UNITED STATES DISTRICT COURT
for the
DISTRICT OF MAINE

COMMODITY FUTURES TRADING COMMISSION,	)	**Civil Action No. 01-163-P-H**
Plaintiff,	)	
	)	**COMPLAINT FOR INJUNCTIVE AND OTHER EQUITABLE RELIEF AND FOR CIVIL PENALTIES UNDER THE COMMODITY EXCHANGE ACT**
v.	)	
EDWARD KNIPPING, individually and doing business as TIME TRADERS INVESTMENT GROUP	)	
and	)	
TIME TRADERS INC.	)	
Defendants.	)	

I. SUMMARY

1. Starting in March 2000 and continuing through May 2001, defendants Edward W. Knipping, Sr., individually and doing business as Time Traders Investment Group, and, since December 2000, Time Traders, Inc. (collectively, the "Defendants"), misappropriated customer funds and made material misrepresentations and omissions while soliciting and pooling approximately $5.9 million in funds from about 250 participants ("investors") for the purported purpose of trading commodity futures contracts. Defendants established an unregistered

commodity pool by soliciting investor funds for commodity futures trading and depositing approximately $2.5 million of those funds into two accounts defendants controlled at futures commission merchant Lind-Waldock and Company LLC ("Lind-Waldock").

2. Trading losses in those futures accounts between March 2000 and May 2001 exceeded $1.3 million. Rather than report the losses to investors, defendants instead issued false statements intended to be distributed to investors, indicating that the pooled accounts were highly profitable.

3. Defendants represented that fees paid to the pool's soliciting agents would be paid from profits from of the pooled trading accounts, and indeed, on information and belief, paid in excess of $800,000 in fees, commissions and other payments to the pool's soliciting agents between September 1999 and April 2001. The pool's trading account, however, sustained substantial losses, and the commissions and fees paid to solicitors therefore were not paid from trading profits, but instead were paid directly from investor contributions intended for futures trading.

4. Thus, defendants have engaged in acts and practices which violate Sections 4b(A)(i)-(iii) and 4o(1) of the Commodity Exchange Act, as amended ("Act"), 7 U.S.C. 6b(A)(i)-(iii) and 6o(1)(2001). Defendants further acted as unregistered commodity pool operators and defendant Knipping acted as an unregistered associated person of a commodity pool operator, in violation of Section 4m(1) of the Act.

5. Accordingly, pursuant to Section 6c of the Act, 7 U.S.C. 13a-1(2000), the Commission brings this action to enjoin such acts and practices, and to compel compliance with the provisions of the Act. In addition, the Commission seeks restitution, disgorgement, civil penalties, and such other equitable relief as the Court may deem necessary and appropriate.

6. Given defendants' pattern of fraudulent activity, they are likely, unless restrained and enjoined by this Court, to continue to engage in the acts and practices alleged in the Complaint, as more fully described below.

II. JURISDICTION AND VENUE

7. This Court has jurisdiction over the subject matter of this action and all parties hereto pursuant to Section 6c of the Act, 7 U.S.C. § 13a-1 (2000), which authorizes the Commission to seek injunctive relief against any person whenever it shall appear that such 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 thereunder.

8. Venue properly lies with this Court pursuant to Section 6c(e) of the Act, 7 U.S.C. § 13a-1(e) (2000), in that the Defendants transacted business in this district, and the acts and practices in violation of the Act occurred, are occurring or are about to occur within this district, among other places.

III. THE PARTIES

9. **Plaintiff Commodity Futures Trading Commission** is the independent federal regulatory agency charged with the administration and enforcement of the Act, 7 U.S.C. §§ 1 *et seq.* (2000), and the Regulations promulgated thereunder, 17 C.F.R. §§ 1 *et seq.* (2000).

