

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF FLORIDA

Case No. _____

05-60928
CIV-ALTONAGA

MAGISTRATE JUDGE
TURNOFF

COMMODITY FUTURES TRADING
COMMISSION,

Plaintiff,

v.

WORLD MARKET ADVISORS, INC.,
U. S. CAPITAL MANAGEMENT, INC.,
UNITED EQUITY GROUP, INC.,
LIBERTY ONE ADVISORS, LLC,
LIGHTHOUSE CAPITAL MANAGEMENT, LLC,
UNIVERSAL OPTIONS, INC.,
QUALIFIED LEVERAGE PROVIDERS, INC.,
SAFEGUARD FX, LLC,
JASON T. DEAN,
STEVEN D. KNOWLES,
PAUL F. PLUNKETT,
JOSEPH D. VALKO, also known as JOE VALKO
and also known as JOE VALKO, Sr., and
JEFFREY PAUL JEDLICKI, also known as
JEFFREY PAUL,

Defendants.

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FILED BY: _____ D.C.

**COMPLAINT FOR INJUNCTIVE AND OTHER EQUITABLE RELIEF AND FOR
CIVIL MONETARY PENALTIES UNDER THE COMMODITY EXCHANGE ACT**

I. SUMMARY

1. Plaintiff Commodity Futures Trading Commission ("CFTC") is seeking emergency injunctive relief against a South Florida "boiler room" operation that lures prospective customers to trade foreign currency options contracts with false promises of unlimited and extraordinary short-term profits at little or no risk.

2. From at least October 2002 to the present (“relevant time”), defendant World Market Advisors, Inc. (“WMA”), an unregistered introducing broker (“IB”) and a series of short-lived affiliates and successors, including defendants U.S. Capital Management, Inc. (“U.S. Capital”), a registered IB, United Equity Group, Inc. (“United Equity”), a registered IB, Liberty One Advisors, LLC (“Liberty One”), an unregistered IB and Lighthouse Capital Management, LLC (“Lighthouse”), an unregistered IB, through their brokers, including defendant Jeffrey Paul Jedlicki (“Jedlicki”), operating as a common enterprise (“WMA Common Enterprise”), have fraudulently solicited customers over the telephone throughout the United States, Canada, and the United Kingdom with high-pressure sales tactics to open accounts to trade foreign currency options contracts.

3. Jedlicki and the WMA Common Enterprise brokers misrepresent and fail to disclose material facts concerning: (i) the likelihood that customers will profit from trading foreign currency options contracts; (ii) the risk of loss involved in trading foreign currency options contracts; (iii) the WMA Common Enterprise’s losing trading record for customers; and (iv) the National Futures Association’s (“NFA”) disciplinary action against Jedlicki for making deceptive and misleading sales solicitations, and using high-pressure sales tactics while employed at another brokerage firm.

4. The WMA Common Enterprise introduced customers to open their trading accounts with defendants Universal Options, Inc., (“Universal Options”), an unregistered futures commission merchant (“FCM”), Qualified Leverage Providers, Inc. (“QLP”), a registered FCM and Safeguard FX, LLC (“Safeguard”) ¹, an unregistered FCM.

¹ On information and belief, there is another unregistered IB called North Trust Advisors, Inc., which may be a successor entity, soliciting customers over the telephone to open trading accounts to trade foreign currency options contracts with Safeguard.

5. During the relevant time, the WMA Common Enterprise brokers solicited at least 924 customers, who collectively invested at least \$17.1 million to trade foreign currency options contracts. The WMA Common Enterprise generated at least \$8.6 million in commissions, while customers lost approximately \$13.6 million in their trading accounts. Over 96% of the customers lost money and most of them lost all of their investments.
6. Jedlicki and the WMA Common Enterprise brokers have engaged, are engaging, or about to engage in acts and practices that violate core anti-fraud provisions of the Commodity Exchange Act, as amended (“Act”), and Regulations promulgated thereunder (“Regulations”) relating to fraud in the purchase and sale of options, *i.e.*, Section 4c(b) of the Act, 7 U.S.C. § 6c(b) (2002), and Regulation 32.9(a) and (c), 17 C.F.R. § 32.9(a) and (c) (2005).
7. Defendants Jason T. Dean (“Dean”), Steven D. Knowles (“Knowles”), Paul F. Plunkett (“Plunkett”) and Joseph D. Valko a.k.a. Joe Valko and a.k.a. Joe Valko, Sr. (“Valko”) each controlled one or more of the IBs that made up the WMA Common Enterprise. As controlling persons, each of these defendants is liable for the violations of Section 4c(b) and Regulation 32.9(a) committed by their respective IBs which they controlled pursuant to Section 13(b) of the Act, 7 U.S.C. § 13c(b) (2002).
8. Universal Options, QLP, and Safeguard each is liable, as a principal, for the violations of the IBs who referred or solicited customers on their behalf, pursuant to Section 2(a)(1)(B) of the Act, 7 U.S.C. § 2(a)(1)(B) (2002) and Commission Regulation 1.2, 17 C.F.R. § 1.2 (2005).
9. Accordingly, pursuant to Section 6c(a) of the Act, 7 U.S.C. § 13a-1(a) (2002), the CFTC brings this action to enjoin the unlawful acts and practices of the defendants, and

to compel their compliance with the provisions of the Act and Regulations. In addition, the CFTC seeks civil monetary penalties, accountings, disgorgement, restitution, and such other equitable relief, as this Court may deem necessary or appropriate.

10. Unless restrained and enjoined by this Court, the defendants are likely to continue to engage in the acts and practices alleged in the Complaint, and in similar acts and practices, as more fully described below.

II. JURISDICTION AND VENUE

11. This Court has jurisdiction over this action pursuant to Section 6c(a) of the Act, 7 U.S.C. § 13a-1(a) (2002), which provides that, whenever it shall appear to the CFTC that any 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 promulgated, thereunder, the CFTC may bring an action against such person to enjoin such practice or to enforce compliance with the Act.

12. Sections 2(c)(2)(B) and (C) of the Act grant the CFTC jurisdiction over certain retail transactions in foreign currency that are contracts for the sale of a commodity for future delivery (or option on such contract), and options on foreign currency, including the transactions alleged in this Complaint.

13. Venue properly lies with this Court, pursuant to Section 6c(e) of the Act, 7 U.S.C. § 13a-1(e) (2002), because the defendants are found in, inhabit, or transact business in this District, or the acts and practices in violation of the Act and Regulations have occurred, are occurring, or are about to occur within this District, among other places.

