

**UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF ILLINOIS**

COMMOIDTY FUTURES TRADING COMMISSION,

CASE NO. 2:05-cv-02144

Plaintiff,

vs.

Judge Harold A. Baker

CAMERON CHARLES,

Magistrate Judge

David G. Bernthal

Defendant.

**COMPLAINT FOR INJUNCTIVE AND OTHER EQUITABLE
RELIEF AND FOR CIVIL PENALTIES UNDER THE COMMODITY
EXCHANGE ACT, AS AMENDED****I.****SUMMARY**

1. From at least January 2004 through May 2004 (the "relevant time period"), Cameron Charles ("Charles" or "defendant"), manager of Watseka Farmers Grain Co. Cooperative ("Watseska"), a grain elevator in Illinois, committed fraud by engaging in unauthorized and illegal speculative commodity futures trading.
2. As part of his scheme, Charles converted Watseka's soybean futures hedge positions into unauthorized and illegal speculative positions and falsified Watseka's records to conceal and misrepresent his actions from Watseka's Board of Directors and the Illinois Department of Agriculture ("IDA").
3. Charles' fraudulent actions resulted in the liquidation of Watseka and losses of at least \$1 million to shareholders of Watseka, mainly local farmers, and others.

4. Further, after the financial collapse of Watseka, Charles destroyed Watseka's daily position records and long/short position records and other records required to be kept by the IDA, in an attempt to conceal his illegal activities.

5. Additionally, Charles accepted money from, and processed futures trades for, individuals through Watseka's futures trading account, without the benefit of required registration with the Commodity Futures Trading Commission ("Commission") as an associated person ("AP") of a futures commission merchant ("FCM").

6. Thus, defendant has engaged, is engaging, or is about to engage in acts and practices which violate Sections 4b(a)(2)(i) and (iii) and 4k(1) of the Commodity Exchange Act, as amended ("Act"), 7 U.S.C. §§ 6b(a)(i) and (iii) and 6k(1) (2002).

7. Accordingly, pursuant to Section 6c of the Act, 7 U.S.C. § 13a-1 (2002), Plaintiff Commission brings this action to enjoin the unlawful acts and practices of defendant and to compel his compliance with the provisions of the Act and Regulations thereunder. In addition, the Commission seeks civil penalties and such other equitable relief as the Court may deem necessary or appropriate.

II.

JURISDICTION AND VENUE

8. This Court has jurisdiction over this action pursuant to Section 6c of the Act, 7 U.S.C. § 13a-1 (2002), which authorizes the Commission to seek injunctive relief against any person whenever it shall appear that such 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 thereunder.

9. Venue properly lies with this Court pursuant to Section 6c(e) of the Act, 7 U.S.C. § 13a-1(c) (2002), in that defendant is found in, inhabits, or transacts business in this district, and the acts and practices in violation of the Act have occurred, are occurring, or are about to occur within this district, among other places.

III.

PARTIES

10. Plaintiff Commodity Futures Trading Commission is an independent federal regulatory agency that is charged with responsibility for administering and enforcing the provisions of the Act, 7 U.S.C. §§ 1 et seq. (2002), and the Regulations promulgated thereunder, 17 C.F.R. §§ 1 et seq. (2004).

11. Defendant Cameron Charles currently resides in Watseka, Illinois. Charles was the manager of Watseka Farmers Grain Co. Cooperative from 1995 to May 2004. Charles was also registered as an associated person of FCC Futures, Inc., an introducing broker (“IB”) guaranteed by FC Stone, LLC (“FC Stone”), from February 12, 2004 to June 2, 2004.

IV.

FACTS

12. Watseka was a small grain elevator in Watseka, Illinois that was formed by local farmers to market their corn and soybean crops. Watseka employed Charles as its manager.

13. Charles was responsible, among other things, for hedging the elevator’s grain positions on the futures market and reporting such positions to the IDA.

14. Charles completed Watseka’s daily position records and long/short position records that describe, among other things, the elevator’s hedge positions on the futures market as

opposed to its actual grain positions. These records are required to be made daily, retained for a period of not less than two years and made available to the IDA upon request.

15. Based on its adjusted net worth, Illinois law allowed Watseka to speculate only up to 25,000 bushels of soybeans in excess of their hedged position. Illinois Grain Code, 240 ILCS 40/10-10. Charles was informed of this on December 2, 2003 by a letter from the IDA, which Charles acknowledged.

16. Watseka's Board of Directors never authorized Charles to speculate above the limitation of 25,000 bushels of soybeans.

17. In or around January 2004, Charles began and executed a scheme in which he converted Watseka's soybean hedge positions into unauthorized and illegal speculative positions far in excess of the 25,000 bushel position allowed by Illinois law. By May 2004, Charles had accumulated a net long soybean futures position of approximately one million bushels on behalf of Watseka thereby putting Watseka at substantial financial risk in the futures market.

18. Further, from at least January 2004 through May 2004, Charles falsified Watseka's daily position records and long/short position records to conceal his activities from Watseka's Board of Directors and the IDA. Charles thereby deceived Watseka's Board of Directors and the IDA into believing that Watseka was not at risk in the futures market.

19. In mid-May 2004, the soybean futures market declined sharply, to the detriment of the speculative long futures positions Charles had created for Watseka. Watseka received margin calls that it could not meet and was forced into liquidation. The company closed on May 24, 2004, and surrendered its grain dealer and warehouse licenses to the IDA.

20. At a Watseka Board of Directors' meeting only days prior to Watseka's collapse, Charles had failed to inform Watseka's Board of Directors of Watseka's speculative position in the futures market.

21. After the financial collapse of Watseka, Charles destroyed Watseka's daily position records and long/short records as well as other documents in an attempt to conceal his wrongdoing.

