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PLAINTIFF
COMMODITY FUTURES TRADING COMMISSION
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DISTRICT OF ARIZONA
BY _____ S. DEPUTY

IN THE UNITED STATES DISTRICT COURT
DISTRICT OF ARIZONA

CN '03 1826 PHX PGR

COMMODITY FUTURES TRADING
COMMISSION,

Plaintiff,

v.

INTERNATIONAL FUNDING ASSOCIATION;
CAMBRIDGE GLOBAL GROUP; GLOBAL
MANAGEMENT GROUP; and RONALD
STEPHEN HOLT,

Defendants.

Case No. _____

**COMPLAINT FOR PERMANENT
INJUNCTION AND OTHER
EQUITABLE RELIEF**

(FILED UNDER SEAL)

I. SUMMARY

1. Since at least 1997 International Funding Association ("IFA"), Global Management Group, Inc. ("GMG"), Cambridge Global Group ("Cambridge") (collectively, the "corporate defendants") and Ronald Stephen Holt ("Holt") have fraudulently solicited and accepted more than \$25 million from members of the public to participate in investments in individual "trust" accounts and pooled accounts to trade, *inter alia*,

1 commodity futures contracts. During the course of these solicitations, defendants have
2 guaranteed extraordinary profits while minimizing the risk of loss, claiming returns between
3 seven (7%) percent and ten (10%) percent per month. In fact, it appears that little if any of
4 the investor funds were invested in any commodity futures, or any other purported
5 investment, but were misappropriated.

6 2. Defendants marketed the scheme as a form of asset protection plan, which
7 invested customer funds in high return, low risk investment opportunities, including
8 commodities, precious metals and foreign currency ("forex"). Defendants diverted customer
9 funds to various trust accounts then moved the funds offshore.

10 3. Based on these facts, by misappropriating customer funds and making
11 material misrepresentations and omissions to investors and prospective investors, Holt
12 violated Section 4b(a) of the Commodity Exchange Act, as amended (the "Act"), 7 U.S.C.
13 §§ 6b(a) (2001).
14

15 4. In addition, because the transactions Holt and corporate defendants purport to
16 offer are not conducted on or subject to the rules of a designated contract market or
17 derivatives transaction execution facility, Holt and corporate defendants are engaged in the
18 sale of illegal off-exchange futures contracts in violation of Section 4(a) of the Act, 7 U.S.C.
19 § 6(a).

20 5. Accordingly, pursuant to Section 6c of the Act, 7 U.S.C. § 13a-1 (2001), the
21 Commission brings this action to enjoin the unlawful acts and practices of the defendants
22 and to compel their compliance with the Act. In addition, the Commission seeks civil
23

1 monetary penalties, a freeze of defendants' assets, disgorgement of defendants' ill-gotten
2 gains, and such other relief as this Court may deem necessary or appropriate.

3 6. Unless enjoined by this Court, defendants are likely to continue to engage in
4 the acts and practices alleged in this Complaint and similar acts and practices, as more fully
5 set forth below.

6 II. JURISDICTION AND VENUE

7 7. This Court has jurisdiction over this action pursuant to Section 6c of the Act,
8 7 U.S.C. § 13a-1 (2001), which authorizes the Commission to seek injunctive relief against
9 any person whenever it shall appear that such person has engaged, is engaging, or is about to
10 engage in any act or practice constituting a violation of any provision of the Act or any rule,
11 regulation or order thereunder.

12 8. Venue properly lies with this Court pursuant to Section 6c(e) of the Act, 7
13 U.S.C. § 13a-1(e), because the defendants are found in, inhabit, or transact business in this
14 District and the acts and practices in violation of the Act have occurred, are occurring, or are
15 about to occur within this District, among other places.

17 III. THE PARTIES

18 A. The Plaintiff

19 9. **Commodity Futures Trading Commission** ("Commission") is an
20 independent federal regulatory agency charged by Congress with the administration and
21 enforcement of the Act, 7 U.S.C. §§ 1, et set., and the regulations promulgated thereunder,
22 17 C.F.R. §§ 1, et set. (2002).

1 **B. The Defendants**

2 10. **International Funding Association, Inc.** ("IFA") held out by defendants as
3 an Arizona corporation that designates its principal place of business as IFA, 9201 N. 29th
4 Ave., Suite 63-336, Phoenix, AZ. IFA has never been registered with the Commission in
5 any capacity.

6 11. **Cambridge Global Group, Inc.** ("Cambridge") is held out by the defendants
7 as a common law trust formed under the laws of the Commonwealth of the Bahamas.
8 Cambridge has never been registered with the Commission in any capacity.