III. THE PARTIES

A. The Plaintiff

14. The Commodity Futures Trading Commission is an independent federal regulatory agency charged with the 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. (2005).

B. The Corporate Defendants

15. World Market Advisors, Inc. was a Florida corporation organized on October 9, 2002. WMA's business address was 6245 North Federal Highway, Suite 401, Fort Lauderdale, Florida 33308 and it maintained a telephone number of (954) 938-8028. WMA was an IB that introduced customers to open foreign currency options trading accounts with Universal Options. On December 16, 2003, WMA filed its Articles of Dissolution with the Secretary of State of Florida, Division of Corporations. WMA has never been registered with the CFTC in any capacity.
16. U.S. Capital Management, Inc. is a Florida corporation organized on October 14, 2003. It has operated out of the same business premises as WMA, namely, 6245 North Federal Highway, Suite 401, Fort Lauderdale, Florida 33308, and it used the same telephone number as WMA. U.S. Capital was an IB that introduced customers to open foreign currency options trading accounts, first with Universal Options and thereafter with QLP. U.S. Capital has been registered with the CFTC as an IB since January 15, 2004. In January 2004, U.S. Capital established a branch office at 370 Lexington Avenue, Suite 1803, New York, New York 10017.

17. United Equity Group, Inc. is a Florida corporation organized on October 22, 2003. It was operated out of the same business premises as WMA and U.S. Capital, namely, 6245 North Federal Highway, Suite 401, Fort Lauderdale, Florida 33308. United Equity was an IB that introduced customers to open foreign currency options trading accounts with Safeguard. United Equity has been registered with the CFTC as an IB since December 31, 2003.
18. Liberty One Advisors, LLC is a Florida Limited Liability Company organized on June 7, 2004. It operated out of the same business premises as WMA, U.S. Capital, and United Equity, namely, 6245 North Federal Highway, Suite 401, Fort Lauderdale, Florida 33308. Liberty One was an IB that introduced customers to open foreign currency options trading accounts with Safeguard. Liberty One has never been registered with the CFTC in any capacity.
19. Lighthouse Capital Management, LLC was a Florida Limited Liability Company organized on February 23, 2004. Lighthouse's principal and mailing address was 6245 North Federal Highway, Suite 401, Fort Lauderdale, Florida 33308; however, it did business at 1825 NE 24th Street, Lighthouse Point, Florida 33064. Lighthouse was an IB that introduced customers to open foreign currency options trading accounts with Safeguard. On November 8, 2004, Lighthouse filed its Articles of Dissolution with the Secretary of State of Florida, Division of Corporations. Lighthouse has never been registered with the CFTC in any capacity.
20. Universal Options, Inc. is a Florida corporation organized on July 30, 2002. Universal Options' business address is 3467 N.E. 163rd, North Miami Beach, Florida 33160. Universal Options has not been registered with the CFTC in any capacity, but

held itself out as both an affiliate of a registered FCM and an affiliate of an affiliate of a registered FCM. Universal Options also held itself out to be a wholly owned subsidiary of Universal Commodity Corporation (“Universal Commodity”), which has been registered with the CFTC as an IB since January 29, 2003. Universal Commodity was a guaranteed IB of Universal Financial Holding Corporation (“Universal Financial”) from August 1, 2002 to May 5, 2003. Universal Financial was registered with the CFTC as an FCM since August 15, 1997, and was a registered notice broker dealer (“NBD”) since July 23, 2002. On February 15, 2005, Universal Financial was expelled from NFA membership and also withdrew its NBD registration.

21. Qualified Leverage Providers, Inc. is a Florida corporation organized on September 22, 2003. QLP’s business address is 2999 N.E. 191st Street, Suite 608B, Aventura, Florida 33180. QLP has been registered with the CFTC as an FCM since December 4, 2003. QLP also held itself out as an affiliate of a registered FCM.
22. Safeguard FX, LLC, formerly known as Safeguard FX Holdings, LLC is a Florida Limited Liability Company organized on March 25, 2004. Safeguard’s business address is 6901 S.W. 18th Street, Suite 201, Boca Raton, Florida 33433. Safeguard is listed as a principal of, and holds itself out as an affiliate of Safeguard Financial Holdings LLC, (“Safeguard Financial”) which has been registered with the CFTC as an FCM since March 15, 2004. On March 8, 2005, Florida Attorney General’s Office of Statewide Prosecution executed a criminal search warrant at the offices of Safeguard effectively shutting down the company seizing books, records and equipment. That office established probable cause to believe that the laws of the State of Florida concerning

Organized Fraud, Unlawful Telemarketing and Fraudulent Transactions were being violated by Safeguard.

C. The Individual Defendants

23. Jason T. Dean resides in Pompano Beach, Florida. From October 9, 2002 to December 16, 2003, Dean was the President and Director of WMA. Dean signed the exclusive Introducing Agreement with Universal Options on behalf of WMA. Dean was also the signatory for WMA's bank account, and executed the Articles of Dissolution filed by WMA. From October 14, 2003 to November 24, 2003, Dean was the President and Director of U.S. Capital. Dean was also a signatory for U.S. Capital's bank account from October 29, 2003 to March 3, 2004. Dean has never been registered with the CFTC in any capacity. During the relevant time, Dean was a controlling person at WMA and thereafter at U.S. Capital. He was responsible for the overall operations and exercised decision making power at these two entities.

24. Steven D. Knowles resides in Deerfield Beach, Florida. From January 14, 2000 to June 22, 2001, Knowles was registered with the CFTC as an associated person ("AP") of Group One Financial Services, Inc. From August 6, 2001 to October 20, 2002, Knowles was the President and a registered AP of First Liberty Investment Services, Inc. ("First Liberty"). Knowles was fined \$20,000 as a result of the disciplinary action taken by the National Futures Association ("NFA") while he was employed at First Liberty, as more fully described in paragraph 28 below. From September 5, 2002 to August 25, 2003, Knowles was registered with the CFTC as an AP of First American Investment Services, Inc., formally Global Money Management ("First American"), which, as alleged in paragraph 29 below, is the subject of a CFTC enforcement action. From

September 11, 2002 to August 25, 2003, Knowles was the President of First American. From December 16, 2003 to January 16, 2004, Knowles was the President and Director of U.S. Capital. From January 16, 2004 to June 7, 2004, Knowles has been the Vice-President and Director of U.S. Capital. Knowles was also a signatory for U.S. Capital's bank account from March 3, 2004 to June 7, 2004. From February 23, 2004 to March 8, 2004, Knowles was the Manager of Lighthouse. From March 18, 2004 to the present, Knowles has been the Chief Executive Officer of Safeguard Financial. From March 18, 2004 to January 24, 2005, until withdrawn, Knowles was registered with the CFTC as an AP of Safeguard Financial. From March 25, 2004 to the present, Knowles has been the Manager of Safeguard. During the relevant time, Knowles was a controlling person at U.S. Capital and thereafter at Lighthouse. He was responsible for the overall operations and exercised decision making power at these two entities.