10. **Defendant Edward W. Knipping, Sr. ("Knipping")** resided at Back River Road, Boothbay Harbor, Maine through at least May 2001. Until approximately December 2000, Knipping transacted his commodity pool business through a d/b/a, Time Traders Investment Group. In December 2000, Knipping formed defendant Time Traders, Inc., a Maine corporation which he controlled, and continued to transact his commodity pool business through that entity through the end of the relevant period. At all times relevant to the Complaint, Knipping transacted business in

the District of Maine, including but not limited to maintaining investor funds in his personal bank accounts in Maine, and communicating his purported trading results to coordinators and investors by facsimile, and directing trading in pool accounts held at Lind-Waldock. Knipping acted as an unregistered commodity pool operator individually, and as an unregistered associated person through Time Traders, Inc. Knipping is not registered in any capacity with the Commission.

11. **Defendant Time Traders, Inc. ("Time Traders")**, a Maine corporation, was established on December 29, 2000 by Knipping. Time Traders acted as a commodity pool operator for the commodity pool. At all times relevant to the Complaint, Time Traders transacted business in the District of Maine. Time Traders is not registered in any capacity with the Commission.

IV. FACTS

A. STATUTORY BACKGROUND

12. A commodity pool is defined in Commission Regulation 4.10(d)(1), 17 C.F.R. § 4.10(d)(2000), as any investment trust, syndicate or similar form of enterprise engaged in the business of investing its pooled funds in trading commodity futures and options.

13. A commodity pool operator ("CPO") is defined in Section 1a(5) of the Act, 7 U.S.C. § 1(a)(5)(2000), as any person engaged in a business that is of the nature of an 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 any commodity for future delivery on or subject to the rules of any contract market.

14. An associated person of a commodity pool operator ("AP") is defined in Section 1.3(aa)(3) of the Commission's Regulations, 17 C.F.R. § 1.3(aa)(3), as a natural person who is associated with a commodity pool operator as a partner, officer, employee or agent in any capacity

that involves the solicitation or acceptance of customers orders (other than in a clerical capacity) or the supervision of any person or persons so engaged.

DEFENDANTS' BUSINESS PRACTICES

15. Starting at least in March 2000 and continuing through May 2001 (the "relevant period"), defendant Knipping, doing business as Time Traders Investment Group and, since December 2000, through Time Traders, Inc., a company he controls, induced approximately 250 individuals to invest in a commodity pool he traded and oversaw. Investors mailed investment checks directly to defendant Knipping and he, in turn, deposited them into his checking or savings account at a local Maine bank. He then wired the investors' funds from those bank accounts to his personal trading accounts at Lind-Waldock, a registered futures commission merchant, and used the funds in those accounts to trade commodity futures contracts.

16. Knipping maintained two accounts at Lind-Waldock; he opened the first account in October 1999 and the second in December 2000. He traded mostly NASDAQ and DOW index futures contracts in those accounts during the relevant period.

17. Knipping organized his commodity pool investors in a pyramid-like fashion, referring to his organizational layers as “groups.” Each group consisted of around 15 investors, including 12 passive investors, one “coordinator,” one “manager” and one “recruiter.” A coordinator was an investor who had recruited 12 other investors and had certain responsibilities for obtaining performance information from Knipping and disseminating it to other group members. A manager was an investor who had recruited at least 3 new people. A recruiter’s responsibilities included contacting prospective investors. According to statements made by Knipping and additional information contained in a Time Traders solicitation brochure, the coordinator, manager and recruiter were to be paid 15%, 10% and 5%, respectively, of the profits of the group of investors they recruited.

18. From at least March 2000 until May 2001, Knipping provided his coordinators with weekly trading statements that frequently made material misrepresentations regarding the results of the pool trades and the value of the pool's units. Knipping made these misrepresentations through a “Weekly Market Summary” that he faxed to coordinators and other investors, who in turn disseminated the information to other pool investors. The Weekly Market Summary purported to reflect the weekly dollar gain made by the "group," and provided information that would enable an investor to calculate the current unit value of his or her investment in the "group." At least one coordinator compiled each Weekly Market Summary he received from Knipping into electronic mail format (“e-mail”) and forwarded that information on a weekly basis by e-mail to more than 300 investors during the relevant period. The information forwarded to investors from the Weekly Market Summaries was often false, because it frequently reported profitable trading results that were at variance with Knipping’s actual negative trading results in his Lind-Waldock accounts.

