

IN THE UNITED STATES DISTRICT COURT  
FOR THE EASTERN DISTRICT OF MICHIGAN

COMMODITY FUTURES TRADING	)	
COMMISSION,	)	
	)	
Plaintiff,	)	
	)	
v.	)	11-cv-10949-LPZ-MKM
	)	
ALAN JAMES WATSON, MICHAEL POTTS	)	
and CASH FLOW FINANCIAL LLC,	)	
	)	
Defendants,	)	
	)	
and	)	
	)	
THE JEDBURGH GROUP,	)	
	)	
Relief Defendant	)	

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**CONSENT ORDER FOR EQUITABLE RELIEF  
AND FINAL JUDGMENT  
AGAINST RELIEF DEFENDANT THE JEDBURGH GROUP**

**I. INTRODUCTION**

On March 10, 2011, Plaintiff Commodity Futures Trading Commission (the “Commission” or “CFTC”) filed a Complaint against Defendants Alan James Watson (“Watson”), Michael Potts (“Potts”), and Cash Flow Financial LLC (“CFF”), and against Relief Defendant The Jedburgh Group also known as Jedburgh Group International, Inc. (“Jedburgh” or “Relief Defendant”). The Complaint seeks injunctive and other equitable relief for violations of the Commodity Exchange Act (“Act”), as amended by the Food, Conservation, and Energy Act of 2008, Pub. L. No. 110-246, Title XIII (the CFTC Reauthorization Act of 2008 (“CRA”)), §§ 13101 – 13204, 122 Stat. 1651, to be codified at 7 U.S.C. §§ 1 *et seq.*

## II. CONSENTS AND AGREEMENTS

To effect settlement of all charges alleged in the Complaint against Jedburgh without a trial on the merits or any further judicial proceedings, Jedburgh:

1. Consents to the entry of this Consent Order for Equitable Relief Against Relief Defendant The Jedburgh Group (“Consent Order”);

2. Affirms that it has read and agreed to this Consent Order voluntarily, and that no promise, other than as specifically contained herein, or threat, has been made by the Commission or any member, officer, agent or representative thereof, or by any other person, to induce consent to this Consent Order;

3. Acknowledges service of the summons and Complaint;

4. Admits the jurisdiction of this Court over it and the subject matter of this action pursuant to Section 6c of the Act, 7 U.S.C. § 13a-1 (2006 & Supp. IV 2011);

5. Admits the jurisdiction of the Commission over the conduct and transactions at issue in this action pursuant to the Act, 7 U.S.C. §§ 1, *et seq.*;

6. Admits that venue properly lies with this Court pursuant to Section 6c(e) of the Act 7 U.S.C. § 13a-1(e) (2006);

7. Waives:

(a) any and all claims that it may possess under the Equal Access to Justice Act, 5 U.S.C. § 504 (2006) and 28 U.S.C. § 2412 (2006), and/or the rules promulgated by the Commission in conformity therewith, Part 148 of the Regulations, 17 C.F.R. §§ 148.1 *et seq.* (2011), relating to, or arising from, this action;

(b) any and all claims that it may possess under the Small Business Regulatory Enforcement Fairness Act of 1996, Pub. L. No. 104-121, §§ 201-253, 110 Stat. 847, 857-868

(1996), as amended by Pub. L. No. 110-28, § 8302, 121 Stat. 112, 204-205 (2007), relating to, or arising from, this action;

(c) any claim of Double Jeopardy based upon the institution of this action or the entry in this action of any order imposing a civil monetary penalty or any other relief, including this Consent Order; and

(d) any and all rights of appeal from this action;

8. Consents to the continued jurisdiction of this Court over it for the purpose of implementing and enforcing the terms and conditions of this Consent Order and for any other purpose relevant to this action, even if Jedburgh now or in the future resides outside the jurisdiction of this Court;

9. Agrees that it will not oppose enforcement of this Consent Order by alleging that it fails to comply with Rule 65(d) of the Federal Rules of Civil Procedure and waives any objection based thereon;

10. Agrees that neither it nor any of its agents or employees under its authority or control shall take any action or make any public statement denying, directly or indirectly, any allegation in the Complaint or the Findings of Fact or Conclusions of Law in this Consent Order, or creating or tending to create the impression that the Complaint and/or this Consent Order is without a factual basis; provided, however, that nothing in this provision shall affect its: (a) testimonial obligations, or (b) right to take legal positions in other proceedings to which the Commission is not a party. Jedburgh shall undertake all steps necessary to ensure that all of its agents and/or employees under its authority or control understand and comply with this agreement; and