25. Paul F. Plunkett resides in Deerfield Beach, Florida. From February 4, 2002 to August 11, 2003, Plunkett was a registered AP of First American. From October 9, 2003 to December 16, 2003, Plunkett was an instructor for WMA's training class for new brokers. From October 15, 2003 to March 26, 2004, Plunkett was a registered AP of United Investors Group ("UIG"), which, as alleged in paragraph 30 below, is the subject of a separate CFTC enforcement action. From October 22, 2003 to June 7, 2004, Plunkett was an instructor for United Equity's training classes for new brokers. From January 15, 2004 to June 7, 2004, Plunkett was the President and Director of U.S. Capital. From January 15, 2004 to April 30, 2004, Plunkett was a registered AP of U.S. Capital. From February 23, 2004 to November 8, 2004, Plunkett was the Manager of Lighthouse. Plunkett signed the exclusive Introducing Agreement with Safeguard on

behalf of Lighthouse. From March 17, 2004 to June 7, 2004, until withdrawn, Plunkett was a principal of, and had a pending registration with the CFTC as an AP of Lighthouse. During the relevant time, Plunkett was a controlling person at U.S. Capital and thereafter at Lighthouse. He was responsible for the overall operations and exercised decision making power at these two entities.

26. Joseph D. Valko resides in Coconut Creek, Florida. From September 20, 1999 to July 26, 2004, Valko has been registered as an AP with various firms. From October 22, 2003 to the present, Valko has been the President and Director of United Equity. Valko signed the exclusive Introducing Agreement with Safeguard on behalf of United Equity. From December 31, 2003 to July 26, 2004, Valko was a registered AP of United Equity. From June 7, 2004 to the present, Valko has been the President and a Manager of Liberty One. Valko signed the Exclusive Introducing Agreement with Safeguard on behalf of Liberty One and trained Liberty One's newly hired brokers. During the relevant time, Valko was a controlling person at United Equity and thereafter at Liberty One and was responsible for the overall operations and exercised decision making power at these two entities. As of May 5, 2005, Valko has a pending registration as an AP of Global Trading Center, LLC.

27. Jeffrey P. Jedlicki resides in Boca Raton, Florida. From May 7, 1996 to March 16, 2005, Jedlicki has been registered as an AP with various firms. From November 15, 2001 to May 31, 2002, Jedlicki was registered with the CFTC as an AP of First Liberty. Jedlicki was fined \$30,000 resulting from a disciplinary action taken by the NFA while he was employed at First Liberty, as more fully described in paragraph 28 below. From June 30, 2003 to July 21, 2003, until it was withdrawn, Jedlicki had a pending

registration as an AP of First American. From October 9, 2002 to the present, Jedlicki has been a senior broker with the WMA Common Enterprise. From June 9, 2004 to February 22, 2005, until withdrawn, Jedlicki was registered as an AP of UIG. From February 22, 2005 to March 16, 2005, until withdrawn, Jedlicki was registered as an AP of Commodity Trading Group.

28. On September 26, 2002, the NFA issued a Complaint against First Liberty, Knowles, and Jedlicki, among others, for violations of NFA Compliance Rules. The Complaint alleged that First Liberty and its APs, including Jedlicki made deceptive and misleading sales solicitations and used high-pressure sales tactics in dealing with customers. Also, First Liberty allegedly failed to give adequate risk disclosures, used deceptive and unbalanced promotional material and Knowles and First Liberty failed to cooperate with the NFA's investigation and failed to diligently supervise employees. On July 7, 2003, without admitting or denying the allegations of the Complaint, First Liberty, Knowles, Jedlicki and others settled the matter with the NFA. First Liberty was banned from membership with the NFA for period of 10 years. Knowles was fined \$20,000 and agreed that any firm of which he is a principal would cooperate with the NFA Enhanced Surveillance Compliance Program for 18 months. Jedlicki was fined \$30,000 and agreed if he again became an NFA Member or Associate, to tape record all of his conversations with prospective and existing customers for a period of six months.
29. On June 7, 2004, the CFTC filed in the United States District Court for the Southern District of Florida, a Complaint for Injunctive and Other Equitable Relief, and for Civil Monetary Penalties, under the Act, against First American, Knowles, and others for fraudulently soliciting members of the public, with high pressure sales pitches, to

open accounts to trade options on commodity futures contracts in violation of Section 4c(b) of the Act and Section 33.10(a) and (c) of the Regulations. A preliminary injunction hearing was held on October 20, 2004. On March 7, 2005, the Magistrate Judge issued a Report and Recommendation to the District Court to grant the CFTC's Motion for Preliminary Injunction as to each of the Defendants and Relief Defendants.

30. On January 3, 2005, the CFTC filed in the United States District Court for the Southern District of Florida, a Complaint for Injunctive and Other Equitable Relief, and for Civil Monetary Penalties under the Act against UIG, Plunkett, and others for fraudulently soliciting members of the public with high pressure sales pitches to open accounts to trade options on commodity futures contracts, in violation of Section 4c(b) of the Act and Section 33.10(a) and (c) of the Regulations. A preliminary injunction hearing was held on January 31, 2005. On February 25, 2005, the Magistrate Judge issued a Report and Recommendation to the District Court to grant the CFTC's Motion for Preliminary Injunction as to each of the Defendants and Relief Defendant.

IV. FACTS RELEVANT TO ALL COUNTS

A. Statutory Background

31. The term "futures commission merchant" is defined in Section 1a(20) of the Act, 7 U.S.C. § 1a(20), and is further defined in CFTC Regulation 1.3(p), 17 C.F.R. § 1.3(p) as an individual, association, partnership, corporation, or trust that is engaged in soliciting or accepting orders for the purchase or sale of any commodity for future delivery, or option on commodity futures contract, on or subject to the rules of any contract market or derivatives transaction facility, and in or in connection with such solicitation or acceptance of orders, accepts any money, securities or property (or extends credit in lieu

thereof) to margin, guarantee, or secure any trades or contracts that result or may result therefrom.

