. § 13a-1, which provides that whenever it shall appear to the Commission that any person has engaged, is engaging, or is about to engage in any act or practice constituting a violation of any provision of the Act or any rule, regulation, or order promulgated thereunder, the Commission may bring an action in the proper district court of the United States against such person to enjoin such act or practice, or to enforce compliance with the Act, or any rule, regulation or order thereunder.

68. Venue properly lies with this Court pursuant to 7 U.S.C. § 13a-1(e), because the Defendants resided or transacted business in this jurisdiction and the acts and practices in violation of the Act and Regulations occurred within this District, among other places.

B. Defendants' Registrations and Regulatory Status with CFTC and NFA

69. Galles and the Tyche entities operated a "Commodity Pool" as defined by the Act. Section 1a(10) of the Act, 7 U.S.C. § 1a(10), defines a "commodity pool" as any investment trust, syndicate, or similar form of enterprise operated for the purpose of trading in commodity interests, including any commodity for future delivery, security futures product, swap, or commodity option.

70. Tyche Asset Management LLC is a "Commodity Pool Operator" as defined by the Act. 7 U.S.C. § 1a(11)(A)(i), in relevant part, defines a CPO as any person engaged in a business that is of the nature of a commodity pool, investment trust, syndicate, or similar form of enterprise, and who, in connection therewith, solicits, accepts, or receives from others, funds, securities, or property, either directly or through capital contributions, the sale of stock or other

forms of securities, or otherwise, for the purpose of trading in commodity interests, including commodities for future delivery, security futures products, and swaps.

71. The individuals who Galles solicited to invest with Tyche are “participants” in the pool within the meaning of Regulation 4.10(c), 17 C.F.R. § 4.10(c) (2022), which defines a “participant” as any person who “has any direct financial interest in a pool (e.g., a limited partner).”

72. Galles is an AP of Tyche as defined in Section 4k of the Act, 7 U.S.C. § 6k, and Regulation 1.3, 17 C.F.R. § 1.3 (2022). Those provisions, with certain qualifications, define an AP as a natural person associated with any CPO as a partner, officer, employee, consultant, or agent (or any person occupying a similar status or performing similar functions), in any capacity that involves: (i) the solicitation of funds, securities, or property for a participation in a commodity pool; or (ii) the supervision of any person or persons so engaged.

C. Fraud in Violation of 7 U.S.C. § 6b(a)(1)(A)-(C): Misrepresentations and Omissions, False Account Statements, and Misappropriation of Participant Funds

73. In Count 1 of the Complaint, Plaintiff alleges fraud by all Defendants in violation of Section 4b(1)(A)-(C) of the Act, 7 U.S.C. § 6b(1)(A)-(C), which makes it unlawful for any person, in or in connection with any order to make, or the making of, any contract of sale of any commodity in interstate commerce or for future delivery that is made, or to be made, on or subject to the rules of a designated contract market, for or on behalf of any other person:

- a. to cheat or defraud or attempt to cheat or defraud the other person;
- b. willfully to make or cause to be made to the other person any false report or statement or willfully to enter or cause to be entered for the other person any false record; and/or
- c. willfully to deceive or attempt to deceive the other person by any means.

74. Defendant Phillip Galles, and the Tyche entity defendants acting together as a common enterprise, in or in connection with commodities for future delivery made, or to be made, on or subject to the rules of a designated contract market,

- a. knowingly cheated or defrauded, or attempted to cheat or defraud Tyche pool participants by, among other things, making material misrepresentations and omissions regarding Defendants' experience and expertise, trading performance, trading track record, the value of their interest in the Pool, and by misappropriating their funds;
- b. willfully made or caused to be made false reports or statements to Tyche commodity pool participants; and
- c. willfully deceived or attempted to deceive pool participants by, among other things, making material misrepresentations and omissions regarding Defendants' experience and expertise, trading performance, trading track record, the value of their interest in the Pool, and by misappropriating their funds.