11. Admits to all of the findings made in this Consent Order as alleged against it and all of the allegations in the Complaint as alleged against it. Jedburgh neither admits nor denies the truth of the allegations against Defendants Watson, Potts and CFF. Further, Jedburgh agrees and intends that the allegations contained in the Complaint and all of the Findings of Fact and Conclusions of Law contained in this Consent Order shall be taken as true and correct and be given preclusive effect, without further proof, in the course of: (a) any current or subsequent bankruptcy proceeding filed by, on behalf of, or against Jedburgh; (b) any proceeding pursuant to Section 8a of the Act, 7 U.S.C. § 12a (2006 & Supp. IV 2011), and/or Part 3 of the Regulations, 17 C.F.R. §§ 3.1 *et seq.* (2011); and/or (c) any proceeding to enforce the terms of this Consent Order.

12. Agrees to provide immediate notice to this Court and the Commission by certified mail, in the manner required by paragraph 40 of Part IV of this Consent Order, of any bankruptcy proceeding filed by, on behalf of, or against it, whether inside or outside the United States, and

13. Agrees that no provision of this Consent Order shall in any way limit or impair the ability of any other person or entity to seek any legal or equitable remedy against Jedburgh in any other proceeding.

### III. FINDINGS AND CONCLUSIONS

The Court, being fully advised in the premises, finds that there is good cause for the entry of this Consent Order and that there is no just reason for delay. The Court therefore directs the entry of the following Findings of Fact, Conclusions of Law and equitable relief pursuant to Section 6c of the Act, 7 U.S.C. § 13a-1 (2006 & Supp. IV 2011), as set forth herein.

**THE PARTIES AGREE AND THE COURT HEREBY FINDS:**

**A. Findings of Fact**

**1. The Parties To This Consent Order**

14. Plaintiff Commodity Futures Trading Commission is an independent federal regulatory agency that is charged by Congress with administering and enforcing the Act, as amended, 7 U.S.C. §§ 1 *et seq.*, and the Regulations promulgated thereunder, 17 C.F.R. §§ 1.1 *et seq.* (2011).

15. **Relief Defendant The Jedburgh Group, also known as Jedburgh Group International, Inc.**, is a Florida corporation. Its headquarters are in Longwood, Florida. The Jedburgh Group was retained by Watson and CFF to provide investigative services and assist CFF in locating and recovering CFF pool participant funds invested by Watson in a variety of schemes.

**2. Misappropriation From The CFF Pool**

As set forth more fully in the Consent Order Of Permanent Injunction, Civil Monetary Penalty And For Other Equitable Relief Against Alan James Watson (Docket No. 54), which is incorporated by reference:

16. During the relevant period, Section 1a(5) of the Act, 7 U.S.C. § 1a(5) (2006), defined a “commodity pool operator” (“CPO”) as any person engaged in a business that is of the nature of an investment trust, syndicate, or similar form of enterprise and in connection therewith, has solicited, accepted or received funds, securities or property from others for the purpose of trading in any commodity for future delivery on or subject to the rules of any contract market or derivatives transaction execution facility.

17. On or about January 28, 2004, Watson formed CFF as a Michigan limited liability company.

18. By at least November 27, 2007, Watson began soliciting pool participants to participate in an “investment club” operated through CFF for the purpose of forming a commodity pool to be traded by a Florida-based entity called Trade LLC.

19. Between November 27, 2007, and June 30, 2009, CFF had more than six hundred (600) pool participants throughout the United States and received at least forty-four million dollars (\$44,000,000) in funds for trading and investment.

20. Although Watson had represented that all pool participant funds would be traded using Trade LLC’s program, Watson provided only a portion of the pooled funds to Trade LLC for the purpose of trading futures and/or securities.

21. Watson misappropriated pool participant funds in a variety of ways. Of the more than forty-four million dollars (\$44,000,000) solicited, only eight million one hundred thousand dollars (\$8,100,000) was traded by Trade LLC. The remainder was deposited at the direction of Watson in unapproved trading accounts or schemes.