22. Because of Charles' unauthorized and illegal trading, Watseka's shareholders and others lost at least \$1 million.

23. As an additional matter, Charles solicited and accepted orders for futures transactions from local farmers.

24. Charles executed these futures transactions through Watseka's futures account, effectively making Watseka serve as an unwitting FCM.

25. Charles made margin calls, accepted funds and paid futures trading profits to such farmers through Watseka's bank account. In so doing, Charles acted as an associated person of a FCM, without the benefit of required registration with the Commission.

V.

**VIOLATIONS OF THE COMMODITY EXCHANGE ACT
AND COMMISSION REGULATIONS**

COUNT I

**VIOLATIONS OF SECTION 4b(a)(2)(i) AND (iii) OF
THE ACT: FRAUD**

26. Paragraphs 1 through 25 are re-alleged and incorporated herein.

27. During the relevant time, defendant violated Section 4b(a)(2)(i) and (iii) of the Act, 7 U.S.C. §§ 6b(a)(2)(i) and (iii) (2002), in that he cheated or defrauded or attempted to cheat

or defraud Watseka and its shareholders, and willfully deceived or attempted to deceive Watseka and its shareholders by, among other things, engaging in unauthorized, illegal speculative trading, failing to disclose material facts about his actions to Watseka's Board of Directors, and concealed his malfeasance by intentionally misrepresenting and falsifying Watseka's daily position records, long/short records, and other documents.

28. The defendant engaged in this conduct in or in connection with orders to make, or the making of, any contract of sale of any commodity for future delivery, made, or to be made, for or on behalf of other persons where such contracts for future delivery were or may have been used for (a) hedging any transaction in interstate commerce in such commodity, or the products or byproducts thereof, or (b) determining the price basis of any transaction in interstate commerce in such commodity, or (c) delivering any such commodity sold, shipped, or received in interstate commerce for the fulfillment thereof.

29. Each unauthorized illegal speculative trade, each material misrepresentation or omission, and each willful deception made during the relevant time period, including but not limited to those specifically alleged herein, is alleged as a separate and distinct violation of Section 4b(a)(2)(i) and (iii) of the Act.

COUNT II

VIOLATIONS OF SECTION 4k(1) OF THE ACT: ACTING AS AN ASSOCIATED PERSON OF A FUTURES COMMISSION MERCHANT WITHOUT BENEFIT OF REGISTRATION

30. Paragraphs 1 through 25 are re-alleged and incorporated herein.

31. During the relevant time period, defendant violated Section 4k(1) of the Act, 7 U.S.C. § 6k(3) (2002), in that he engaged, as an AP of a futures commission merchant, in soliciting orders and accepting funds and orders for the purchase or sale of contracts of sale of

commodities for future delivery or involving contracts of sale of any commodities for future delivery, on or subject to the rules of a contract market or derivatives transaction execution facility without having registered, under the Act, with the Commission as an AP of a futures commission merchant.

32. Each such instance of acting as an AP of a futures commission merchant without being registered as such during the relevant time period, including but not limited to those instances specifically alleged herein, is alleged as a separate and distinct violation of Section 4k(1) of the Act.

RELIEF REQUESTED

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

- A. Find defendant liable for violating Sections 4b(a)(2)(i) and (iii) and 4k(1) of the Act;
- B. Enter an order of permanent injunction restraining and enjoining defendant and all persons insofar as they are acting in the capacity of his agents, servants, successors, assigns, and attorneys, and all persons insofar as they are acting in active concert or participation with defendant who receive actual notice of such order by personal service or otherwise, from directly or indirectly:
 1. Cheating, defrauding or willfully deceiving or attempting to cheat, defraud or willfully deceive other persons, in or in connection with any order to make, or the making of, any contract of sale of any commodity for future delivery, made, or to be made, for or on behalf of any other person if such contract for future delivery is or

may be used for (a) hedging any transaction in interstate commerce in such commodity or the products or byproducts thereof, or (b) determining the price basis of any transaction in interstate commerce in such commodity, or (c) delivering any such commodity sold, shipped, or received in interstate commerce for the fulfillment thereof, in violation of Section 4b(a)(2)(i) and (iii) of the Act, 7 U.S.C. § 6b(a)(2)(i) and (iii); and

2. Acting as an associated person of a futures commission merchant by soliciting orders or accepting orders for the purchase or sale of any commodity for future delivery, or involving any contracts of sale of any commodity for future delivery, on or subject to the rules of any contract market or derivatives transaction facility without having registered, under the Act, with the Commission as a futures commission merchant, in violation of Section 4k(1) of the Act, 7 U.S.C. § 6k(1).

C. Enter an order requiring defendant to pay civil penalties under the Act in amounts of not more than the higher of \$120,000 for each violation of the Act and Regulations or triple the monetary gain to defendant, for each violation of the Act and Regulations described herein;

D. Enter an order requiring defendant to disgorge all benefits received including, but not limited to, salaries, commissions, loans, fees, revenues and trading profits derived, directly or indirectly, from acts or practices which

constitute violations of the Act as described herein, including pre-judgment interest;

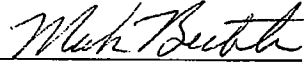
E. Enter an order requiring defendant to make restitution by making whole each and every investor in Watseka who lost money as a result of defendant's violations of the provisions of the Act as described herein, including pre-judgment interest; and

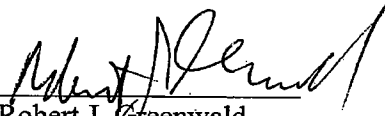
F. Order such other and further remedial ancillary relief as this Court may deem necessary and appropriate under the circumstances.

Date: June 22, 2005

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