75. By reason of the foregoing, Defendants violated 7 U.S.C. § 6b(a)(1)(A)-(C).

76. The foregoing acts, omissions, and failures of Galles described above in the Findings of Fact occurred within the scope of Galles' employment or office with Tyche. Therefore, Tyche is liable for his acts, omissions, and failures in violation of 7 U.S.C. § 6b(a)(1)(A)-(C), pursuant to Section 2(a)(1)(B) of the Act, 7 U.S.C. § 2(a)(1)(B), and Regulation 1.2, 17 C.F.R. § 1.2 (2022).

77. Defendant Galles controlled Tyche directly or indirectly, and did not act in good faith or knowingly induced, directly or indirectly, Tyche's fraudulent conduct. Therefore, under

Section 13(b) of the Act, 7 U.S.C. § 13c(b), Galles is liable for Tyche's violations of 7 U.S.C. § 6b(a)(1)(A)-(C).

D. Fraud by a Commodity Pool Operator and its Associated Person in Violation of 7 U.S.C. § 6o(1), by Galles and Tyche Asset Management LLC

78. In Count 2 of the Complaint, Plaintiff alleges fraud by Galles and Tyche Asset Management LLC in violation of Section 4o(1) of the Act, 7 U.S.C. § 6o(1), which prohibits any CPO, or AP of a CPO, from using the mails or any means or instrumentality of interstate commerce, directly or indirectly, to:

- a. employ any device, scheme or artifice to defraud any client or participant or prospective client or participant; or
- b. engage in any transaction, practice or course of business which operates as a fraud or deceit upon any client or participant or prospective participant.

79. During the Relevant Period, Tyche Asset Management LLC, a registered CPO, defrauded and deceived participants of the Tyche commodity pool by using the mails and other means of interstate commerce in violation of 7 U.S.C. § 6o(1) by, among other things:

- a. misappropriating participant funds;
- b. fraudulently soliciting participants and prospective participants by making material misrepresentations and omitting material facts regarding Defendants' experience and expertise, trading profits, trading performance track record, and the value of participants' interest in the commodity pool; and
- c. causing false account statements to be issued to participants in the commodity pool.

80. Galles, while acting as an Associated Person of Tyche Asset Management LLC, a Commodity Pool Operator, willfully defrauded and deceived participants of the Tyche

commodity pool by using the mails and other means of interstate commerce in violation of 7 U.S.C. § 6o(1) by, among other things:

- a. misappropriating participant funds;
- b. fraudulently soliciting participants and prospective participants by making material misrepresentations and omitting material facts regarding Defendants' experience and expertise, trading profits, trading performance track record, and the value of participants' interest in the Tyche commodity pool; and
- c. causing false account statements to be issued to participants in the Tyche commodity pool.

81. The foregoing acts, omissions, and failures of Galles occurred within the scope of Galles' employment or office with Tyche. Therefore, Tyche is liable for his acts, omissions, and failures in violation of 7 U.S.C. § 6o(1), pursuant to 7 U.S.C. § 2(a)(1)(B) and 17 C.F.R. § 1.2.

82. Defendant Galles controlled Tyche directly or indirectly, and did not act in good faith or knowingly induced, directly or indirectly, Tyche's conduct alleged in Count 2 of Plaintiff's Complaint. Therefore, under 7 U.S.C. § 13c(b), Galles is liable for Tyche's violations of 7 U.S.C. § 6o(1)(A) and (B).

E. Commodity Fraud in Violation of 7 U.S.C. § 9(1) and 17 C.F.R. § 180.1 by all Defendants

83. In Count 3 of the Complaint, Plaintiff alleges commodity fraud by all Defendants in violation of Section 6(c)(1) of the Act, 7 U.S.C. § 9(1), and Regulation 180.1(a)(1)-(3) (2022).

84. Section 7 U.S.C. § 9(1) provides, in pertinent part, that: "It shall be unlawful for any person, directly or indirectly, to use or employ, or attempt to use or employ, in connection with any swap, or a contract of sale of any commodity in interstate commerce, or for future delivery on or subject to the rules of any registered entity, any manipulative or deceptive device

or contrivance, in contravention of such rules and regulations as the Commission shall promulgate[.]”