9 12. **Global Management Group** ("GMG") is held out by the defendants to be an
10 Arizona corporation. GMG designates its principal place of business as, 4212 W. Cactus
11 Road, Suite 1110, Phoenix, AZ. GMG has never been registered with the Commission in
12 any capacity

13 13. **Ronald Stephen Holt** ("Holt"), of Mesa, Arizona, has held himself out as the
14 manager of IFA since at least 1997. He is also associated with the various trusts as either
15 their beneficiary, trustee or controlling person. Holt has never been registered with the
16 Commission in any capacity.
17

18 **IV.**
19 **FACTUAL BACKGROUND**

20 **A. The Operation of Holt's Scheme**

21 14. Defendants IFA, GMG and Cambridge are interrelated corporations and/or
22 fictitious entities that do not have a fixed business location. Agents and representatives of
23
24

1 corporate defendants utilize the same sales pitches, in that the defendants solicit customers
2 through word of mouth to purchase commodity futures contracts.

3 15. Corporate defendants share Holt as an officer, director, principal and broker.
4 Corporate defendants also share solicitation materials.

5 16. Unbeknownst to the customers, the corporate defendants utilized various
6 postal drop boxes, in lieu of real offices. The postal drop boxes have been located at two
7 different Arizona addresses: 9201 N. 29th Avenue, Suite 63-336 in Phoenix and 4212 W.
8 Cactus Road, Suite 1110, Phoenix. In addition, corporate defendants claimed to relocate in
9 2000 to the same address in the Bahamas. Without physical office space, the corporate
10 defendants conduct their business via cell phone and facsimile machine.
11

12 **B. Defendants' Fraudulent Solicitations**

13 17. The defendants solicited customers through word of mouth by
14 promising current investors ¼ Percent bonus for each person successfully referred to the
15 program. Once a potential investor's name was obtained, defendant Holt contacted them.
16 Holt boasted of tremendous risk free profits that could be made in a short period of time by
17 investing in "currency, commodities, ...and precious metals." Holt told investors that they
18 would earn between 7% and 10% per month on their investment, and he guaranteed profits.
19

20 18. In furtherance of their fraudulent scheme and to convince investors that their
21 investments were profitable, defendants issued periodic newsletters informing investors of
22 the status of various "programs" offered by IFA, GMG and Cambridge. Defendants also
23 generated false account statements to convince investors that their accounts were generating
24

1 substantial earnings as promised. These statements did not show how or where funds were
2 invested. They only showed the purported net asset value of the account.

3 19. Once a customer invested, his or her contact with the firm was typically
4 limited to solicitations for further investment. In or about late 2000, the corporate
5 defendants claimed to relocate to the Bahamas. Phone numbers to the Bahamian office were
6 never given to investors. Instead investors were forced to communicate via facsimile
7 machine and/or US mail. Unbeknownst to customers, the corporate defendants did not
8 operate out of a fixed business location, but instead used cell phones, postal drop boxes, and
9 other tools to create the appearance of an on going business.

10 20. Holt represented that corporate defendants would pool investor funds for
11 investments in various "for profit" ventures, including, without limitation, purported trading
12 in commodities, foreign currency, and precious metals, that would generate returns of 7% to
13 10% per month. Defendants also offered individual "trust" accounts. Defendants promised
14 customers that their investments would be protected through corporate defendants'
15 management.
16

17 21. None of the participating customers had any expectation of actually taking
18 delivery of any commodity. None of the participating customers had any commercial need
19 for the subject commodities, nor did they have the ability to handle or store any of the
20 subject commodities.

21 22. The representations contained within Holt's and corporate defendants'
22 solicitation materials regarding monthly returns are at best incredible, guaranteeing
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1 extraordinary profits. For example participants receive a chart showing that within a year
2 they can earn \$ 2,252.19 on a \$1,000 investment, a profit of over 100 percent.

3 23. Despite the corporate defendants' representations, no futures contracts were
4 ever purchased by defendants. Customers did not earn any profits and most, if not all, never
5 received a return on their investment. Instead, defendants diverted investor funds to a series
6 of trusts, then transferred those funds to various offshore accounts controlled by defendant
7 Holt.

8 24. In order to conceal their illegal activities and to further convince the investors
9 that their investments were secure and protected, defendants communicated with them
10 through newsletters informing investors of the status of the various "programs" offered
11 through the corporate defendants.

12 25. Investors' funds were transferred to various corporate entities, and ultimately
13 to off-shore Bahamian accounts. The money was then transferred by checks written by
14 Defendant Holt and others, who benefited from the funds.

