

FINRA DISPUTE RESOLUTION ARBITRATION

FINRA Dispute Resolution, Inc.
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In the Matter of the Arbitration of:

FINRA Arb. No. _____

Dale and Ann Woodbeck, David Dent,
Justin Bussler, Laura Owen, and
Ronald Bisson, Sr.,

STATEMENT OF CLAIM

Claimants,

v.

Jason Bo Beckman, NRP Financial, Inc.,
and Western International Securities, Inc.,

Respondents.

Claimants Dale and Ann Woodbeck, David Dent, Justin Bussler, Laura Owen, and Ronald Bisson, Sr. (collectively the "Claimants") submit this Statement of Claim against Respondents Jason Bo Beckman ("Beckman"), NRP Financial, LLC ("NRP") and Western International Securities, Inc. ("Western"). This matter is properly arbitrable pursuant to Rules 12200, 12312 and 12313 of the FINRA Code of Arbitration Procedure.

At all relevant times, Claimants were each clients of Respondent Jason Bo Beckman, a FINRA associated person, who was employed by FINRA member firms NRP and later Western. The claims in this arbitration share common questions of law and fact relating to a currency trading Ponzi scheme operating in Minneapolis, Minnesota and arising out of the same transaction or occurrence, or series of transactions or occurrences. Respondent Beckman directly solicited each of the Claimants to invest in the currency trading scheme, and made nearly identical material misrepresentations to the Claimants in connection with their solicitations.

EXHIBIT
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I. INTRODUCTION

Over the past two years, economic events came together in a near “perfect storm” wreaking havoc on nearly all sectors of the markets, which, in turn, exposed numerous Ponzi schemes that had been operating around the country for years. The reason for this is straightforward. Ponzi schemes only work where the perpetrator continues to receive an influx of cash from unsuspecting new investors, who are typically promised abnormal and consistent high returns, often claiming to outperform the market. Money from investors is then used to pay earlier investors, and the cycle continues over and over with more and more investors being added until the perpetrator runs out of new cash and investors. The widespread financial market collapse over the past two years, coupled with growing investor fear about the negative direction of the markets, caused many would-be investors to retreat from the marketplace and many unsuspecting investors already invested in Ponzi schemes to remove their money and invest it elsewhere. Under these circumstances, a Ponzi scheme simply implodes. That is exactly what happened here.

This case involves five Minnesota households who, among many others, are victims of a Ponzi scheme run right here in the Twin Cities. The “face” of the scheme was Jason Bo Beckman, a local broker purportedly employed by various firms containing the name “Oxford” operating out of the historic Van Dusen mansion in Minneapolis.¹ Beckman, in conjunction with others, lured investors to invest in what he characterized as a riskless foreign currency trading program or fund that provided early investors with guaranteed 12% returns and later investors with returns around 10.5%. While the extent of Beckman’s involvement in the scheme following

¹ On July 12, 2009, the Star Tribune reported that Beckman and others had allied themselves with a group of business entities collectively referred to as The Oxford, some of which pitch an investment strategy involving foreign currency exchange. (See Exhibit A.)

the investments is unknown at this time, it is clear that in exchange for steering individuals into the currency program, Beckman received kickbacks or “rebates” and made the following core misrepresentations to each of the Claimants:

- Beckman was intimately familiar with how the currency trading strategy worked and whether the client funds would be deposited;
- Investing in the currency trading platform carried zero risk of loss of principal (*See Exhibits B, C, D, H and T*);
- Investing in the currency trading platform was a relatively very safe investment and would generate guaranteed annual returns of around 12% for early investors and 10% for later investors (*See Exhibits B and H*);
- The investors would be able to access the funds in their accounts at any time (*See Exhibits B and H*);
- The investor’s funds would each be placed in segregated client accounts with Crown Forex S.A. (*See Exhibit H*);
- The investments were generating interest on a daily basis and that this information was accurately reflected in the written and on-line account information Beckman and his entities provided to the investors (*See, e.g., Exhibit S*);
- Beckman managed assets totaling several billion and was ranked among the top leading money managers in the country;²
- Beckman was familiar with and personally responsible for executing the currency trading strategy and that the money was being sent to Crown Forex S.A. in Switzerland;
- Beckman invested his own money into the currency trading platform he was recommending to clients.

² According to a July 12, 2009 Minneapolis Star Tribune article, “Steve Deutsch, Morningstar’s director of separate accounts, says the firm has never ranked Beckman or the Oxford Core Portfolio because Beckman has declined to provide proof of his major holdings. In addition, the numbers Beckman’s firm reports to Morningstar seem to conflict with number that it has provided to a Minneapolis accounting firm. Beckman’s Morningstar data show \$179 million in the Oxford Core Portfolio, with a total of \$2 billion under management. Data that Beckman’s firm provided to Lurie, Besikof, Lapidus & Co. however, show that through 2007, the Oxford Core Portfolio had just 39 clients with \$37.9 million invested, and about \$83.7 million under management companywide.” (*See Exhibit A.*)

The following chart identifies the dates and amount of Claimants' investments at issue:

Claimant	Amount of Investment(s)	Date(s) of Investment
Dale Woodbeck	\$200,000	March 2008
Ann Woodbeck	\$350,000	January and February 2007
Laura Owen	\$570,000	December 2007 and May 2008
Dave Dent	\$300,000	January 2007 and March 2008
Ron Bisson, Sr.	\$200,000	March 2009
Justin Bussler	\$40,000	March 2009
TOTAL:	\$1,660,000	

When market conditions grew worse and investors began requesting Beckman liquidate their accounts to cover other expenses or losses, the scheme eventually collapsed. Beckman and several cohorts were subsequently sued by investors in the United States Federal District Court for the District of Minnesota in a mass action lawsuit, which has been widely publicized by the Minneapolis Star Tribune and other media outlets. The Claimants in this lawsuit, however, each invested their money through Beckman's direct solicitations.

At the time the investments were made, Beckman was a FINRA associated person supervised by member firms NRP and later Western. Beckman told his clients he traded over \$1 billion in the currency trading program – an amount which could not have gone unnoticed by Western and NRP but for their extreme recklessness or willful indifference in supervising him. Beckman placed nearly all of his customers in these currency trading funds, and money was typically transferred out of customer accounts at NRP or Western. Had they maintained adequate supervisory policies and systems, these firms either knew or should have known what Beckman was doing.