32. The term “introducing broker” is defined in Section 1a(23) of the Act, 7 U.S.C. 1a(23), and Regulation 1.3(mm), 17 C.F.R. § 1.3(mm), as any person (except an individual who elects to be and is registered as an associated person of a futures commission merchant) engaged in soliciting or in accepting orders for the purchase or sale of any commodity for future delivery on or subject to the rules of any contract market or derivatives transaction execution facility who does not accept any money, securities or property (or extend credit in lieu thereof) to margin, guarantee, or secure any trades or contracts that result or may result therefrom.

33. The term “associated person” is defined in Section 4k(1) of the Act, 7 U.S.C. § 6k(1), and Regulation 1.3(aa)(1) and (2), 17 C.F.R. § 1.3(aa)(1) and (2) as a natural person associated with any futures commission merchant or introducing broker, as a partner, officer, employee, consultant, or agent (or any person occupying a similar status or performing similar functions), in any capacity that involves: (i) the solicitation or acceptance of customers’ or options customers’ orders; or (ii) the supervision of any person or persons so engaged.

34. The National Futures Association is a self-regulatory organization for the commodity futures industry. The NFA conducts audits and investigations of NFA member firms to ensure compliance with NFA rules and CFTC regulations.

B. The WMA Common Enterprise

35. From October 2002 to present, WMA, U.S. Capital, United Equity, Liberty One, and Lighthouse have engaged in a common enterprise (the “WMA Common Enterprise”).

Specifically, WMA, U.S. Capital, United Equity, Liberty One and Lighthouse engaged in business from the same address. *See Exhibit A.* Specifically, WMA, U.S. Capital, United Equity, Liberty One operated out of 6245 North Federal Highway, Suite 401, Fort Lauderdale, Florida, while Lighthouse received its mail at that same address. The component entities of the WMA Common Enterprise have also been controlled by individuals in common to each entity. Specifically, Dean controlled both WMA and U.S. Capital. Knowles controlled U.S. Capital and Lighthouse. Plunkett controlled U.S. Capital and Lighthouse. *See Exhibit B.* Valko controlled United Equity and Liberty One. Significantly, the marketing materials for WMA, U.S. Capital, United Equity, Liberty One and Lighthouse are virtually identical.

36. From October 2002 to at least March 2005, WMA, U.S. Capital, United Equity, Liberty One and Lighthouse have engaged in the same business of soliciting customers over the telephone throughout the United States, Canada, and the United Kingdom to open accounts to trade foreign currency options contracts. Specifically, there is a substantial overlap of brokers who worked for the various WMA Common Enterprise entities. U.S. Capital employed 29 former WMA brokers and used the same broker identification numbers, United Equity employed 34 former U.S. Capital brokers and Liberty One employed 37 former United Equity brokers. Lighthouse, however, generally employed new brokers and only employed 6 former WMA and U.S. Capital brokers to solicit customers. Two brokers, including Jedlicki, worked for all five firms and sixteen brokers worked for at least four firms of the WMA Common Enterprise.

37. In November 2003, WMA sent a Notice of Proposed Transfer to its customers informing them that effective November 30, 2003, WMA would move their accounts to

U.S. Capital. The notice further explained that customers would be able to continue trading, just as in the past, with no interruption in service.

37. On the morning of June 7, 2004, the NFA arrived at the business offices of U.S. Capital and United Equity to conduct an audit. In response, through their attorney, R. Lawrence Bonner, U.S. Capital and United Equity informed the NFA that U.S. Capital and United Equity would not register their brokers as APs and further stated that U.S. Capital and United Equity were no longer conducting any business, and from that point forward, business would be conducted by a new company, Liberty One, an un-registered firm. Thus, on June 7, 2004, U.S. Capital and United Equity closed down their operations as NFA registrants, only to be resurrected on that same date as an unregistered entity, Liberty One, doing the same business as before, but avoiding oversight by the NFA.

C. The Boiler-Room Operation

39. WMA Common Enterprise brokers, or "Front-Men", initiate telephone cold calls in which they claim to offer an extraordinary opportunity in the foreign currency market. Typically, they claim that because of the weakening U.S. dollar or other alleged market-moving news, the value of a foreign currency is about to move up dramatically, allowing quick-acting customers to make huge profits in a short period of time through the purchase of foreign currency options contracts.

40. Whenever a prospective customer shows interest, he or she is turned over to a senior broker, or "Closer", who pressures the customer to open a trading account at the FCM to which the respective IB referred customers, i.e. Universal Options, QLP or Safeguard. Typical "Closer" tactics include repeated calls urging potential customers to

invest immediately or miss out on substantial profits, sending account opening documents by FedEx or facsimile, and seeking an immediate return of the documentation.

41. The WMA Common Enterprise customers are charged a commission between \$235 and \$250 per round turn (purchase and sale) on foreign currency option trades.
42. Shortly after the initial purchase, customers are introduced to another broker or "Reloader", typically Jedlicki, who solicits additional funds for additional purchases of foreign currency options contracts from customers based on similar claims with promises of greater profits.
43. At the same time, WMA Common Enterprise brokers misrepresent and fail to disclose material facts concerning: (i) the likelihood that customers will profit from trading foreign currency options contracts; (ii) the risk of loss involved in trading foreign currency options contracts; (iii) WMA Common Enterprise's losing trading record for customers; and (iv) the NFA's disciplinary action against Jedlicki for deceptive and misleading sales solicitations and unreasonably high-pressure sales tactics while he was employed at First Liberty.

D. The Fraudulent Solicitation of More Than 924 Customers

1) Misrepresentations Exaggerating Likelihood of Profit

44. WMA Common Enterprise brokers, including Jedlicki, told customers to expect large returns in a short period of time on their investments trading foreign currency options contracts. The brokers made misrepresentations to customers and potential customers, including but not limited to:
 - (a) A one-cent increase in the Euro represented a \$1,500 profit for the option customer and that a three-cent move on ten (10) Euro option contracts represented a \$45,000 profit;

- (b) Jedlicki told a customer, "that \$40,000 could quadruple to \$160,000 in a short period of time"; and
- (c) Jedlicki told a customer, "I have made my customers hundreds of thousands of dollars."

The brokers, including Jedlicki, knew these claims were misleading or were reckless in making such claims.

2) **Fraudulent Omissions Regarding Likelihood of Profit**

45. While WMA Common Enterprise brokers, including Jedlicki, presented a rosy picture of profit potential to customers and potential customers, however they failed to disclose material facts including, but not limited to:

- (a) That when trading options, the value of the underlying currency has to both exceed the strike price of the option and exceed it by an amount greater than the cost of commissions and fees before profits can be earned;
- (b) The likelihood that the price of foreign currency would experience a price increase sufficient enough to achieve the represented profits; and
- (c) The foreign currency options that were bought for customers were out-of-the money options.