85. The Commission issued 17 C.F.R. § 180.1 pursuant to this authority. Regulation 180.1(a)(1)-(3) states, in pertinent part, that:

“It shall be unlawful for any person, directly or indirectly, in connection with any swap, or contract of sale of any commodity in interstate commerce, or contract for future delivery on or subject to the rules of any registered entity, to intentionally or recklessly:

- (1) Use or employ, or attempt to use or employ, any manipulative device, scheme, or artifice to defraud;
- (2) Make, or attempt to make, any untrue or misleading statement of a material fact or to omit to state a material fact necessary in order to make the statements made not untrue or misleading; [or]
- (3) Engage, or attempt to engage, in any act, practice, or course of business, which operates or would operate as a fraud or deceit upon any person.”

86. Defendant Phillip Galles, and the Tyche entity defendants acting together as a common enterprise, intentionally or recklessly, in connection with contracts of sale of commodities for future delivery on or subject to the rules of a registered entity,

- a. used or employed, or attempted to use or employ, a scheme or artifice to defraud;
- b. made, or attempted to make, in connection with contracts of sale of commodities in interstate commerce, untrue or misleading statements of material fact, or omitted to state material facts necessary to make the statements made not untrue or misleading; and

c. engaged in, or attempted to engage in, acts, practices, or a course of business that operated or would operate as a fraud or deceit on their customers.

87. As a result, Galles' and Tyche's fraudulent conduct violated 7 U.S.C. § 9(1) and 17 C.F.R. § 180.1(a)(1)-(3).

88. The foregoing acts, omissions, and failures occurred within the scope of Galles' employment or office with Tyche. Therefore, Tyche is liable for his acts, omissions, and failures in violation of 7 U.S.C. § 9(1) and 17 C.F.R. § 180.1(a)(1)-(3), pursuant to 7 U.S.C. § 2(a)(1)(B) and 17 C.F.R. § 1.2.

89. Defendant Galles controlled Tyche directly or indirectly, and did not act in good faith or knowingly induced, directly or indirectly, Tyche's conduct alleged in Count 3 of Plaintiff's Complaint. Therefore, under 7 U.S.C. § 13c(b), Galles is liable for Tyche's violations of 7 U.S.C. § 9(1) and 17 C.F.R. § 180.1(a)(1)-(3).

F. Commingling of Funds, Failure to Receive Funds in Commodity Pool's Name, Failure to Separately Operate Pool, in Violation of 17 C.F.R. § 4.20

90. In Count 4 of the Complaint, Plaintiff alleges that Tyche Asset Management LLC violated Regulation 4.20(a)-(c), 17 C.F.R. § 4.20(a)-(c) (2022).

91. With certain exemptions not applicable here, 17 C.F.R. § 4.20(a) requires that a CPO must operate its commodity pool as an entity cognizable as a legal entity separate from its operator.

92. 17 C.F.R. § 4.20(b) prohibits CPOs from receiving pool participants' funds in any name other than that of the pool.

93. 17 C.F.R. § 4.20(c) prohibits a CPO from commingling the property of any pool it operates with the property of any other person.

94. Tyche Asset Management LLC, while acting as a CPO, failed to operate its commodity pools as legal entities separate from the pools' operator, failed to receive pool participants' funds in the name of the pools when funds were deposited into Tyche Asset Management LLC's bank accounts, and commingled the property of the pools and pool participants' funds with property of Defendants and others.

95. By reason of the foregoing, Defendant Tyche Asset Management LLC violated 17 C.F.R. § 4.20(a)-(c).

96. Defendant Galles controlled Tyche Asset Management LLC directly or indirectly, and did not act in good faith or knowingly induced, directly or indirectly, Tyche Asset Management LLC's conduct alleged in this Count. Therefore, under 7 U.S.C. § 13c(b), Galles is liable for Tyche's violations of 17 C.F.R. § 4.20(a)-(c).