Claimants respectfully request the arbitration Panel find Beckman and his employers, Western and NRP, individually, jointly and severally liable for Claimants' out-of-pocket damages of \$1.66 million, plus interest and attorneys' fees as allowed by law and punitive damages in an amount at least equal to the compensatory damages awarded.

II. THE PARTIES

Dale and Ann Woodbeck

Dale and Ann Woodbeck's investment relationship with Beckman began in late 2001 when Beckman worked for Fisher Investments. Dale was a client of Fisher, and Beckman became Fisher's local sales representative. Dale set up an account with Fisher as investment advisors in November 2001. However, Beckman subsequently left Fisher and moved to H&R Block. At Beckman's recommendation, the Woodbecks moved their accounts to H&R Block in 2003. Beckman told Dale that the reason he was leaving Fisher was that he was promised that he would be "running money" for Fisher and that Fisher ultimately wanted him to remain as a field sales representative. Beckman described his history of "running money" for Merrill Lynch and others in the past and described that as being his primary skill set.

Beckman left H&R Block and returned to Merrill Lynch in 2004. At his recommendation, the Woodbecks again moved their accounts. Beckman told Dale he was leaving H&R Block because they were not committed to running a wealth management division. However, while at H&R Block, Beckman had Dale purchase two annuities, each of which had an option that guaranteed that the annuity balance would never fall below the principal. At all relevant times, Beckman understood that preservation of capital was the Woodbecks' primary investment objective as Dale (then 45 years old) had told Beckman many times since 2001 that he needed to be able to live off of his "nest egg" for the rest of his life.

In 2005, Beckman provided Dale a detailed plan outlining several methods to accomplish his objective of living off cash in his accounts while maintaining the principal in various investments. Beckman was doing business using Merrill Lynch as the brokerage firm until 2006,

when he established the Oxford Private Client Group. Beckman gave no reason for leaving Merrill Lynch other than to say he "wanted to be on his own."

In late 2006, Beckman began discussing the currency trading strategy with Dale. In February 2007, Beckman advised the Woodbecks he wanted to move a portion of their portfolio (\$250,000 from the annuities they had purchased at H&R Block) out of equities and into a currency trading fund operated by his businesses. Beckman represented to the Woodbecks that the fund carried no risk, that it was highly liquid, that the Woodbecks would receive guaranteed annual returns of 12% on their principal, that their money in the fund would be held in a segregated account at Crown Forex SA in Switzerland, and the trading agent would be UBS Diversified of Burnsville. (See Exhibits B and C – "Leverage is only 2.7 times, fully hedged, therefore no risk.") Relying on Beckman's representations, the Woodbecks deposited \$250,000 into an account in Ann Woodbeck's name, added \$100,000 to it about a month later, and allowed Beckman to invest the money in his currency trading fund.

In March 2008, at Beckman's advice, and based on his continuing representations about the currency trading fund's safety and liquidity, Dale executed a trading agreement with Oxford Global Advisors, LLC and opened an account in what he believed to be Crown Forex in his name with an additional \$200,000. In connection with the investment, Beckman represented that he owned Oxford Global Advisors, LLC, a successor entity to UBS Diversified. Beckman subsequently provided Dale with a software program that purportedly allowed the Woodbecks to log in and monitor their account balances on a real time basis.

During 2009, Dale met with Beckman to discuss the efficacy of the currency trading program. Dale specifically asked Beckman what his opinion was of moving out of the currency

trading strategy. Beckman assured Dale that the program was comprised of individual accounts that were "totally liquid, completely hedged, and totally safe."

After reading a July 9, 2009 Star Tribune article regarding the lawsuit brought against the Oxford entities and which mentioned Bo Beckman, Dale called Beckman on July 10 and requested that he withdraw all of his funds from both Crown Forex SA accounts. Dale submitted the forms to Crown Forex S.A. and Beckman on July 10. Beckman then informed Dale that he needed to submit different withdrawal forms, which Dale submitted. To date, Beckman has not returned any portion of the funds taken from the Woodbeck's accounts and invested in the Oxford and related currency trading funds.

Laura Owen

Laura Owen and her husband Bob first learned of Beckman in November 2006 from a mutual acquaintance, who the couple later learned was employed by Beckman as a referral source. After considering working with Beckman for a number of months, the Owens made the decision to work with Beckman in August 2007, based on his representation that he was committed to strategies that focused on conservative, carefully managed investing. From August 2007 through December 2007, the Owens moved the majority of their personal investments to NRP accounts to be managed by Beckman. These investments totaled about \$1.8 million.

Included in the Owens' investments was an IRA account of almost \$900,000 that had rolled over from Laura's Texas Instruments retirement account. This account was deposited in an NRP account on December 5, 2007. Eleven business days later, \$270,000 of Laura's IRA account was transferred into Beckman's currency trading fund upon Beckman's recommendation. Also in December 2007, an additional \$270,000 of non-IRA investment was transferred into the currency trading fund upon Beckman's recommendation.

In March 2008, Beckman began advocating moving more of the Owens' money into the currency trading fund. At the time, the Owens' accounts were earning 3.3% interest. Beckman, however, assured the Owens they could increase their yield without increasing their risk if they followed his instructions. (See Exhibit D.) In May of 2008, the Owens' investment in the currency trading funds was expanded with two new accounts to a total currency fund investment level of about \$900,000 (about half of the Owen's portfolio).

Significantly, throughout his investing relationship with the Owens, Beckman directly and through his associate, Adam Edenberg, assured the Owens the currency trading program provided a "full hedge" and carried no risk.³ Despite these assurances, the Owens became uneasy about the amount of their overall investment in the currency fund investment program and uncomfortable with what they viewed as lack of overall communication from Beckman. In late September 2008, they requested a portfolio review with Beckman and, in doing so, requested another explanation of how the currency fund worked. In this meeting, the Owens again emphasized their focus on preservation of capital and left Beckman's offices satisfied with their investments in the currency fund based both on the confidence Beckman conveyed along with what seemed to be his deep understanding of the currency fund and the market overall.