The brokers, including Jedlicki, knew these claims were misleading without the omitted information or were reckless in making such claims without the omitted information.

3) **Misrepresentations and Omissions Minimizing Risk of Loss**

46. WMA Common Enterprise brokers, including Jedlicki, routinely lead customers to believe that risk of loss was or could be, limited. The disclosures of risk, to the extent made, were vitiated by the unbalanced, high-pressure sales presentations that falsely convey to customers that trading options is highly profitable and virtually risk free. The brokers made misrepresentations to customers including, but not limited to:

- (a) That customers do not need to worry about risk because they are going to make lots of money;

- (b) That brokers used a trading strategy to protect customers, and split customer investments by placing approximately 2/3 of the investment in a position to take advantage of a price movement in one direction, and approximately 1/3 of the investment to benefit from a price movement in the opposite direction, so the customer could not lose all of their investment;
- (c) Jedlicki told a customer, "that if the market moved against me (customer), the worst that I (customer) could do was break even";
- (d) Jedlicki told a customer, "I will not let you down." "You will not lose," and "I will get the account up to six figures in thirty to forty days"; and
- (e) Puts would protect investment from loss.

The brokers, including Jedlicki, knew these claims were misleading or were reckless in making such claims.

4) **WMA Common Enterprise's Failure to Disclose its Dismal Trading Record**

47. WMA Common Enterprise brokers, including Jedlicki, never disclosed the actual, overall losing trading record sustained by their customers trading foreign currency options contracts. To the contrary, the brokers stressed the likelihood of enormous profits when, in fact, the overwhelming majority of the WMA Common Enterprise's customers lost money. The brokers, including Jedlicki, knew claims of enormous profit potential were misleading without disclosing the WMA Common Enterprise firms' actual trading record, or were reckless in making such claims without disclosing the WMA Common Enterprise firms' actual trading record.

48. From at least October 9, 2002 to December 16, 2003, WMA solicited at least 122 customers, who collectively invested approximately \$2.4 million with Universal Options to trade foreign currency options contracts. WMA generated at least \$1.2 million in commissions, while customers lost approximately \$2.3 million in their trading accounts.

Over 99% of the customers lost money and most of these customers lost all of their investments.

49. From at least October 14, 2003 to June 7, 2004, U.S. Capital solicited at least 511 customers, who collectively invested approximately \$8.1 million with Universal Options and QLP to trade foreign currency options contracts. U.S. Capital generated at least \$4.3 million in commissions, while customers lost approximately \$6.7 million in their trading accounts. Over 96% of the customers lost money and most of these customers lost all of their investments.
50. From at least October 22, 2003 to June 7, 2004, United Equity solicited at least 25 customers, who collectively invested approximately \$540,000 with Safeguard to trade foreign currency options contracts. United Equity generated at least \$191,000 in commissions, while customers lost approximately \$520,000 in their trading accounts. 100% of the customers lost money and most of these customers lost all of their investments.
51. From June 7, 2004 to the present, Liberty One solicited at least 196 customers, who collectively invested approximately \$5 million with Safeguard to trade foreign currency options contracts. Liberty One generated at least \$2.5 million in commissions, while customers lost \$4.6 million in their trading accounts. Over 99% of the customers lost money and most of these customers lost all of their investments.
52. From February 23, 2004 to November 8, 2004, Lighthouse solicited at least 89 customers, who collectively invested approximately \$1.1 million with Safeguard to trade foreign currency options contracts. Seventy of the 89 customer accounts were actively traded. As a result, Lighthouse generated at least \$300,000 in commissions, while

customers lost approximately \$555,000 in their trading accounts. Over 85% of the customers lost money and most of these customers lost all of their investments.

53. Despite these huge customer losses, the WMA Common Enterprise continues to solicit new customers by stressing the profit potential of trading foreign currency options contracts without disclosing that the majority of its customers lose most, if not all, of their investments.

5) Customers Are Never Told About Jedlicki's Prior NFA Disciplinary Action

54. Jedlicki, a senior broker for the WMA Common Enterprise, is typically introduced to customers by other brokers as one of the top traders who handles big accounts and makes a substantial amount of money for customers. In reality, Jedlicki lost most of his customers' money. Furthermore, neither Jedlicki nor the brokers disclose to customers that Jedlicki was disciplined by the NFA in July 2003 for deceptive and misleading sales solicitations in violation of NFA Compliance Rule 2-2(a) and 2-29(a)(1), and using unacceptably high-pressure sales tactics in violation of NFA Compliance Rule 2-29(a)(2). The brokers, including Jedlicki, knew claims of Jedlicki's success were misleading without disclosing his prior disciplinary history, or were reckless in making such claims without disclosing his prior disciplinary history.

E. The Individual Defendants Who Controlled One or More of the Entities that Make up the WMA Common Enterprise

1) Dean, Knowles, Plunkett, and Valko Were the Controlling Persons of their respective IBs

55. During the relevant time, Dean, Knowles, Plunkett and Valko each controlled one or more of the IBs that make up the WMA Common Enterprise. As alleged in paragraphs 23 through 26; Dean controlled WMA and U.S. Capital, Knowles controlled

U.S. Capital and Lighthouse, Plunkett controlled U.S. Capital and Lighthouse, and Valko controlled United Equity and Liberty One.

56. Dean, Knowles, Plunkett and Valko had actual or constructive knowledge of the fraudulent sales tactics used by brokers at their respective IBs.

57. Dean, Knowles, Plunkett and Valko failed to maintain or enforce an adequate system of internal supervision and control that would reasonably detect the rampant and repetitive fraudulent sales practices used by brokers at their respective IBs.

58. WMA, U.S. Capital, United Equity, Liberty One and Lighthouse operated as a common enterprise.

F. WMA is an Agent of Universal Options

59. On October 22, 2002, WMA, by its president, Dean, entered into an exclusive introducing agreement with Universal Options. The agreement was a form document drafted by Universal Options, but included the following provisions:

- (a) WMA agreed to refer prospective customers exclusively to Universal Options;
- (b) WMA agreed to assess the qualifications of the prospective customers to trade with Universal Options, according to standards established by Universal Options;
- (c) WMA agreed to ensure, to the best of its ability, that customers had read and fully understood the Universal Options contract and risk disclaimers;
- (d) WMA agreed to notify Universal Options, in writing, of any customer complaints, or pending or threatened action or proceeding, in respect of any matters, relating to the customer's Universal Options account;
- (e) WMA agreed to notify Universal Options, in writing, of the assertion of any material claim against WMA, or of the institution against WMA, of any action, investigation, or proceeding by a regulatory agency, exchange, or board of trade; and
- (f) WMA agreed to cooperate with Universal Options by furnishing all documents necessary to conduct an investigation and defend a claim involving WMA.

