

**Securities Regulation Daily Wrap Up, FRAUD AND MANIPULATION—  
N.D. Cal.: CFTC obtains sanctions in California commodities solicitation  
fraud, (Nov. 26, 2013)**

Securities Regulation Daily Wrap Up

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By Lene Powell, J.D.

The CFTC obtained sanctions against a California-based commodity trading adviser who violated the Commodity Exchange Act (CEA) by issuing fraudulent promotional materials to investors and by making false statements to investigators with the National Futures Association (NFA). The District Court for the Northern District of California ordered James D. Crombie to pay restitution and a civil monetary penalty ([CFTC v. Crombie](#), November 21, 2013, Wilken, C.).

**Background.** In an [order](#) issued in July, the court granted summary judgment to the CFTC on the issue of liability, finding that Crombie violated CEA Sections 4b(a) and 4o(1) by willfully making misrepresentations and omissions to prospective customers of Paron Capital Management, LLC. (Paron). Paron used a “flip book” and a monthly newsletter that falsely claimed that Paron and Crombie had previously achieved annual rates of return as high as 38 percent in 2008. The firm also used a due diligence questionnaire that falsely claimed that Paron managed assets of approximately \$35 million in 2011, and that the firm’s largest current account was \$20 million.

The court also found that Crombie violated CEA Sec. 9(a)(4) by willfully misrepresenting to the NFA information about his financial performance history and loans he had received. For example, during a telephone call, Crombie told NFA investigators that the only outstanding loan he had at the time was a loan from a family member. However, Crombie later admitted in his interrogatory responses that he had received a \$50,000 “working capital loan” from an individual who was establishing a hedge fund.

**Sanctions.** The court entered judgment against Crombie and ordered him to pay over \$789,000 in restitution and a \$750,000 civil monetary penalty. The court also imposed permanent trading and registration bans against Crombie.

The case is [No. C 11-04577 CW](#).

Attorneys: Danielle Edward Karst for the CFTC. Jonas Noah Hagey (Braunhagey & Borden LLP) for Paron Capital Management, LLC. Stephen Holbrook Sutro (Duane Morris LLP) for James Devlin Crombie.

Company: Paron Capital Management, LLC

LitigationEnforcement: CommodityFutures FraudManipulation