As the financial market turmoil continued in late 2008, the Owens continued to ponder their overall investment portfolio with Beckman. In January 2009 the Owens decided to withdraw all of their non-IRA currency fund investments. They were concerned about the lack of diversification with their investments due to the concentration of investments in the currency trading fund and concluded that they could better position themselves for retirement by paying

³ Oxford Global Advisors, an entity that lists Beckman as its registered agent, has a website that links investors to TheArbitrageRoom.com, a site that says the no-risk currency arbitrage program targets annual returns of 10.5 percent and claims the hedging strategy has produced 72 months of gains. (See Exhibit A.)

down their mortgage. They sent Beckman an email on January 7, 2009 explaining this and requesting that he have a check available from these requested withdrawals in a meeting set for January 15, 2009. (See Exhibit E.) Again, the Owens expressed concern regarding the currency investments and an interest in achieving greater diversification.

Beckman did not have a check prepared for the Owens when they arrived for their meeting on January 15, 2009. (See Exhibit F.) Instead, Beckman began the meeting with no acknowledgment of the withdrawal request. When pressed on this issue by the Owens, he persisted for some time to present a view of why retaining the currency fund investments was a better strategy for the Owens than paying down their mortgage. The Owens, however, were persistent and the meeting ended with a clear understanding that the next step was a withdrawal in the amount of approximately \$400,000 from the Owens' non-IRA currency fund accounts. The Owens received a wire transfer of most of the money in the accounts on January 23. After back and forth communications with Beckman about applicable surrender penalties, which Beckman had not mentioned in their January 15 meeting, the Owens received two smaller payments in February, ultimately receiving a total withdrawal of \$405,414.

Following this withdrawal, the Owens still had \$560,000 of their original investment in the currency trading fund. This amount was in two IRA accounts in Laura's name. The Owens continued to put some thought into further reductions in their currency investments. However, other personal responsibilities soon became the overwhelming priority. Laura had long been the primary caregiver for her mother, who had been in ill health for many years. Her mother took a major turn for the worse and in February of 2009 she began receiving hospice care. Laura's mother died in late March 2009, and at this point, Laura's primary focus shifted to serving as executor of her mother's estate.

After reading the July 9, 2009 Star Tribune article regarding the lawsuit brought against the Oxford entities and mentioning Bo Beckman, Bob immediately sent Beckman an email requesting a meeting. Beckman called Bob and stated that although Laura's IRA currency fund investments were managed with a somewhat different methodology than that at issue in the Star Tribune article, there was enough similarity that he was recommending to his clients that they complete the withdrawal forms for their currency fund account. Laura promptly completed the paperwork to withdraw from the currency investments within her IRA accounts. To date, Laura has received no money from this withdrawal request. All other investments by the Owens that were at one time under Beckman's management have been moved to a new institution.

Ronald Bisson, Sr.

Ron first learned of Bo Beckman in April 2008 when he was solicited to attend a wealth management seminar presentation put on by Beckman and his associates. In the following months, Ron corresponded with Beckman and his associates, researched the Oxford funds Beckman recommended, and eventually determined to invest his retirement funds with Beckman based upon Beckman's representations that he had outperformed the market for six straight years. Ron corresponded for several months with Beckman's associates, who advised Ron that both he and his wife should surrender their current annuities and transfer the money to Oxford Private Client Group to invest the money in an Oxford fund.

Specifically, Beckman, directly and through his associates, represented that he had started Oxford after being dissatisfied with the larger firm's approach to servicing customers where he had previously worked and that Oxford was highly rated by Morningstar. In addition, Beckman stated that the Oxford funds employed a risk averse strategy putting preservation of capital first while obtaining a good return compared to the market. (See Exhibit G.) Beckman explained to

Ron that the currency fund program had zero risk (given that it was fully hedged with a long and short position), and was highly liquid, that Ron would receive guaranteed annual return of 10.5 percent on his principal and that his money would be held in a segregated IRA account at Crown Forex S.A. in Switzerland. (See Exhibit H.) Ron told Beckman he had no experience with this type of investment. Relying on Beckman's representations and assurances, Ron transferred his retirement funds to Oxford to open an account. In the following months, Beckman and Adam Edenberg continued to tell Ron that the currency trading program included a full hedge and therefore carried no risk.

After Ron transferred his retirement money to Oxford, Beckman and Edenberg advised Ron that they would not incur any surrender charges if they surrendered their variable annuities and purchased Oxford's currency trading funds. Again, relying upon Beckman's recommendation and his purported expertise and credentials, including his representations that Oxford was highly rated by Morningstar, that the currency trading strategy/funds carried no risk, that these investments would be segregated in IRA accounts and were highly liquid, and that Beckman currently managed several billion dollars in assets under management and was one of the top rated mutual fund managers in the country, Ron executed a Crown Forex Customer Trading Agreement supplied by Beckman in February and subsequently transferred \$200,000 in retirement money for Beckman to fund an individual segregated account at Crown Forex S.A. in March 2009.

After receiving the money, Beckman, through his assistant, advised Ron that they "received word your transfer into the currency trading strategy is complete...[and] [a]s soon as the funds clear at Crown Forex we'll have on-line access and account numbers." Beckman's

assistant then demonstrated to Ron the on-line access to the Crown Forex account and the current account statement.

After seeing the initial Star Tribune Article on July 9, 2009, which discussed the collapse of the Oxford Global currency trading program run by Beckman and others, Ron requested a meeting with Beckman and that all funds in his account be liquidated. After receiving no response from Beckman or his assistant, Adam Edenberg, Ron went to Beckman's offices on July 17 to confirm Beckman had received the sell order. One of Beckman's associates, Eric Ericson, met with Ron and assured him that the form would be completed and mailed. He helped Ron execute the withdrawal form for the total amount of his account and sent Ron a statement by e-mail that indicated this was accomplished. To date, Ron has not received any money he invested with Beckman in the currency trading funds.

Dave Dent

Dave was introduced to Bo Beckman in 2006. Beckman explained to Dave his extensive industry experience including Fisher Investments, and told Dave that his risk was lower than that of Fisher's and that Fisher was too large of a broker. Beckman also emphasized to Dave that his management style focused on safety and preservation of capital, and that he was one of the top rated money managers in the country. (See Exhibits G and I.) Relying on Beckman's representations, Dave transferred \$550,000 to Beckman, who represented that he was managing around \$900 million in assets at the time.