15 26. As a further disguise of their false and misleading statements about trading
16 and their misappropriation of customer funds, defendants generated phony account
17 statements to convince the investors that their trust accounts were generating substantial
18 earnings and growing as promised. These statements were, however, artificially
19 manufactured by defendants and in no way reflected the true nature or status of the
20 individual trust accounts. Defendants generated these statements in order to advance their
21 scheme and to allay concerns the investors may have had concerning their investment and
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1 participation in the investments touted by defendants. In fact investors' money was not
2 earning any return, but rather was being used by defendants for their own purposes.

3 **V.**
4 **VIOLATIONS OF THE COMMODITY EXCHANGE ACT**
5 **AND COMMISSION REGULATIONS**

6 **COUNT I**

7 **VIOLATIONS OF SECTION 4b(a)(2)(i) and (iii) OF THE ACT:**
8 **FRAUD IN CONNECTION WITH FUTURES CONTRACTS**

9 27. Paragraphs 1 through 26 are re-alleged and incorporated herein.

10 28. During the relevant time, Holt violated Section 4b(a)(2)(i) and (iii) of the Act,
11 7 U.S.C. §§6b(a)(2)(i) and (iii), in that he: (i) cheated or defrauded or attempted to cheat or
12 defraud other persons; and (iii) willfully deceived or attempted to deceive other persons by
13 making misrepresentations or omissions of material facts, including, but not limited to, the
14 misrepresentations set forth at paragraphs 1 through 26.

15 29. Holt engaged in this conduct in or in connection with orders to make, or the
16 making of, contracts of sale of commodities for future delivery, made, or to be made, for or
17 on behalf of other persons where such contracts for future delivery were or may have been
18 used for (a) hedging any transaction in interstate commerce in such commodity, or the
19 products or byproducts thereof, or (b) determining the price basis of any transaction in
20 interstate commerce in such commodity, or (c) delivering any such commodity sold,
21 shipped, or received in interstate commerce for the fulfillment thereof.

1 (b) such contracts have not been executed or consummated by or through such contract
2 market, in violation of Section 4(a) of the Act, 7 U.S.C. § 6(a) (2001).

3 34. Holt, directly or indirectly, controlled IFA, GMG and/or Cambridge and did
4 not act in good faith or knowingly induced, directly or indirectly, the acts constituting
5 corporate defendants' violations alleged in this count, and thereby Holt is also liable for
6 corporate defendants violations of Section 4(a) of the Act, 7 U.S.C. § 6(a), pursuant to
7 Section 13(b) of the Act, 7 U.S. C. § 13c(b).

8 35. Each solicitation or acceptance of an order for a futures transaction not
9 conducted on a designated contract market or registered derivatives transaction execution
10 facility made during the relevant time period, including but not limited to those conducted
11 by the defendants as specifically alleged herein, is alleged as a separate and distinct
12 violation of Section 4(a) of the Act.
13

14 **RELIEF REQUESTED**

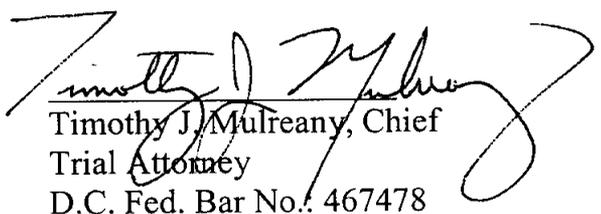
15 WHEREFORE, the Commission respectfully requests that this Court, as authorized
16 by Section 6c of the Act, 7 U.S.C. § 13a-1, and pursuant to its own equitable powers enter:

- 17
- 18 a) a permanent injunction prohibiting the Defendants from
19 engaging in conduct violative of Sections 4a, 4b(a)(2)(i) and
20 (iii), of the Act, 7 U.S.C. §§ 6a, and 6b(a)(2)(i);
 - 21 b) an order directing the Defendants to disgorge, pursuant to such
22 procedure as the Court may order, all benefits received from the
23 acts or practices which constitute violations of the Act or
24 Regulations, as described herein, and interest thereon from the
date of such violations;

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- c) an order directing the Defendants to make full restitution to every client who sustained losses proximately caused by the acts and practices which constituted violations of the Act and Regulations, described herein, and interest thereon from the date of such violations;
- d) an order directing the Defendants to pay a civil monetary penalty in the amount of not more than the higher of \$110,000 or \$120,000 for violations committed on or after October 23, 2000 or triple the monetary gain to each Defendant for each violation of the Act or Regulations;
- e) such other and further remedial ancillary relief as the Court may deem appropriate.

Respectfully submitted this 18th day of September, 2003.



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