19. For example, for the week ending February 16, 2001, the weekly information faxed by Knipping to the coordinator and e-mailed by the coordinator to investors stated that trading had resulted in profits for investors of "75 points." Defendants had earlier communicated to investors, directly or indirectly, that each point would signify profits, and the higher the points, the higher the profits. The Lind-Waldock account, however, reflected realized trading losses of $23,600 for that week, and substantially greater unrealized losses, as shown below:

Date	**Weekly Market Summary Representation Sent to Investors**	**Actual Trading Results (Closed Positions)**	**Open Trade Equity (unrealized gains/losses on open positions)**
February 12, 2001	No trading	- $4,309.18	-$198,500.00
February 13, 2001	No trading	-$8,742.92	-$234,800.00
February 14, 2001	+45 points on NASDAQ	-$9,261.38	-$168,840.00
February 15, 2001	+30 points NASDAQ	-$43,224.38	-$80,110.00
February 16, 2001	No trading	$41,937.38	-$169,960.00
Total for the	**+75 points**	**-$23,600.28**	

week			

Knipping disseminated similar false and misleading statements virtually every week during the relevant period.

20. On information and belief, between September 1999 and April 2001, Knipping paid to coordinators, managers, and recruiters an aggregate of $800,000 in fees, commissions and other payments purportedly based on trading profits. Between March 2000 and May 2001, however, Knipping's trading resulted in over $1.3 million in losses.

VIOLATIONS OF THE COMMODITY EXCHANGE ACT AND REGULATIONS

COUNT I

VIOLATIONS OF SECTION 4b(a)(i)-(iii) OF THE ACT: FRAUD BY MISAPPROPRIATION, MISREPRESENTATION AND PROVIDING FALSE STATEMENTS TO INVESTORS

21. Paragraphs 1 through 20 are re-alleged and incorporated herein.

22. Beginning in at least March 2000 for Knipping, and December 2000 for Time Traders, and continuing through May 2001, by the conduct outlined in Paragraphs 15 - 20 above, through the use of the mails and other means and instrumentalities of interstate commerce, defendants violated Section 4b(a) of the Act, 7 U.S.C. § 6b(a)(2000), in that they have, directly or indirectly, (i) cheated or defrauded or attempted to cheat or defraud other persons; (ii) willfully made or caused to be made to other persons false reports or statements thereof, or willfully entered or caused to be entered for other persons false reports thereof; or (iii) willfully deceived or attempted to deceive other persons.

23. Specifically, by the conduct described in Paragraphs 15 - 20 above, defendants cheated or defrauded or attempted to cheat or defraud investors or prospective investors in the pool and willfully deceived or attempted to cheat or defraud investors or prospective investors by, among

other things: misappropriating funds from investors; materially misrepresenting to investors the profits and value of the pool; and materially misrepresenting to investors the basis on which fees for the management of the pool would be determined and paid. Defendants therefore violated Section 4b(a)(i) and (iii) of the Act, 7 U.S.C. §§ 6b(a)(i) and (iii) (2000).

24. By the conduct described in Paragraphs 15 - 20, defendants violated Section 4b(a)(ii) of the Act, 7U.S.C. §6b(a)(ii) (2000), in that they willfully made or caused to be made materially false reports or statements thereof by preparing and issuing false trading statements to investors.

25. Each material misrepresentation or omission, each false report or statement, and each willful deception made during the relevant time period, including but not limited to those specifically alleged herein, is alleged as a separate and distinct violation of Section 4b(a)(i) and (iii) of the Act.

26. Defendants engaged in the conduct described above in or in connection with orders to make, or the making of, contracts of sale of commodities for future delivery, made, or to be made, for or on behalf of other persons where such contracts for future delivery were or may be used for (a) hedging any transaction in interstate commerce in such commodity, or the products or byproducts thereof, or (b) determining the price basis of any transaction in interstate commerce in such commodity, or (c) delivering any such commodity sold, shipped or received in interstate commerce for the fulfillment thereof.

