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### **FORMER CHICAGO OPTIONS TRADER SENTENCED TO 44 MONTHS IN PRISON FOR INVESTMENT FRAUD SCHEME**

CHICAGO — A former Chicago options trader was sentenced to 44 months in prison for engaging in an investment fraud scheme in which he swindled more than \$600,000 from approximately 10 victims who invested with him. The defendant, **Kent R.E. Whitney**, had pleaded guilty to wire fraud in September, and was sentenced yesterday by U.S. District Judge Virginia Kendall in Federal Court. He was ordered to begin serving the sentence Jan. 26, 2012. Patrick J. Fitzgerald, United States Attorney for the Northern District of Illinois, and Robert D. Grant, Special Agent-in-Charge of the Chicago Office of the Federal Bureau of Investigation, announced the sentence today.

Whitney, 29, of Chicago, at various times traded through different entities, including Lone Star Trading, and had trading privileges on CME Group, Inc. markets prior to and during 2009. He obtained more than \$600,000 from approximately 10 investors since 2009, both for a purported commodity pool investment, and for trading in futures accounts to be held jointly between Whitney and the victims. He returned approximately \$230,000 as so-called investor redemptions and misused

most of the remaining funds for his own benefit and for the benefit of acquaintances. The CME Group owns and operates the three U.S. futures exchanges that formerly went by the names Chicago Mercantile Exchange, Chicago Board of Trade, and New York Mercantile Exchange.

According to court documents, from mid-2009 through late 2010, Whitney made false representations to investors concerning the use of investors' funds, the returns investors could expect to make, and already had made, on their investments, and the risks involved in the investments. Whitney admitted that he misappropriated most of the invested funds and concealed his misappropriation by creating and distributing phony account statements and making Ponzi-type payments of returns to investors.

In October 2009, one victim invested \$40,000 with Whitney to trade options through Lone Star. Whitney told the victim that he would earn a 50 percent annual return trading options and they would split the profits evenly. Whitney gave the victim a phony document that purported to be a Lone Star account statement showing that the victim's investment had grown to \$47,250 in just over a month. Whitney did not use the victim's funds to trade options, but instead used the funds for his own purposes, and a few days later most of the funds were used to buy a Maserati M128 GT Coupe.

In December 2009, another victim invested \$15,500 from her daughter's college fund in Lone Star through Whitney. Whitney told the victim that Whitney had earned approximately 22 to 26 percent interest per month trading her funds in Lone Star, when he actually misappropriated all of the funds.

Between January and November 2010, the CME Group suspended Whitney from trading on CME markets three times as a result of his unrelated options trading activity. Each trading suspension prohibited Whitney from trading, placing or taking trading orders for others, or soliciting

any business concerning CME products. Nonetheless, Whitney solicited \$240,000 from another victim between January 2010 through August 2010, purportedly for Whitney to trade options on behalf of the victim. Whitney did not disclose to the victim that Whitney was currently subject to a trading suspension. Whitney did not use the victim's funds to trade options. However, Whitney provided the victim with phony documents purporting to be account statements from a trading firm showing the use of his funds to trade options. Whitney returned to the victim approximately \$44,000 that Whitney claimed to be "returns" from the trading, but these "returns" were not profits from his trading but rather a return of some of the victim's own funds invested with Whitney. The remainder of the victim's invested funds were not traded, but were misappropriated by Whitney and were also used to make Ponzi-type payments to earlier investors.

In July 2010, another victim invested \$50,000 with Whitney so Whitney could trade options on behalf of the victim. Whitney did not disclose to the victim that he was currently subject to a trading suspension. Whitney guaranteed a 5 percent monthly return to the victim, and told him that the only way he would not receive his monthly returns was in the case of a "nuclear war." Whitney did not trade options with the victim's funds, but instead misappropriated the funds and used them for his own purposes and to make Ponzi-type payments to earlier investors.

The government was represented by Assistant U.S. Attorney Clifford C. Histed. The CME Group and the U.S. Commodity Futures Trading Commission provided assistance to the investigation.

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