22. For example, Watson misappropriated pool participant funds by investing participant funds in a variety of unauthorized investment schemes, including, but not limited to, the following:

a. In July 2008, Watson invested one million dollars (\$1,000,000) of CFF pool participant funds in a California based scheme to invest in U.S. Treasury instruments with Blue Diamond Excavation, Olathe Mining Company and Sundial Investment Group LLC (*Watson and Cash Flow Financial LLC v. Blue Diamond Excavation, Inc.*, No. 8:10-cv-00459 (C.D. Cal.));

b. In September 2008, Watson invested six hundred fifty thousand dollars (\$650,000) of CFF pool participant funds in an Arizona based money leasing scheme operated

by Charles Bruce Ferguson. *See Arizona v. Ferguson*, No. 64 SGJ (Ariz. Sup. Ct., Maricopa County);

c. In October 2008, Watson invested one million dollars (\$1,000,000) of CFF pool participant funds in a California based money leasing scheme involving Soldado Corporation. *See Watson and Cash Flow Financial LLC v. Soldado Corp.*, No. 10-CV-1394 (N.D. Cal.);

d. Beginning in December 2008, Watson invested four million eight hundred and fifty thousand dollars (\$4,850,000) of CFF pool participant funds in a money leasing scheme with Darlene Bishop and Paradize Funding Network in Texas. *See Cash Flow Financial LLC v. Bishop*, No. 09-CV-00029 (W.D. Tex.); and

e. By at least June 2009, Watson invested approximately three million dollars (\$3,000,000) of CFF pool participant funds with a group of individuals and entities including Jason Meyer, M5 Enterprises LLC, Royal Sovereign Group, and 3 Hooligans Investment Properties in connection with a money leasing program for the purpose of ultimately investing in U.S. Treasury instruments. *See Cash Flow Financial LLC v. Meyer*, No. 2:09-CV-05002 (E.D.N.Y.).

### **3. Jedburgh's Retention and Receipt of Funds.**

23. Relief Defendant Jedburgh was retained by CFF to assist it in recovering funds diverted by Watson to which CFF pool participants were rightly entitled, including but not limited to recovery of funds in connection with the schemes set forth in Paragraph 22.

24. Jedburgh entered into a series of retainer agreements and engaged in informal correspondence with Watson, acting on CFF's behalf, setting forth Jedburgh's entitlement to fees and expenses for services performed.

25. Jedburgh has thus far turned over three million two hundred thirty-one thousand fifty-one dollars and twenty-five cents (\$3,231,051.25) to the Receivership Estate.

26. Jedburgh received an additional twenty-one thousand five hundred sixty-eight dollars and fifteen cents (\$21,568.15) to which it is not entitled and which has not been returned to the Receivership Estate.

**B. Conclusions of Law**

**1. Jurisdiction and Venue**

27. This Court has jurisdiction over this action pursuant to Section 6c of the Act, 7 U.S.C. § 13a-1 (2006 & Supp. IV 2011), 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.

28. Venue properly lies with this Court pursuant to Section 6c(e) of the Act, 7 U.S.C. § 13a-1(e) (2006), because the acts and practices in violation of the Act occurred within this District.

**2. Disgorgement by Jedburgh**

29. As a result of the conduct described in Paragraphs 14 through 26 above, Jedburgh received funds that were the subject of Defendants' fraudulent conduct and misappropriation in the amount of three million two hundred fifty-two thousand six hundred nineteen dollars and thirty cents (\$3,252,619.30). Jedburgh has returned three million two hundred thirty-one thousand fifty-one dollars and twenty-five cents (\$3,231,051.25). Thus, Jedburgh's current



amount of unjust enrichment is twenty-one thousand five hundred sixty-eight dollars and fifteen cents (\$21,568.15).

#### **IV. EQUITABLE RELIEF**

##### **IT IS HEREBY ORDERED THAT:**

##### **A. Disgorgement**

30. Jedburgh shall pay disgorgement in the amount of twenty-one thousand, five hundred sixty-eight dollars and fifteen cents (\$21,568.15) (“Disgorgement Obligation”), plus post-judgment interest, within thirty (30) days of the date of the entry of this Consent Order. If the Disgorgement Obligation is not paid in full within thirty (30) days of the date of entry of this Consent Order, then post-judgment interest shall accrue on the Disgorgement Obligation beginning on the date of entry of this Consent Order and shall be determined by using the Treasury Bill rate prevailing on the date of entry of this Consent Order pursuant to 28 U.S.C. § 1961 (2006).

31. Jedburgh shall make Disgorgement Obligation payments under this Consent Order to Philip S. Stenger, the Receiver previously appointed by this Court, in the name “The Jedburgh Group – Disgorgement Fund” and shall send such Disgorgement Obligation payments by electronic funds transfer, or by U.S. postal money order, certified check, bank cashier’s, or bank money order or such other method designated by the Receiver, to Philip S. Stenger, Stenger & Stenger PC, 2618 East Paris Avenue, S.E., Grand Rapids MI 49546-2425, under cover letter that identifies the paying relief defendant and the name and docket number of this proceeding. Jedburgh 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, and to Allison Baker Shealy, Commodity Futures Trading Commission, Three Lafayette Centre, 1155 21st Street, NW, Washington, D.C. 20581.