In January 2007, Beckman suggested Dave move \$100,000 to a currency trading account that yielded 10-12% with very low risk. Dave explained to Beckman he had zero experience with this type of investment and Beckman assured Dave that he had an excellent relationship with the trader and that Dave's principal investment would be "safe." After further discussions

with Beckman in early 2008, Beckman convinced Dave to lighten his exposure to equities by transferring an additional \$200,000 into the currency trading program. On March 24, 2008, at Beckman's recommendation, Dave wired an additional \$200,000 from his account at Western to a Wells Fargo account belonging to Beckman or one of his business entities. Dave had no further communications with Beckman until June 4, 2009, when he met with Beckman and his assistant to review the portfolio. Beckman made no mention of any problems at Crown Forex during this meeting and stated that everything was fine with the accounts and that the currency trading funds were performing well. Beckman also mentioned that his business had grown from \$900 million to \$4 billion as a result of receiving many new wholesale accounts from large broker-dealers.

After seeing the initial Star Tribune Article on July 9, 2009, which discussed the collapse of the Oxford Global currency trading program run by Beckman and others, Dave sent a letter to Beckman requesting his currency trading account be closed and that the money in the account be returned to him. Shortly thereafter, Dave went to Beckman's offices to personally deliver the Crown Forex withdrawal form and spoke with Eric Erickson, who informed Dave that the Oxford entities were managing over \$4 billion in assets and that of this amount, \$1 billion had been invested in currency arbitrage trading. To date, Dave has requested but not received the money he invested with Beckman in the currency trading funds.

Justin Bussler

After becoming frustrated with his investments and the current market conditions in 2007-2008, Justin Bussler was eventually referred to Bo Beckman in February of 2009. Beckman discussed how he had predicted the market downturn which started in 2007 and had positioned his clients' money in a fixed income vehicle yielding 10.5%, which produced positive

gains for his clients in the two years that the market had experienced -40% returns. (See Exhibit G and I.) Beckman also discussed the trading platform and explained how the two currencies traded were "perfectly hedged" in his words since they had a short and long position on both. He stated that principal was safe and that there was no down side risk on the money invested. After reviewing the historical chart on the trading platform showing near zero risk, Justin transferred his account, and Beckman placed \$40,000 into the currency trading fund. Beckman explained to Justin that his money would be placed in an individual Crown Forex SA account that could be easily liquidated if necessary and that Beckman would dollar cost average the funds out of the currency platform back into equities when he felt the market was starting to recover.

After the money was transferred, Justin asked Beckman's assistant, Adam Edenberg, how he could monitor the account since Justin had not been receiving statements from Crown Forex. Adam provided Justin with log in information that he could purportedly use to access his account through their website. Justin occasionally monitored the site which showed daily account values and interest that had been posted, and did not hear of any potential issues with the trading program until the day before the meeting was scheduled at Beckman's lawyer's office in late July/early August 2009. Justin then immediately left email and phone messages for Beckman and Edenberg to liquidate all funds held with them. Neither Beckman nor Edenberg returned Justin's communications. Accordingly, Justin called the trading desk personally and liquidated the money he had in Beckman's Northern Lights Fund and filled out paper work to transfer all assets out of Oxford PCG. To date, Beckman has not returned any portion of Justin's investment in the currency trading fund.

Jason Bo Beckman

Jason Bo Beckman is a local stockbroker with a colorful and checkered past. According to the Star Tribune, Beckman's mother has sued him twice. In 2004, she charged him with fraud, misrepresentation and misappropriation in the handling of her late father's estate. She sued Beckman again in July 2008, charging that he had forged her signature on student loans and refused to pay the balance of \$4,740 when debt collectors called her. (See Exhibit A.)

According to the FINRA BrokerCheck report, Beckman has been a FINRA associated person from August 1993 to May 2009. (See Exhibit J.) During that time period, he was employed by eight different firms. Beckman's CRD reflects that he was employed by NRP from November 2005 – February 2008, and that Beckman was subsequently employed by Western from March 2008 – May 2009.

NRP Financial, Inc. (CRD #103717)

Upon information and belief, NRP Financial, Inc. is a FINRA member broker-dealer headquartered at 677 North Main Street, Bryan, Ohio 43506 with branch offices located throughout the United States including offices in Minneapolis, MN.

Western International Securities, Inc. (CRD #39262)

Upon information and belief, Western International Securities, Inc. is a FINRA member broker-dealer headquartered at 70 South Lake Avenue, Suite 700, Pasadena, California 91101, with branch offices located throughout the United States including offices in Minneapolis, Minnesota.

III. FACTUAL BACKGROUND

The claims in this arbitration involve common questions of law and fact relating to a Ponzi scheme operated in Minneapolis, Minnesota and arise out of the same transaction or occurrence, or series of transactions or occurrences. At all relevant times, Claimants were each clients of Beckman, a FINRA associated person, who was employed by FINRA member firms NRP and later Western. Beckman directly solicited each Claimant to purchase what he called “currency trading funds,” he obtained rebates or “kickbacks” for steering Claimants and others to invest in the currency trading funds, and he made nearly identical material misrepresentations to the Claimants in connection with their solicitations.

A. The Ponzi Scheme.

While the precise details of how the currency trading Ponzi scheme worked are not entirely known at this time, upon information and belief, and based on discovery obtained in the federal district court proceeding already commenced against Beckman and his alleged co-conspirators, and Claimants’ first hand communications with Beckman, the scheme operated in the following manner:

Sometime during 2005 and 2006, after being terminated by H&R Block Financial Advisors, Inc., Beckman began marketing himself as a financial expert who consistently outperformed the markets through a proprietary methodology of trading various equities and other investments. Beckman often represented to prospective investors he had been called one of the top money managers in the country. (See Exhibit I.) Through a series of “wealth investment seminars” Beckman presented in the Twin Cities and elsewhere (see Exhibit K), Beckman touted himself as managing several billion dollars in assets and having a track record of outperforming the markets for “six straight years.” During this period of time, Beckman

created by himself or with help from others, various entities known as the Oxford Global Advisors, Oxford Private Client Group and numerous other business and entities with "Oxford" in the title.⁴

Prospective investors were contacted personally and in writing by Beckman or one of his assistants, and encouraged to attend either a seminar or personal consultation with Beckman regarding their investment objectives. (*See e.g.*, Exhibit K.) During these initial meetings, Beckman played upon investor fears about the deteriorating market conditions, and encouraged prospective clients to move their IRA accounts and/or other assets to his firm, where he would personally manage their account using his "proprietary" trading strategy. Once the accounts transferred, Beckman generally charged the clients a managed fee based on the percentage of the amount they invested.