G. Misrepresentations to National Futures Association by Tyche Asset Management LLC and Galles in Violation of 7 U.S.C. § 13(a)(4)

97. In Count 5 of the Complaint, Plaintiff alleges that Tyche Asset Management LLC violated Section 9(a)(4) of the Act, 7 U.S.C. § 13(a)(4).

98. Section 7 U.S.C. § 13(a)(4) makes it unlawful for any person willfully to falsify, conceal, or cover up by trick, scheme or artifice a material fact, or to make any false, fictitious, or fraudulent statements or representations, or to make or use any false writing or document knowing the same to contain any false, fictitious, or fraudulent statement or entry to a registered entity, board of trade, swap data repository, or futures association designated or registered under the Act and acting in furtherance of its official duties under the Act.

99. Tyche Asset Management LLC and Galles violated 7 U.S.C. § 13(a)(4) by willfully:

- a. falsifying, concealing, or covering up by trick, scheme or artifice, material facts about the operations of the Tyche entity defendants in filings with, and in communications with representatives of, NFA, a futures association designated or registered under the Act acting in furtherance of its official duties; and
- b. making false, fictitious, or fraudulent statements or representations to NFA, a futures association registered under the Act, in connection with an examination, in furtherance of National Futures Association's official duties under the Act.

100. These acts, omissions, and failures occurred within the scope of Galles' employment or office with Tyche Asset Management LLC. Therefore, Tyche Asset Management LLC is liable for his acts, omissions, and failures in violation of 7 U.S.C. § 13(a)(4), pursuant to 7 U.S.C. § 2(a)(1)(B) and 17 C.F.R. § 1.2.

101. Defendant Galles controlled Tyche Asset Management LLC directly or indirectly, and did not act in good faith or knowingly induced, directly or indirectly, Tyche Asset Management LLC's conduct alleged in this Count. Therefore, under 7 U.S.C. § 13c(b), Galles is liable for Tyche's violations of 7 U.S.C. § 13(a)(4).

H. Operation of the Tyche Entities as a Common Enterprise

102. Galles operated the Tyche entities as a Common Enterprise.

103. During the Relevant Period, the Tyche entity defendants shared a single website: tycheam.com.

104. Despite being incorporated or organized in various jurisdictions, the Tyche entity defendants' business operations were all conducted from the same offices and through the same employees.

105. Galles comingled funds received from participants in various Tyche entity bank and trading accounts for the various Tyche entities.

106. There was no operational distinction between the entities in the overall Tyche business scheme. Galles controlled the operations of the Tyche entity defendants, including their financial activity in bank and trading accounts.

107. Therefore, the Tyche entity defendants are jointly liable for the violations of the CEA and Regulations described in this order as a Common Enterprise.

I. Need for Injunctive Relief

108. Unless restrained and enjoined by this Court, there is a reasonable likelihood that Defendants will continue to engage in the acts and practices alleged in the Complaint and in similar acts and practices in violation of the Act and Regulations.

III. PERMANENT INJUNCTION

IT IS HEREBY ORDERED THAT:

109. Based upon and in connection with the foregoing conduct, pursuant to Section 6c of the Act, 7 U.S.C. § 13a-1, Defendants are permanently restrained, enjoined and prohibited from directly or indirectly:

- a. Cheating or defrauding, or attempting to cheat or defraud, persons; willfully making or causing to be made to other persons any false report or statement or willfully entering or causing to be entered for any person any false record; or willfully deceiving or attempting to deceive a person by any means whatsoever; in

connection with any order to make, or the making of, any contract of sale of any commodity in interstate commerce or for future delivery that is made, or to be made, on or subject to the rules of a designated contract market, for or on behalf of any other person, in violation of Section 4b(1)(A)-(C) of the Act, 7 U.S.C.