27. By the conduct described in Paragraphs 15- 20, above, Time Traders is liable under Sections 4b(a)(i)-(iii), 7 U.S.C. §§ 6b(a)(i)-(iii)(2000), for the foregoing acts and omissions of its agents, including Knipping, by operation of Section 2(a)(1)(A)(iii) of the Act, 7 U.S.C. § 4 (2000), and Section 1.2 of the Regulations, 17 C.F.R. § 1.2 (2000).

28. By the conduct described in Paragraphs 15- 20, above, Knipping, is liable under Section 13(b) of the Act, 7 U.S.C. § 13c(b) (2000), for the foregoing acts and omissions of Time

Traders. Knipping actually exercised control or possessed the authority to exercise control Time Traders, and did not act in good faith or knowingly induced, directly or indirectly, the acts constituting these violations.

COUNT II

VIOLATIONS OF SECTION 4o(1) OF THE ACT: FRAUD BY COMMODITY POOL OPERATORS

29. Paragraphs 1 through 1-28 are re-alleged and incorporated herein.

30. Starting in March 2000 as to Knipping, and December 2000 through May 2001 as to Time Traders, by use of the mails or other instrumentalities of interstate commerce, directly or indirectly, defendants employed devices, schemes or artifices to defraud customers, or engaged in transactions, practices, or a course of business conduct which operated as a fraud or deceit upon customers, in violation of Section 4o(1) of the Act, 7 U.S.C. § 6o(1) (2000), by the same conduct identified in Paragraph 15- 20.

31. Each device, scheme or artifice employed to defraud customers, and each transaction, practice, or course of business or conduct which operated as a fraud or deceit upon customers during the relevant period, including but not limited to those specifically alleged herein, is alleged as a separate and distinct violation of Section 4o(1) of the Act.

32. By the conduct described in Paragraphs 15- 20, above, Time Traders is liable under Sections 4b(a)(i)-(iii), 7 U.S.C. §§ 6b(a)(i)-(iii), for the foregoing acts and omissions of its agents, including Knipping, by operation of Section 2(a)(1)(A)(iii) of the Act, 7 U.S.C. § 4 (2000), and Section 1.2 of the Regulations, 17 C.F.R. § 1.2 (2000).

33. Knipping is liable for the foregoing acts and omissions of Time Traders pursuant to 13(b) of the Act, 7 U.S.C. 13c(b) (2000), in that he actually controlled or possessed the authority or

ability to control Time Traders which committed the foregoing violations of Section 4o(1) of the Act.

COUNT III

VIOLATIONS OF SECTION 4m(1) and 4k(2) OF THE ACT
Acting as an Unregistered Commodity Pool Operator;
Acting as an Unregistered Associated Person of a Commodity Pool Operator

34. Paragraphs 1 through 1-33 are re-alleged and incorporated herein.

35. Between at least March 2000 and May 2001, Knipping acted either as an commodity pool operator ("CPO") or as an unregistered associated person of an unregistered CPO. Between December 2000 and May 2001, Time Traders also acted as an unregistered CPO.

36. Knipping, individually or as an agent of Time Traders, acted as a CPO or an associated person thereof, and Time Traders acted as a CPO, by engaging in a business that is in the nature of an investment trust and by (i) soliciting, accepting or receiving funds or property for the purposes of participating in a commodity pool, or (ii) supervising persons so engaged. Commission Regulations 1.3 (aa)(3) and (cc), 17 C.F.R. §§1.3(aa) (3) and (cc) (2000).

37. Neither Knipping nor Time Traders met any applicable exemption from the CPO registration provisions of the Act or Commission Regulations.

38. Knipping and Time Traders therefore violated Section 4m(1) of the Act, 7 U.S.C. §6m(1) (2000), by using means and instrumentalities of interstate commerce, including facsimiles, wire transfers and the U.S. mails, in connection with the business of a commodity pool operator when neither defendant was registered as a CPO.