After clients moved their accounts to Beckman, and after a few months passed by with the client obtaining only nominal returns (or losing money) on their investments, Beckman, either directly or through his associates, pressed the clients to reconfigure their investment portfolio and place all or most of their money in what he characterized as being a high yield currency trading strategy or fund, in which he would take client funds and put them into segregated accounts and then invest the funds in foreign currencies through a Swiss currency trading platform called Crown Forex S.A.

As an inducement to get clients to assent to the currency trading strategy, Beckman promised initial guaranteed returns of 12% with zero risk or fluctuation to their principal. (*See, e.g.*, Exhibits B, C, D.) Beckman represented to later investors that the annual rate of return

⁴ According to public records, Beckman is the registered agent for Oxford Global Advisors and Oxford Private Client Group, and Beckman has provided sworn testimony that he is the 100% owner of Oxford Private Client Group. (*See Exhibit L.*)

would be around 10.5%. Given Beckman's oral and written representations regarding the safety of principal, his asserted success outperforming the S&P 500 for several years, his purported management of several billion in assets, his purported ranking as one of the top money managers in the country, and the guaranteed high rate of return on the currency trading platform, investors relied upon Beckman and assented to investing their money in the currency trading program.

Unfortunately, Beckman did not invest the funds with Crown Forex S.A. in Switzerland. Instead, upon information and belief, Beckman placed the money in various local bank accounts under the account name called Crown Forex, which was an entirely separate entity unaffiliated with Crown Forex S.A. (*See Exhibit M.*) To date, Beckman has failed to return any of the investors' money since being requested to do so in July 2009.

B. The Scheme Begins To Unravel.

By January 2009, virtually all financial markets were decimated and general investor skepticism had peaked. By this time, Bernard Madoff, Arthur Nadal and Tom Petters had become household names, as Ponzi schemes around the country were being exposed almost weekly. As a result, Beckman began receiving calls from investors who were generally worried about their investments, the markets, and unhappy with Beckman's lack of pro-activity and thoroughness in discussing the handling of their account. (*See, e.g., Exhibit F.*) With the precipitous drop in home values and account losses in traditional investments, some investors began demanding Beckman liquidate their purportedly safe currency trading investments so they could cover losses in their other accounts and offset deteriorating home values.

Upon information and belief, Beckman was hard-pressed to find cash. Eventually, he returned \$400,000 of the Owen's investment, but as time passed and cash grew sparse, he began distancing himself from clients, often having his associates return calls or e-mails. (*See id.*) As

matters grew worse in 2008 and 2009, and in an effort to placate growing investor concerns over the economy, Beckman, upon information and belief, constructed by himself or with assistance from others a "shadow" website whereby investors would be able to go on-line and track the daily interest purportedly accumulating in their currency trading accounts. In theory, each investor, having logged onto the website, would see the same amount of interest added to the account each day and on one day each week, the amount would be exactly double or triple the daily amount of interest. (See, e.g., Exhibit N.) By assertedly providing investors with this ability to track their investments and watch the money in their account grow (while the rest of the markets deteriorated), Beckman was able to placate investor concerns, which, in turn, allowed the Ponzi scheme to continue operating until mid-Summer 2009.

C. The Scheme Is Exposed; The Real Crown Forex S.A. Goes Bankrupt.

During 2007-2009, Beckman represented to unsuspecting investors their money would be placed in a *segregated account* with their name on it in a protected Swiss trading platform called Crown Forex S.A. (See Exhibit H.) In fact, Beckman did not place the investor funds into segregated accounts.

On December 9, 2008, the real Crown Forex S.A. located in Switzerland announced it was no longer accepting new clients or accounts. (See Exhibit M.) Notwithstanding this fact, Beckman continued to solicit new investors in 2009, like Ron Bisson, Sr. and Justin Bussler, and accepted funds from these individuals under the pretense the funds would be invested in segregated accounts at Crown Forex S.A. in Switzerland and that their investments would be "fully hedged" with no risk. (See, e.g., Exhibit T - "AT ALL TIMES there will be NO MARKET EXPOSURE") (emphasis in original.) At the time Beckman solicited Bisson and Bussler to open Crown Forex S.A. trading accounts in 2009, it was impossible for Beckman to

invest their money. Nevertheless, Beckman purported to process their paper work, took their money, and provided false documentation showing the money had been transferred to segregated Crown Forex trading accounts in Switzerland. (*See, e.g.*, Exhibit N.) Given the fact the real Crown Forex S.A. was not accepting new accounts by this time, Beckman's actions beg the question – where did he put the money?

As an investment advisor and money manager, Beckman owed his clients duties to investigate the investment vehicles in which he was depositing their money and Beckman violated these duties and commenced actionable fraud by misrepresenting his expertise and understanding of the investments. Worse yet, Beckman withdrew his own money from the currency trading funds without telling any of his investors, shortly before the real Crown Forex S.A. announced it was seeking bankruptcy protection. (*See Exhibits A and M.*)

Beckman's clients fortuitously learned that the real Crown Forex S.A. had filed for bankruptcy by word of mouth or other means, which spread to other investors (and later the local newspapers), who then called Beckman demanding he liquidate their accounts. (*See Exhibit O.*) Thereafter, a group of Ohio investors commenced a federal district court lawsuit against Beckman and several entities and individuals with whom Beckman conducted business as The Oxford relating to the currency trading platform.