60. WMA directed its customers to send funds directly to Universal Options.

61. Universal Options generated the WMA customer account statements.

62. WMA used only account opening forms and disclosures provided by Universal Options.

G. U.S. Capital is an Agent of QLP

63. On November 26, 2003, U.S. Capital, by its president, Andrew J. Martin (deceased) entered into an exclusive introducing agreement with QLP. The introducing agreement was a form document drafted by QLP, but included substantially the same provisions contained in Paragraph 59 (a) through (f) above except the agreement was between U.S. Capital and QLP.

64. U.S. Capital directed its customers to send funds directly to QLP.

65. QLP generated the U.S. Capital customer account statements.

66. U.S. Capital used only account opening forms and disclosures provided by QLP.

H. United Equity is an Agent of Safeguard

67. On April 3, 2004, United Equity, by its president, Valko, entered into an exclusive introducing agreement with Safeguard. Knowles signed the Introducing Agreement on behalf of Safeguard. The introducing agreement was a form document drafted by Safeguard, but included substantially the same provisions contained in Paragraph 59 (a) through (f) above except that the agreement was between United Equity and Safeguard.

68. United Equity directed its customers to send funds directly to Safeguard.

69. Safeguard generated the United Equity customer account statements.

70. United Equity used only account opening forms and disclosures provided by Safeguard.

I. Liberty One is an Agent of Safeguard

71. On June 7, 2004, Liberty One, by its president and manger, Valko, entered into an exclusive introducing agreement with Safeguard. Knowles signed the Introducing Agreement on behalf of Safeguard. The introducing agreement was a form document drafted by Safeguard, but includes substantially the same provisions set forth in Paragraph 59 (a) through (f) above except that the agreement is between Liberty One and Safeguard.

72. Liberty One directed its customers to send funds directly to Safeguard.

73. Safeguard generated the Liberty One customer account statements.

74. Liberty One used only account opening forms and disclosures provided by Safeguard.

J. Lighthouse is an Agent of Safeguard

75. On or about June 1, 2004, Lighthouse, by its managing member, Plunkett, entered into an exclusive introducing agreement with Safeguard. Knowles signed the Introducing Agreement on behalf of Safeguard. The introducing agreement was a form document drafted by Safeguard, but included substantially the same provisions set out in Paragraph 59 (a) through (f) above except the agreement is between Lighthouse and Safeguard.

76. Lighthouse directed its customers to send funds directly to Safeguard.

77. Safeguard generated the Lighthouse customer account statements.

78. Lighthouse used only account opening forms and disclosures provided by Safeguard.

V. CFTC'S JURISDICTION OVER THE TRANSACTIONS AT ISSUE

79. Section 2(c)(2)(B)(i) and (ii) of the Act provides that the CFTC shall have jurisdiction over an agreement, contract or transaction in foreign currency that is a sale of a commodity for future delivery (or option thereon) or an option, so long as the contract is "offered to, or entered into with, a person that is *not* an eligible contract participant", and the counterparty, or the person offering to be the counterparty, is not one of the regulated entities enumerated in Section 2(c)(2)(B)(ii)(I-VI). 7 U.S.C. § 2(c)(2)(B)(i) and (ii).
80. The Act anticipates that wealthy or institutional investors – known as "eligible contract participants" – that meet certain financial criteria and that trade foreign currency futures or options contracts have sufficient resources to protect their own interests when entering into foreign currency transactions, and therefore their transactions fall outside the CFTC's jurisdiction. The Act further contemplates that the foreign futures or options transactions of investors who do not meet the financial criteria to be eligible contract participants (and who are referred to herein as "retail customers") shall fall within the CFTC's jurisdiction.
81. Section 1a(12)(A)(xi) of the Act, 7 U.S.C. § 1, defines an eligible contract participant as an individual who has total assets in excess of: a) \$10 million; or \$5million and who enters the transaction to manage the risk associated with an asset owned or a liability incurred, or reasonably likely to be owned or incurred. Most, if not all, of the foreign currency options transactions alleged herein were offered to or entered into with persons who did not qualify as eligible contract participants, meaning that the customers of WMA, U.S. Capital, United Equity, Liberty One and Lighthouse were retail customers

whose transactions are contemplated by Section 2(c)(2)(B)(ii) of the Act to be within the CFTC's jurisdiction.

82. Section 2(c)(2)(B)(ii)(I-VI), 7 U.S.C. § 2(c)(2)(B)(ii)(I-V), identifies regulated entities that are proper counterparties to foreign currency transactions with retail customers, which include registered FCMs and certain statutorily defined affiliates of registered FCMs, which encompasses only those "affiliated" persons as to whom the FCMs are required under the Act and Regulations to make and keep records.
83. Notwithstanding subclauses (II) and (III) of subparagraph (B)(ii), Section 2(c)(2)(C) of the Act provides that agreements, contracts, or transactions in retail foreign currency described in subparagraph (B) *are* subject to sections 4b and 4c(b) of the Act if they are entered into by an FCM or an affiliate of an FCM that is not also an entity described elsewhere in subparagraph (B)(ii). 7 U.S.C. § 2(c)(2)(C).
84. Universal Options and Safeguard are not one of the enumerated regulated entities identified in Section 2(c)(2)(B)(ii). In particular, Universal Options and Safeguard are not registered with the CFTC as FCMs and are not affiliates of registered FCMs for the purposes of the Act, in that no registered FCMs are required under the Act or Regulations to make and keep records concerning the business or activities of Universal Options or Safeguard. Accordingly, Universal Options and Safeguard are not proper counterparties to the retail foreign currency options transactions alleged in the Complaint.
85. Since Universal Options and Safeguard are not proper counterparties and the customers are not eligible contract participants, the CFTC has jurisdiction over this action.

86. QLP is registered with the Commission as an FCM and thus constitutes a proper counterparty under Section 2(c)(2)(B) to the alleged transactions with U.S. Capital customers, who are not eligible contract participants. However, the CFTC retains anti-fraud jurisdiction over the alleged forex options transactions with QLP pursuant to Section 2(c)(2)(C).