§ 6b(1)(A)-(C);

- b. Engaging in conduct as a Commodity Pool Operator, or an Associated Person of a Commodity Pool Operator, and using the mails or any means or instrumentality of interstate commerce, directly or indirectly, to employ any device, scheme or artifice to defraud any client or participant or prospective client or participant of a commodity pool; or engage in any transaction, practice or course of business which operates as a fraud or deceit upon any client or participant or prospective participant of a commodity pool, in violation of Section 4o(1) of the Act, 7 U.S.C. § 6o(1);
- c. Intentionally or recklessly using or employing, or attempting to use or employ, any manipulative device, scheme, or artifice to defraud; making, or attempting to make, any untrue or misleading statement of a material fact or failing to state a material fact necessary in order to make the statements made not untrue or misleading; or engaging, or attempting to engage, in any act, practice, or course of business, which operates or would operate as a fraud or deceit upon any person, in connection with any swap, or contract of sale of any commodity in interstate commerce, or contract for future delivery on or subject to the rules of any registered entity, in violation of Section 6(c)(1) of

the Act, 7 U.S.C. § 9(1), and Regulation 180.1(a)-(c), 17 C.F.R. § 180.1(a)(1)-(3) (2022);

- d. Failing to operate a commodity pool as a legal entity separate from the pools' operator, failing to receive commodity pool participants' funds in the name of the commodity pools' bank accounts, and commingling the property of the pools and pool participants' funds with property of pool operator, in violation of Regulation 4.20(a)-(c), 17 C.F.R. § 4.20(a)-(c) (2022); and
- e. willfully falsifying, concealing, or covering up by trick, scheme or artifice a material fact, or making any false, fictitious, or fraudulent statements or representations, or making or using any false writing or document knowing the same to contain any false, fictitious, or fraudulent statement or entry to a registered entity, board of trade, swap data repository, or futures association designated or registered under the Act and acting in furtherance of its official duties under the Act, in violation of Section 9(a)(4) of the Act, 7 U.S.C. § 13(a)(4).

110. Defendants are also permanently restrained, enjoined and prohibited from directly or indirectly:

- a. Trading on or subject to the rules of any registered entity (as that term is defined in Section 1a(40) of the Act, 7 U.S.C. § 1a(40) (2022));
- b. Entering into any transactions involving "commodity interests" (as that term is defined in Regulation 1.3, 17 C.F.R. § 1.3 (2022)), their own personal accounts or for any account in which they have a direct or indirect interest;
- c. Having any commodity interests traded on their behalf;

- d. Controlling or directing the trading for or on behalf of any other person or entity, whether by power of attorney or otherwise, in any account involving commodity interests;
- e. Soliciting, receiving or accepting any funds from any person for the purpose of purchasing or selling any commodity interests;
- f. Applying for registration or claiming exemption from registration with the Commission in any capacity, and engaging in any activity requiring such registration or exemption from registration with the Commission, except as provided for in Regulation 4.14(a)(9), 17 C.F.R. § 4.14(a)(9) (2022); and/or
- g. Acting as a principal (as that term is defined in Regulation 3.1(a), 17 C.F.R. § 3.1(a) (2022)), agent or any other officer or employee of any person (as that term is defined in 7 U.S.C. § 1a(38)), registered, exempted from registration or required to be registered with the Commission except as provided for in 17 C.F.R. § 4.14(a)(9).

IV. RESTITUTION, DISGORGEMENT, AND CIVIL MONETARY PENALTY

A. Restitution

111. Defendants shall pay, jointly and severally, restitution in the amount of **Five Million Three Hundred Twenty-Seven Thousand One Hundred Seventy-Three dollars (\$5,327,173)** (“Restitution Obligation”). If the Restitution Obligation is not paid immediately, post-judgment interest shall accrue on the Restitution Obligation beginning on the date of entry of this Order and shall be determined by using the Treasury Bill rate prevailing on the date of entry of this Order pursuant to 28 U.S.C. § 1961.