32. The procedure for the distribution of the Disgorgement Obligation to CFF pool participants shall be determined by the Court at a later date.

33. Upon the termination of the receivership estate, the Receiver shall provide the Commission with a report detailing the disbursement of funds to CFF pool participants. The Receiver 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.

34. 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 Jedburgh 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.

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

36. To the extent that any funds accrue to the U.S. Treasury for satisfaction of Jedburgh's Disgorgement Obligation, such funds shall be transferred to the Receiver for disbursement in accordance with the procedures set forth above.

**B. Provisions Related to Monetary Sanctions**

37. Partial Satisfaction: Any acceptance by the Commission or the Receiver of partial payment of Jedburgh's Disgorgement Obligation shall not be deemed a waiver of its obligation

to make further payments pursuant to this Consent Order, or a waiver of the Commission's right to seek to compel payment of any remaining balance.

**C. Cooperation**

38. Jedburgh shall cooperate fully and expeditiously with the Commission, including the Commission's Division of Enforcement, and any other governmental agency in this action, and in any investigation, civil litigation, or administrative matter related to the subject matter of this action or any current or future Commission investigation related thereto.

**V. MISCELLANEOUS PROVISIONS**

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

Notice to Commission:

Attention - Director of Enforcement  
Commodity Futures Trading Commission  
Division of Enforcement  
1155 21<sup>st</sup> Street N.W.  
Washington, DC 20581

Notice to Relief Defendant Jedburgh:

Jedburgh Group International, Inc.  
c/o Keith Freeman  
4044 West Lake Mary Blvd.  
Suite 104  
Lake Mary, FL 32746

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

40. Change of Address/Phone: Until such time as Jedburgh satisfies in full its Disgorgement Obligation as set forth in this Consent Order, Jedburgh shall provide written notice to the Commission by certified mail of any change to its telephone number and mailing address within ten (10) calendar days of the change.

41. **Entire Agreement and Amendments:** This Consent Order incorporates all of the terms and conditions of the settlement among the parties hereto to date. Nothing shall serve to amend or modify this Consent Order in any respect whatsoever, unless: (a) reduced to writing; (b) signed by all parties hereto; and (c) approved by order of this Court.

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

43. **Waiver:** The failure of any party to this Consent Order or of any CFF pool participant at any time to require performance of any provision of this Consent Order shall in no manner affect the right of the party or CFF pool participant at a later time to enforce the same or any other provision of this Consent Order. No waiver in one or more instances of the breach of any provision contained in this Consent Order shall be deemed to be or construed as a further or continuing waiver of such breach or waiver of the breach of any other provision of this Consent Order.

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

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

46. Keith Freeman hereby warrants that he is President of Jedburgh Group also known as Jedburgh Group International, Inc., and that this Consent Order has been duly authorized by Jedburgh Group/Jedburgh Group International, Inc. and he has been duly empowered to sign and submit this Consent Order on behalf of Jedburgh Group/Jedburgh Group International, Inc.

47. Counterparts and Facsimile Execution: This Consent Order may be executed in two or more counterparts, all of which shall be considered one and the same agreement and shall become effective when one or more counterparts have been signed by each of the parties hereto and delivered (by facsimile, e-mail, or otherwise) to the other party, it being understood that all parties need not sign the same counterpart. Any counterpart or other signature to this Consent Order that is delivered by any means shall be deemed for all purposes as constituting good and valid execution and delivery by such party of this Consent Order.

48. Jedburgh understands that the terms of the Consent Order are enforceable through contempt proceedings, and that, in any such proceedings it may not challenge the validity of this Consent Order.

There being no just reason for delay, the Clerk of the Court is hereby directed to enter this *Consent Order for Equitable Relief Against Relief Defendant The Jedburgh Group*.

**IT IS SO ORDERED** on this 15<sup>TH</sup> day of August , 2012.

s/Lawrence P. Zatkoff  
**UNITED STATES DISTRICT JUDGE**

CONSENTED TO AND APPROVED BY:

/s/ with consent by Keith Freeman

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Keith Freeman  
As President And On Behalf Of  
**The Jedburgh Group also known as  
Jedburgh Group International, Inc.**  
4044 West Lake Mary Blvd.  
Suite 104  
Lake Mary, FL 32746

Dated: June 15, 2012

Approved as to form:

/s/ with consent Harry H. Wise III

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Harry H. Wise, III  
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Jedburgh Group International Inc.**  
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/s/ Allison Baker Shealy

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Dated: June 20, 2012