39. Knipping also violated Section 4k(2) of the Act, 7 U.S.C. §6k(2) (2000), by being associated with Time Traders, a CPO, in a capacity requiring registration, without being registered as an associated person.

40. Each act and transaction undertaken as an unregistered CPO or as an unregistered associated person of a CPO made or taken during the relevant period, including but not limited to those specifically alleged herein, is alleged as a separate and distinct violation of Sections 4m(1), 7 U.S.C. §6m(1) (2000) and 4k(2) of the Act, 7 U.S.C. §6k(2) (2000), respectively.

RELIEF REQUESTED

WHEREFORE, Plaintiff respectfully requests that this Court, as authorized by Section 6c of the Act, 7 U.S.C. § 13a-1(1994), and pursuant to its own equitable powers, enter:

A. An order of permanent injunction enjoining defendants and all persons insofar as they are acting in the capacity of agents, servants, employees, successors, assigns or attorneys of defendants, and all persons insofar as they are acting in active concert or participation with defendants who receive actual notice of the order by personal service or otherwise, from directly or indirectly:

1. Cheating or defrauding or attempting to cheat or defraud other persons, willfully making or causing to be made to other persons false reports or statements thereof or willfully deceiving or attempting to deceive other persons in or in connection with any order to make, or the making of any contract of sale of any commodity for future delivery (including but not limited to foreign currencies), made, or to be made, for or on behalf of any other person if such contract for future delivery is or may be used for (A) hedging any transaction in interstate commerce in such commodity or the products or byproducts thereof, or (B) determining the price basis of any transaction in interstate commerce in such commodity, or (C) delivering any such commodity sold, shipped, or received in interstate commerce for the fulfillment thereof, in violation of Section 4b of the Act, 7 U.S.C. § 6b(1994)

2. Employing any device, scheme or artifice to defraud any client or participant or prospective client or participant or engaging in any transaction, practice or course of business that operate as a fraud or deceit upon any client or participant or prospective client or participant commodity pool participants or prospective participants, by use of the mails or any means or instrumentality of interstate commerce, in violation of Section 4o(1) of the Act, 7 U.S.C. § 6o(1)(1994);

3. Acting as an unregistered CPO by engaging, without Commission registration or an applicable exemption or exclusion from registration, in a business that is in the nature of an investment trust and by (i) soliciting, accepting or receiving funds or property for the purposes of participating in a commodity pool, or (ii) supervising persons so engaged.

4. Acting as an unregistered associated person of a CPO by associating with a CPO and soliciting, accepting or receiving funds or property for the purposes of participating in a commodity pool, or (ii) supervising persons so engaged, without being registered as an associated person.

B. An order enjoining defendants from destroying, mutilating, concealing, altering, or disposing of any of the books, records, documents, correspondence, brochures, manuals, electronically stored data, tape recordings, or other property of Defendants, wherever such materials may be situated, relating or referring to commodity interest transactions, Time Traders' banking records, records relating to any assets, investments, securities or other property owned or controlled by Knipping, Time Traders, or any of the customers of those entities;

C. An Order directing defendants:

1. To cooperate fully with the Commission to locate all assets, books and records of Knipping and Time Traders.

2. To make an accounting of all assets and liabilities of Knipping and Time Traders.

D. An order requiring defendants to disgorge all benefits received from acts or practices which constitute violations of the Act as described herein, including pre-judgment interest;

E. An order requiring defendants to make restitution to every customer whose funds were received or utilized by them as a result of acts and practices which constituted violations of the Act, as described herein, including pre-judgment interest;

F. An order requiring each defendant to pay civil penalties under the Act in the amount not to exceed the higher of $110,000 (or $120,000 for violations occurring after October 23, 2000) or triple the monetary gain to them for each violation of the Act, as described herein; and,

G. Such other remedial ancillary relied as the court may deem necessary and appropriate.

Respectfully submitted,

Date: June 20, 2001

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