112. Galles is currently the defendant in a criminal action charging him, in part, for the misconduct that is at issue in this matter. *See United States v. Phillip Galles*, Mag. No. 23-8076 (District of New Jersey, filed May 10, 2023) (“Criminal Action”). For amounts disbursed to Defendants’ pool participants as a result of satisfaction of any restitution ordered in the Criminal Action, the Defendants shall receive a dollar-for-dollar credit against the Restitution Obligation. Within ten days of disbursement in the Criminal Action to Defendants’ pool participants, Defendant Galles shall, under a cover letter that identifies the name and docket number of this proceeding, transmit to the Chief Financial Officer, Commodity Futures Trading Commission, Three Lafayette Centre, 1155 21st Street, NW, Washington, D.C. 20581, and the Office of Administration, National Futures Association, 320 S. Canal St., Suite 2400, Chicago, Illinois 60606, copies of the form of payment to those pool participants.

113. To effect payment of the Restitution Obligation and the distribution of any restitution payments to Defendants’ pool participants, the Court appoints National Futures Association (“NFA”) as Monitor (“Monitor”). The Monitor shall receive restitution payments from Defendants and make distributions as set forth below. Because the Monitor is acting as an officer of this Court in performing these services, NFA shall not be liable for any action or inaction arising from NFA’s appointment as Monitor, other than actions involving fraud.

114. Defendants shall make Restitution Obligation payments, and any post-judgment interest payments, under this Order to the Monitor in the name “Tyche Asset Management – Restitution Fund” and shall send such payments by electronic funds transfer, or by U.S. postal money order, certified check, bank cashier’s check, or bank money order, to the Office of Administration, National Futures Association, 320 S. Canal St., Suite 2400, Chicago, Illinois 60606 under cover letter that identifies the paying Defendants and the name and docket number

of this proceeding. Defendants shall simultaneously transmit copies of the cover letter and the form of payment to the Chief Financial Officer, Commodity Futures Trading Commission, Three Lafayette Centre, 1155 21st Street, NW, Washington, D.C. 20581.

115. The Monitor shall oversee the Restitution Obligation and shall have the discretion to determine the manner of distribution of such funds in an equitable fashion to Defendants' pool participants identified by the CFTC or may defer distribution until such time as the Monitor deems appropriate. In the event that the amount of Restitution Obligation payments to the Monitor are of a *de minimis* nature such that the Monitor determines that the administrative cost of making a distribution to eligible pool participants is impractical, the Monitor may, in its discretion, treat such restitution payments as civil monetary penalty payments, which the Monitor shall forward to the Commission following the instructions for civil monetary penalty payments set forth in Part IV.B. below.

116. Defendants shall cooperate with the Monitor as appropriate to provide such information as the Monitor deems necessary and appropriate to identify Defendants' pool participants to whom the Monitor, in its sole discretion, may determine to include in any plan for distribution of any Restitution Obligation payments. Defendants shall execute any documents necessary to release funds that they have in any repository, bank, investment or other financial institution, wherever located, in order to make partial or total payment toward the Restitution Obligation.

117. The Monitor shall provide the Commission at the beginning of each calendar year with a report detailing the disbursement of funds to Defendants' pool participants during the previous year. The Monitor shall transmit this report under a cover letter that identifies the name

and docket number of this proceeding to the Chief Financial Officer, Commodity Futures Trading Commission, Three Lafayette Centre, 1155 21st Street, NW, Washington, D.C. 20581.

118. The amounts payable to each pool participant shall not limit the ability of any pool participant from proving that a greater amount is owed from Defendants or any other person or entity, and nothing herein shall be construed in any way to limit or abridge the rights of any pool participant that exist under state or common law.

119. Pursuant to Rule 71 of the Federal Rules of Civil Procedure, each pool participant of Defendants who suffered a loss is explicitly made an intended third-party beneficiary of this Order and may seek to enforce obedience of this Order to obtain satisfaction of any portion of the restitution that has not been paid by Defendants to ensure continued compliance with any provision of this Order and to hold Defendants in contempt for any violations of any provision of this Order.

120. To the extent that any funds accrue to the U.S. Treasury for satisfaction of Defendants' Restitution Obligation, such funds shall be transferred to the Monitor for disbursement in accordance with the procedures set forth above.