Notwithstanding the pending allegations against him, Beckman continued to assure clients their money was protected and even had clients fill out forms which Beckman purportedly sent to Crown Forex S.A. in Switzerland. (*See Exhibit P.*) However, when clients of Beckman called the Swiss regulators inquiring as to the status of their accounts (and even submitting account documentation they received from Beckman), the Swiss regulators stated they had no records of the accounts, that Crown Forex S.A. does not hold segregated bank

accounts, and that Crown Forex S.A. and Crown Forex LLC are two different entities. (See Exhibit M.) Beckman simply lied to his clients when he told them he was investing their money in Crown Forex S.A; it remains unclear what Beckman did with the money.

D. Motive and Opportunity.

To attract clients and disarm suspicions about the propriety of the currency trading funds he was selling, Beckman created the façade he lived a very lavish lifestyle. According to Beckman and his associates, Beckman frequently traveled abroad and owned several properties in the United States and abroad, including, among others, properties in Mexico, Florida, Texas, and other properties in Minnesota. Indeed, when clients would call Beckman and ask to speak with him they were often told he was vacationing and unavailable.

Unfortunately, appearances can be deceiving. According to a Minneapolis Star Tribune article, "Crow Wing County slapped Beckman with an \$83,617 judgment in 2004 for failing to pay child and spousal support over several years. Beckman testified in that matter that he'd been living beyond his means. He drove a rented BMW, patched together jobs after being let go from Merrill Lynch and Fisher Investments, and lived for a time off borrowed money." (See Exhibit A.)

Further, on March 30, 2004, H&R Block terminated Beckman for failing to make mandatory disclosures on his Form U4 required by FINRA rules. At the time he was terminated, Beckman owed H&R Block \$80,000 on a promissory note plus accruing interest and attorneys' fees and costs. After Beckman was terminated by H&R Block in March 2004, upon information and belief, he was unable to gain employment at another securities firm until over a year and a half later in November 2005, when he was hired by NRP Financial, Inc.

Upon information and belief, faced with mounting judgments against him and other debts due and owing, Beckman created, either by himself or with the help of others, several business entities known as The Oxford, which Beckman would often interchangeably refer to as The Oxford Private Client Group, LLC, Oxford Global Advisors, LLC, Oxford Global FX, and Oxford Global Partners, LLC when discussing their operations with clients. According to business records, however, all of these businesses are located at 1900 LaSalle Avenue, Minneapolis, Minnesota, the address for the historic Van Dusen mansion where Beckman's offices were located.⁵ While Beckman is listed as the registered agent for some of the entities, and is, according to his own testimony, the 100% owner of Oxford Private Client Group, he would often tell his clients that these were "his" companies carrying out "his" currency trading strategies.⁶

E. NRP And Western Fail To Supervise Beckman.

Beckman was a FINRA associated person at all relevant times, and as an employee of NRP and Western, these FINRA member firms were obliged to supervise his activities according to FINRA rules and industry practice. They failed to do so.

⁵ According to the Star Tribune, records produced by Beckman in the federal lawsuit reflect that Beckman himself talked about the entities as The Oxford and that Oxford Global Advisors and Oxford Private Client Group share not only the same physical office space but also the same e-mail address.

⁶ Since the currency trading program collapsed and he was named as a defendant in the federal court lawsuit, Beckman has asserted that he was not controlling the currency trading platform at Oxford and that he too is a victim that lost money, notwithstanding the fact he withdrew his own funds in 2009. (See Exhibit A.) However, during interviews, Beckman has identified himself as Senior Portfolio Manager at the Oxford Private Client Group "whose current responsibilities are devoted entirely around day-to-day management of *all investment strategies* with The Oxford." (See Exhibit Q.) Further, one of Beckman's alleged accomplices, Trevor Cook, has stated that Beckman is a 50% partner in the firm Oxford Global Partners and therefore authorized and/or consented to Cook's handling of the investment program. (See Exhibit R.)

Upon information and belief, neither NRP nor Western conducted supervisory reviews or any similar type of review for Beckman during 2007-2009. Had they done so, they would have learned that Beckman placed nearly all of his clients into his companies' Oxford currency trading funds during 2007-2009. Simply put, this could not have gone unnoticed – Beckman was telling clients he managed several billion dollars in assets including around \$1 billion in currency trading – a number too large to be ignored had NRP or Western audited Beckman's files.

In addition, it is undisputed Beckman's outside business activities included, among other things, owning and operating several business entities for profit, one of which is an SEC Registered Investment Advisor, Oxford Private Client Group, LLC. Regardless whether NRP and Western knew about Beckman's RIA business, they *should have known* about it because they could easily access Beckman's RIA records at the SEC. This would have prompted them to review Beckman's files to determine whether a conflict existed, as Beckman was recommending his clients purchase his own managed funds. Moreover, if NRP or Western had conducted a physical examination of Beckman's offices and reviewed his client files, they could have determined, first hand, that Beckman was selling unregistered securities to clients.

NRP and Western's failure to conduct meaningful supervision of Beckman is further confirmed by the fact the contact numbers they had on file for Beckman and his business entities did not work. For example, after the scheme collapsed and investors were unable to obtain their money from Beckman, at least one investor called Western to inquire about Beckman's status and whether he was still employed by the firm. When the firm tried to reach Beckman using a number they had on file, they were routed to a bed and breakfast in Massachusetts. Obviously, no one at Western (or NRP) was calling Beckman to check on his activities.

Western and NRP's failure to supervise Beckman is further established by the fact they allowed him to publish false and misleading sales literature notwithstanding their obligations to review these materials – particularly where, as here, communications from Beckman and his associates states that the securities are being offered and sold through NRP or Western.

IV. LEGAL CLAIMS

COUNT I

(Strict Liability for Sale of Unregistered Securities - 15 U.S.C. § 77l /Section 12(1) of the 1933 Securities Act and Minn. Stat. § 80A.49 and § 80A.76)

Section 12(1) of the 1933 Securities Act and its state counterpart, Minn. Stat § 80A.49 and § 80A.76, prohibit the sale of non-exempt, unregistered securities. Under these statutes, sellers of unregistered securities are strictly liable to the purchaser, who is entitled to rescission of the security transactions at the purchase price amount, plus interest on the purchase price amount (accruing from the date of purchase), plus attorneys' fees and costs as allowed under Minnesota law. The Oxford currency trading "funds" or "program" Beckman sold to the Claimants were not registered, and Beckman solicited the Claimants to purchase these unregistered securities for a profit. Specifically, Beckman received "rebates" for steering investors to purchase these securities.