VIOLATIONS OF THE COMMODITY EXCHANGE ACT

COUNT I

**VIOLATIONS OF SECTION 4c(b) OF THE ACT
AND COMMISSION REGULATION 32.9(a) AND (c):
COMMODITY OPTIONS FRAUD**

87. Paragraphs 1 through 86 are realleged and incorporated herein.
88. Section 4c(b) of the Act, 7 U.S.C. § 6c(b) (2002), and Commission Regulation 32.9(a) and (c), 17 C.F.R. § 32.9 (a) and (c) (2005) provide that it shall be unlawful for any person, directly or indirectly, to cheat or defraud or attempt to cheat or defraud any other person, or to deceive or attempt to deceive any other person by any means, whatsoever, in connection with an offer to enter into, the entry into, or the confirmation of the execution of, any commodity option transaction.
89. During the relevant time period, the WMA Common Enterprise brokers, including Jedlicki, have, directly or indirectly, cheated or defrauded or attempted to cheat or defraud other persons in connection with offering to enter into, the entry into, or the confirmation of the execution of, commodity option transactions, in violation of Section 4c(b) of the Act, 7 U.S.C. § 6c(b) (2002), and Regulation 32.9(a) and (c), 17 C.F.R. § 32.9(a) and (c) (2005), by, among other things: (1) making false, deceptive, or misleading statements or omissions of material fact, in connection with the solicitation

and trading of customer accounts; (2) falsely overstating profit potential and minimizing the risk of loss associated with their trading; and (3) failing to disclose material facts, including but not limited to the WMA Common Enterprise's losing trading record for customers and the failure to disclose Jedlicki's disciplinary record.

90. By the conduct described above, WMA is liable under Sections 4c(b) of the Act, 7 U.S.C. § 6c(b) (2002) and Regulation 32.9(a) and (c), 17 C.F.R. § 32.9(a) and (c) (2005), for the foregoing acts and omissions of its respective officials, employees and agents, including Jedlicki, by operation of Section 2(a)(1)(B) of the Act, 7 U.S.C. § 2 (2002), and Regulation 1.2, 17 C.F.R. § 1.2 (2005).

91. Defendant Dean serving as President and Director, directly or indirectly, controlled WMA, and did not act in good faith, or knowingly induced, directly or indirectly, the acts constituting the violations described in this Complaint. Pursuant to 13(b) of the Act, 7 U.S.C. § 13c(b) (2002), defendant Dean is liable for WMA's violations of Section 4c(b) of the Act, 7 U.S.C. § 6c(b) (2002), and Regulations 32.9(a) and (c), 17 C.F.R. § 32.9(a) and (c) (2005).

92. WMA engaged in the illegal conduct alleged in this Complaint, within the scope of its office, as an agent of Universal Options. Therefore, Universal Options is liable as a principal for WMA's illegal conduct, pursuant to Section 2(a)(1)(B) of the Act, 7 U.S.C. § 2(a)(1)(B) (2002), and Regulation 1.2, 17 C.F.R. § 1.2, (2005).

93. By the conduct described above, U.S. Capital is liable under Sections 4c(b) of the Act, 7 U.S.C. § 6c(b) (2002) and Regulation 32.9(a) and (c), 17 C.F.R. § 32.9(a) and (c) (2005), for the foregoing acts and omissions of its respective officials, employees and

agents, including Jedlicki, by operation of Section 2(a)(1)(B) of the Act, 7 U.S.C. § 2 (2002), and Regulation 1.2, 17 C.F.R. § 1.2 (2005).

94. Defendants Dean, Knowles, and Plunkett each directly or indirectly, controlled U.S. Capital, and did not act in good faith, or knowingly induced directly or indirectly, the acts constituting the violations described in this Complaint. Pursuant to 13(b) of the Act, 7 U.S.C. § 13c(b) (2002), defendants Dean, Knowles, and Plunkett are liable for U.S. Capital's violations of Section 4c(b) of the Act, 7 U.S.C. § 6c(b) (2002), and Regulations 32.9(a) and (c), 17 C.F.R. § 32.9(a) and (c) (2005). U.S. Capital is liable for WMA's violations of the Act, as a successor to WMA.

95. U.S. Capital engaged in the illegal conduct alleged in this Complaint, within the scope of its office, as an agent of QLP. Therefore, QLP is liable as a principal for U.S. Capital's illegal conduct, pursuant to Section 2(a)(1)(B) of the Act, 7 U.S.C. § 2(a)(1)(B) (2002), and Regulation 1.2, 17 C.F.R. § 1.2 (2005)

96. By the conduct described above, United Equity is liable under Sections 4c(b) of the Act, 7 U.S.C. § 6c(b) (2002) and Regulation 32.9(a) and (c), 17 C.F.R. § 32.9(a) and (c) (2005), for the foregoing acts and omissions of its respective officials, employees and agents, including Jedlicki, by operation of Section 2(a)(1)(B) of the Act, 7 U.S.C. § 2 (2002), and Regulation 1.2, 17 C.F.R. § 1.2 (2005).

97. Defendant Valko directly or indirectly, controlled United Equity, and did not act in good faith, or knowingly induced, directly or indirectly, the acts constituting the violations described in this Complaint. Pursuant to 13(b) of the Act, 7 U.S.C. § 13c(b) (2002), defendant Valko is liable for United Equity's violations of Section 4c(b) of the

Act, 7 U.S.C. § 6c(b) (2002), and Regulations 32.9(a) and (c), 17 C.F.R. § 32.9(a) and (c) (2005).

98. United Equity engaged in the illegal conduct alleged in this Complaint as an agent of Safeguard. Therefore, Safeguard is liable as a principal for United Equity's illegal conduct, pursuant to Section 2(a)(1)(B) of the Act, 7 U.S.C. § 2(a)(1)(B) (2002), and Regulation 1.2, 17 C.F.R. § 1.2 (2005).

99. By the conduct described above, Liberty One is liable under Sections 4c(b) of the Act, 7 U.S.C. § 6c(b) (2002) and Regulation 32.9(a) and (c), 17 C.F.R. § 32.9(a) and (c) (2005), for the foregoing acts and omissions of its respective officials, employees and agents, including Jedlicki, by operation of Section 2(a)(1)(B) of the Act, 7 U.S.C. § 2 (2002), and Regulation 1.2, 17 C.F.R. § 1.2 (2005).

100. Defendant Valko directly or indirectly, controlled Liberty One, and did not act in good faith, or knowingly induced, directly or indirectly, the acts constituting the violations described in this Complaint. Pursuant to 13(b) of the Act, 7 U.S.C. § 13c(b) (2002), defendant Valko is liable for ^{LO}United Equity's violations of Section 4c(b) of the Act, 7 U.S.C. § 6c(b) (2002), and Regulations 32.9(a) and (c), 17 C.F.R. § 32.9(a) and (c) (2005).