B. Civil Monetary Penalty

121. Defendants shall pay, jointly and severally, a civil monetary penalty in the amount of **Fifteen Million Nine Hundred Eighty-One Thousand Five Hundred Nineteen dollars (\$15,981,519)** ("CMP Obligation"). If the CMP Obligation is not paid immediately, then post-judgment interest shall accrue on the CMP Obligation beginning on the date of entry of this Order and shall be determined by using the Treasury Bill rate prevailing on the date of entry of this Order pursuant to 28 U.S.C. § 1961 (2022).

122. Defendants shall pay their CMP Obligation and any post-judgment interest, by electronic funds transfer, U.S. postal money order, certified check, bank cashier's check, or bank money order. If payment is to be made other than by electronic funds transfer, then the payment shall be made payable to the Commodity Futures Trading Commission and sent to the address below:

MMAC/ESC/AMK326
Commodity Futures Trading Commission
Division of Enforcement
6500 S. MacArthur Blvd.
HQ Room 266
Oklahoma City, OK 73169
(405) 954-6569 office
(405) 954-1620 fax
9-AMZ-AR-CFTC@faa.gov

If payment by electronic funds transfer is chosen, Defendants shall contact Tonia King or her successor at the address above to receive payment instructions and shall fully comply with those instructions. Defendants shall accompany payment of the CMP Obligation with a cover letter that identifies Defendants and the name and docket number of this proceeding. Defendants shall simultaneously transmit copies of the cover letter and the form of payment to the Chief Financial Officer, Commodity Futures Trading Commission, Three Lafayette Centre, 1155 21st Street, NW, Washington, D.C. 20581.

C. Provisions Related to Monetary Sanctions

123. Partial Satisfaction: Acceptance by the Commission or the Monitor of any partial payment of Defendants' Restitution Obligation, Disgorgement Obligation, or CMP Obligation shall not be deemed a waiver their obligation to make further payments pursuant to this Order, or a waiver of the Commission/CFTC's right to seek to compel payment of any remaining balance.

V. MISCELLANEOUS PROVISIONS

124. Notice: All notices required to be given by any provision in this Order shall be sent by certified mail, return receipt requested, and by email, as follows:

Notice to Commission:

Robert Howell (RHowell@cftc.gov)
Deputy Director, Division of Enforcement
Commodity Futures Trading Commission
Ralph H. Metcalfe Federal Building
77 W. Jackson Blvd., Suite 800
Chicago, IL 60604

Notice to Defendants:

Phillip Galles (philgalles@gmail.com)
514 North Peshtigo Court, Apartment 3811
Chicago, IL 60611

Notice to NFA:

Daniel Driscoll, Executive Vice President, COO
(DDriscoll@NFA.Futures.Org)
National Futures Association
320 S. Canal St., Suite 2400
Chicago, IL 60606

All such notices to the Commission or the NFA shall reference the name and docket number of this action.

125. Change of Address/Phone: Until such time as Defendants satisfy in full their Restitution Obligation and CMP Obligation as set forth in this Order, Defendants shall provide written notice to the Commission by certified mail of any change to his telephone number and mailing address within ten calendar days of the change.


126. Invalidation: If any provision of this Order or if the application of any provision or circumstance is held invalid, then the remainder of this Order and the application of the provision to any other person or circumstance shall not be affected by the holding.

127. Continuing Jurisdiction of this Court: This Court shall retain jurisdiction of this action to ensure compliance with this Order and for all other purposes related to this action, including any motion by Defendants to modify or for relief from the terms of this Order.

128. Injunctive and Equitable Relief Provisions: The injunctive and equitable relief provisions of this Order shall be binding upon Defendants, upon any person under the authority or control of any of the Defendants, and upon any person who receives actual notice of this Order, by personal service, e-mail, facsimile or otherwise, insofar as he or she is acting in active concert or participation with Defendants.

There being no just reason for delay, the Clerk of the Court is hereby ordered to enter this *Order for Default Judgment* forthwith and without further notice.

IT IS SO ORDERED on this 8th day of November, 2023.


Hon. Elaine Bucklo
UNITED STATES DISTRICT JUDGE