Under Section 12(1) of the Securities Act of 1933 (and Minn. Stat. § 80A.49 and § 80A.76), these facts make Beckman a "statutory seller" as defined under Section 12(1) and thereby strictly liable to the Claimants for the purchases of unregistered securities. See *Pinter v. Dahl*, 486 U.S. 622, 645 (1988) ("The applicability of § 12 liability to brokers and others who solicit securities purchases has been recognized frequently since passage of the Securities Act. It has long been quite clear, that when a broker acting as an agent of one of the principals to the transaction successfully solicits a purchase, he is a person from whom the buyer purchases

within the meaning of § 12, and is therefore liable as a statutory seller”); *see also Katz v. Amos Treat & Co.*, 411 F.2d 1046, 1052-1053 (2d Cir. 1969).

Accordingly, Claimants request that, upon tendering their shares of the Oxford funds to Beckman, that he be ordered to rescind the full purchase price of the transactions to the Claimants, ordered to repay to Claimants interest on these amounts from the date of purchase through the date of rescission, plus the Claimants’ attorneys’ fees and costs as allowed under Minn. Stat. § 80A.76.

COUNT II

(Material Misstatements in Connection with the Sale/Offer of Securities – 15 U.S.C. § 77I Section 12(1) of the 1933 Securities Act and Minn. Stat. § 80A.68 and § 80A.76)

Separate and apart from the strict liability provisions of Section 12(1) of the 1933 Securities Act, Section 12(2) of the Securities Act (and Minn. Stat. § 80A.68 and § 80A.76) provides for liability against statutory sellers for material misstatements, whether oral or written, in connection with the sale or offer of securities. Specifically, Section 12(2) provides:

Any person who offers or sells a security (whether or not exempted by the provisions of section 3, other than paragraphs (2) and (14) of subsection (a) of said section), by the use of any means or instruments of transportation or communication in interstate commerce or of the mails, by means of a prospectus or oral communication, which includes an untrue statement of a material fact or omits to state a material fact necessary in order to make the statements, in light of the circumstances under which they were made, not misleading (the purchaser not knowing of such untruth or omission), and who shall not sustain the burden of proof that he did not know, and in the exercise of reasonable care could not have known, of such untruth or omission, shall be liable, subject to subsection (b), to the person purchasing such security from him, who may sue either at law or in equity in any court of competent jurisdiction, to recover the consideration paid for such security with interest thereon, less the amount of any income received thereon, upon the tender of such security, or for damages if he no longer owns the security. (emphasis added)

As discussed above, at the time Beckman solicited Claimants to purchase his companies’ Oxford currency trading funds, Beckman represented to the Claimants that he would use their

funds to invest in Crown Forex S.A., that investing in the currency trading platform carried zero risk of loss of principal and would generate guaranteed annual returns of around 12% (or 10% for later investors), and that Beckman managed several billion dollars in assets. Beckman further represented that Claimants' funds would each be placed in segregated client accounts and that Claimants would be able to access the funds in their accounts at any time. Beckman also represented that Claimants' investments were generating interest on a daily basis and that this information was accurately reflected in the written and on-line account information provided to the investors. (*See, e.g.*, Exhibits B, C, D, and T.)

These misrepresentations were material, false, and were made to induce Claimants to invest in the Oxford currency funds. These misrepresentations were made by Beckman through oral and written communications, including through the use of the mails and other means and Claimants, to their detriment, relied on these material misrepresentations to invest in the Oxford currency funds. But for Beckman's misrepresentations, Claimants would not have purchased these securities. Indeed, upon information and belief, Beckman never even invested Claimants' funds with Crown Forex S.A., but instead used the money for himself. To date, and despite requests that he do so, Beckman has failed to return any remaining currency trading fund investments to the Claimants.

Accordingly, Claimants request Beckman be ordered to pay damages in an amount equal to the initial purchase price of the securities, interest on this amount accruing from the date of purchase through the date of the award, and attorneys' fees and costs in an amount to be proven at the arbitration and as allowed under Minnesota law.

COUNT III
(Securities Fraud - 15 U.S.C. § 78j and Minn. Stat. 80A.68 and 80A.76)

Claimants incorporate by reference all allegations in the Statement of Claim and add that Beckman engaged in actionable securities fraud by misrepresenting to Claimants that he would invest Claimants' funds in Crown Forex S.A., that such an investment carried no risk of loss of principal and would generate guaranteed annual returns of around 12% (10.5% for later investors), and that Claimants' funds would each be placed in segregated client accounts to which Claimants would have access at any time. Further, after effectuating the transactions, Beckman continued to make material misrepresentations by assuring Claimants their money was protected and even constructed a "shadow" website whereby Claimants would be able to purportedly go on-line and track the daily interest that was supposedly accumulating in their currency trading accounts.

In short, Beckman made these material misrepresentations and omissions knowingly and/or with such extreme disregard for keeping the truth from Claimants that his conduct constitutes actionable securities fraud. Beckman knew Claimants were completely relying on his representations/omissions as to the Oxford currency trading funds and would not have invested in these securities but for those representations/omissions.

Accordingly, Claimants request that Beckman be ordered to pay damages in an amount equal to the initial purchase price of the securities, interest on this amount accruing from the date of purchase through the date of the award, and attorneys' fees and costs in an amount to be proven at the arbitration and as allowed under Minnesota law.

**COUNT IV
(Fraudulent Misrepresentation)**

Claimants hereby incorporate all facts in this Statement of Claim by reference and add that in Minnesota, a party commits common law fraud when he or she 1) makes a false representation of a past or existing material fact susceptible of knowledge, 2) with the knowledge of the falsity of the representation or made as of the party's own knowledge without knowing whether it was true or false, 3) with the intention to induce another to act in reliance thereon, 4) that the representation caused the other party to act in reliance thereon, and 5) that the party suffer pecuniary damage as a result of the reliance.

As set forth above, Respondents made material misrepresentations of fact to Claimants concerning their investments in the Oxford currency funds. As a financial advisor, Beckman knew or should have known of the falsity of these representations. Among other things, Beckman knew he was not investing the client funds with the real Crown Forex S.A., and made these representations knowing them to be false with the intent that Claimants rely on them (which they did) to invest in the Oxford currency funds. As a result, Claimants have been damaged in an amount to be determined at the arbitration hearing.

**COUNT V
(Negligent Misrepresentation)**

Claimants hereby incorporate by reference all allegations in this Statement of Claimant and add that in Minnesota, the elements of a claim for negligent misrepresentation are the same as those for fraud, with the exception of the "knowing" requirement. Claimants placed their absolute trust in Respondents based on Beckman's representations regarding his success in outperforming the S&P 500 for several years, purported management of several billion in assets, and NRP and Western's implicit representations that, as FINRA member firms, they would

supervise Beckman and were monitoring his trading activity. Based on Respondents' negligent misrepresentations, Claimants have been damaged in an amount to be determined at the arbitration hearing.

**COUNT VI
(Breach of Fiduciary Duty)**

Claimants hereby incorporate by reference all allegations in this Statement of Claimant and add that it is axiomatic that when a broker exercises discretion over a customer's account, or where the customer regularly follows the broker's advice, the broker owes the customer a fiduciary duty. *See e.g., Indep. Order of Foresters v. Donald, Lufkin & Jenrette, Inc.*, 157 F.3d 933, 940 (2d Cir. 1988); *McAdams v. Dean Witter Reynolds, Inc.*, 896 F.2d 750, 767 (3d Cir. 1994); *see also Davis v. Merrill Lynch, Pierce, Fenner & Smith, Inc.*, 906 F.2d 1206, 1217 (8th Cir. 1990) (recognizing that a fiduciary duty arises even in a non-discretionary account where the customer routinely follows the recommendations of the broker such that the broker exercises *de facto* control over the account). There is no dispute that Beckman exercised discretion over Claimants' accounts. Beckman requested that Claimants execute customer trading agreements authorizing him to trade their accounts, and Claimants did so. Beckman owned the Claimants fiduciary duties which, as outlined above, he breached.

Claimants seek damages including but not limited to the principal amount invested, interest on this amount from the date of purchase, losses suffered by the Claimants as a result of having to liquidate other investments to cover expenses (as a result of inability to liquidate the Oxford currency fund investments), lost opportunity profits, the commissions and fees generated by Beckman as a result of the inappropriate purchase of the Oxford currency funds, plus attorneys' fees and costs.

COUNT VII
Conversion (Beckman only)

“Conversion occurs where one willfully interferes with the personal property of another without lawful justification, depriving the lawful possessor of use and possession.” *Williamson v. Prasciunas*, 661 N.W.2d 645, 649 (Minn. Ct. App. 2003). Good faith is not a defense to conversion. *See Dain Bosworth, Inc. v. Goetze*, 374 N.W.2d 467, 471 (Minn. Ct. App. 1985) (“The innocent misapplication or deprivation of funds owned by others is in the law no less a conversion because such was done innocently or in ignorance.”).

Beckman’s conduct relating to the solicitation and sale of the unregistered securities to Claimants, including Beckman’s misrepresentations and failures to disclose material information about the investments and Claimant’s ability to access their money, amounts to an unlawful taking and interference with Claimants’ legal rights for which Claimants have been damaged. As a result of Beckman’s unlawful conversion of their money, Claimants have suffered significant losses in an amount to be proven at trial.

COUNT VIII
Common Law Respondeat Superior and Negligent Supervision/Statutory Controlling Person Liability under the 1933 Securities Act, 1934 Securities Exchange Act, and Minnesota Securities Act (15 U.S.C. §§ 77o, 78t and Minn. Stat. 80A.76)

Claimants incorporate by reference all facts set forth in the Statement of Claim and add that at all relevant times, Beckman was licensed and employed by FINRA member firms NRP and Western. A “broker-dealer is a controlling person under § 20(a) with respect to its registered representatives.” *Hollinger v. Titan Capital Corp.*, 914 F.2d 1564, 1573 (9th Cir. 1990); *see also* 15 U.S.C. § 78t and Minn. Stat. § 80A.76. Under federal and state securities statutes and common law, a broker-dealer has an obligation to put into place procedures adequate to monitor its broker and fulfill its duty to supervise. When faced with a common law or statutory

controlling or negligent supervision/respondent superior claim, a broker-dealer must prove that it maintained and enforced a reasonable and proper system of supervision and internal control. *Hollinger*, 914 F.2d at 1576; see also *Paul F. Newton & Co. v. Texas Commerce Bank*, 630 F.2d 1111, 1120 (5th Cir. 1980) (broker-dealer must show it “diligently enforce[d] a proper system of supervision and control”).

Beckman developed or operated a Ponzi scheme used to defraud Claimants and numerous other investors. Given the magnitude of investments Beckman purported to place into the currency trading program and the number of clients who would have been transferring money to and from NRP and Western accounts, NRP and Western’s failure to uncover the scheme confirms the firms were either not adequately monitoring and supervising Beckman’s activities and/or willfully knew about Beckman’s activities and disregarded their obligations to correct Beckman’s fraudulent scheme. Indeed, on at least one occasion after the scheme collapsed, while on the phone with an investor, Western called the number listed for one of the Oxford entities and was routed to a bed and breakfast in Massachusetts. Under the common law and federal and states securities statutes, NRP and Western are liable to the Claimants as Beckman’s employers, having failed to supervise their registered representative.

V. REQUESTED RELIEF

Based on the foregoing allegations and claims against the Respondents, the Claimants respectfully request the following relief:

1. That Respondents Jason Bo Beckman, NRP Financial, Inc. and Western International Securities, Inc. be held individually, jointly and severally liable for compensatory damages in an amount not less than \$1,660,000 plus pre and post award interest on this amount at applicable Minnesota statutory rates;

2. That Respondents be held individually, jointly and severally liable for Claimants' attorneys' fees and costs as allowed under Minnesota statutory claims set forth herein;
3. That punitive damages be awarded against the Respondents individually, jointly and severally in an amount not less than \$1,660,000; and
4. Such other relief as the Panel deems just and equitable.

Dated: 11/17/09

Respectfully Submitted,

LINDQUIST & VENNUM P.L.L.P.

By: 729

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