101. Liberty One engaged in the illegal conduct alleged in this Complaint as an agent of Safeguard. Therefore, Safeguard is liable as a principal for Liberty One's illegal conduct, pursuant to Section 2(a)(1)(B) of the Act, 7 U.S.C. § 2(a)(1)(B) (2002), and Regulation 1.2, 17 C.F.R. § 1.2 (2005).

102. By the conduct described above, Lighthouse is liable under Sections 4c(b) of the Act, 7 U.S.C. § 6c(b) (2002) and Regulation 32.9(a) and (c), 17 C.F.R. § 32.9(a) and (c)

(2005), for the foregoing acts and omissions of its respective officials, employees and agents, including Jedlicki, by operation of Section 2(a)(1)(B) of the Act, 7 U.S.C. § 2 (2002), and Regulation 1.2, 17 C.F.R. § 1.2 (2005).

103. Knowles and Plunkett directly or indirectly, controlled Lighthouse, and did not act in good faith, or knowingly induced, directly or indirectly, the acts constituting the violations described in this Complaint. Pursuant to 13(b) of the Act, 7 U.S.C. § 13c(b) (2002), defendants Knowles and Plunkett are liable for Lighthouse's violations of Section 4c(b) of the Act, 7 U.S.C. § 6c(b) (2002), and Regulations 32.9(a) and (c), 17 C.F.R. § 32.9(a) and (c) (2005).

104. Lighthouse engaged in the illegal conduct alleged in this Complaint as agents of Safeguard. Therefore, Safeguard is liable as a principal for Lighthouse's illegal conduct, pursuant to Section 2(a)(1)(B) of the Act, 7 U.S.C. § 2(a)(1)(B) (2002), and Regulation 1.2, 17 C.F.R. § 1.2 (2005).

105. Each material misrepresentation or omission, including but not limited to those specifically alleged herein, is alleged as a separate and distinct violation of Section 4c(b) of the Act, 7 U.S.C. § 6c(b) (2002), and Regulation 32.9(a) and (c), 17 C.F.R. § 32.9(a) and (c) (2005).

V. RELIEF REQUESTED

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

- A. Enter an Order finding the defendants liable for violating Sections 4c(b) of the Act, 7 U.S.C. § 6c(b) (2002), and Commission Regulation 32.9(a) and (c), 17 C.F.R. § 32.9(a) and (c) (2005);
- B. Enter orders of preliminary and permanent injunction enjoining the defendants, and all persons insofar as they are acting in the capacity of their agents, servants,

employees, successors, assigns, and attorneys, and all persons insofar as they are acting in active concert or participation with them, who receive actual notice of such order by personal service or otherwise, from directly or indirectly: Cheating or defrauding or attempting to cheat or defraud any other person, or deceiving or attempting to deceive any other person, by any means whatsoever, in connection with an offer to enter into, the entry of or confirmation of the execution of, any commodity option contract, in violation of Section 4c(b) of the Act, 7 U.S.C. § 6c(b) (2002) and Regulation 32.9(a) and (c), 17 C.F.R. § 32.9(a) and (c);

- C. Enter a statutory restraining order and an order of preliminary injunction pursuant to Section 6c(a) of the Act restraining the defendants, and all persons insofar as they are acting in the capacity of their agents, servants, successors, employees, assigns, and attorneys, and all persons insofar as they are acting in active concert or participation with defendants who receive actual notice of such order by personal service or otherwise, from directly or indirectly:
1. Destroying, mutilating, concealing, altering or disposing of any books and records, documents, correspondence, brochures, manuals, electronically stored data, tape records, or other property of defendants, wherever located, including all such records concerning Defendants' business operations;
 2. Refusing to permit authorized representatives of the Commission to inspect, when and as requested by those representatives, any books and records, documents, correspondence, brochures, manuals, electronically stored data, tape records, or other property of defendants, wherever located, including all such records concerning defendants' business operations; or
- D. Enter a statutory restraining order and an order of preliminary injunction pursuant to Section 6c(a) of the Act restraining the defendants, and all persons insofar as they are acting in the capacity of their agents, servants, successors, employees, assigns, and attorneys, and all persons insofar as they are acting in active concert or participation with defendants who receive actual notice of such order by personal service or otherwise, from directly or indirectly, withdrawing, transferring, removing, dissipating, concealing, or disposing of, in any manner, any funds, or other property, wherever situated, including, but not limited to, all funds, personal property, money or securities held in safes, safety deposit boxes, and all funds on deposit in any financial institution, bank, or savings and loan account held by, under the control of, or in the name of the defendants.
- E. Enter an order directing that the defendants provide the plaintiff immediate and continuing access to their books and records, make an accounting to the Court of all of their assets and liabilities, together with all funds they received from and paid to WMA, U.S. Capital, United Equity, Liberty One and Lighthouse's customers, including the names, addresses, and telephone numbers of any such

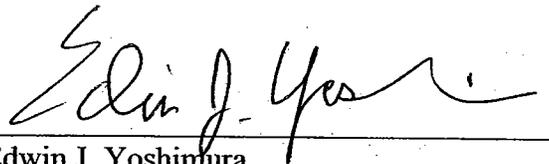
persons from whom they received such funds from October 9, 2002 up to the date of such accounting, and all disbursements, for any purpose whatsoever, of funds received from WMA, U.S. Capital, United Equity, Liberty One and Lighthouse's customers, including salaries, commissions, fees, loans, and other disbursements of money and property of any kind, from October 9, 2002, up to and including, the date of such accounting.

- F. Enter an order requiring defendants immediately to identify and provide an accounting for all assets and property that they currently maintain outside the United States, including, but not limited to, all funds on deposit in any financial institution, futures commission merchants, banks, or savings and loan accounts held by, under the control of, or in the name of WMA, U.S. Capital, United Equity, Liberty One, Lighthouse, Dean, Knowles, Plunkett, Valko, and Jedlicki, whether jointly or otherwise, and requiring them to repatriate all funds held in such accounts by paying them to the Clerk of the Court, or as otherwise ordered by the Court, for further disposition in this case.
- G. Enter an order prohibiting the defendants, and all persons insofar as they are acting in the capacity of agents, servants, employees, successors, assigns, or attorneys of the defendants, and all persons insofar as they are acting in active concert, or participation with defendants who receive actual notice of the Order by personal service or otherwise, from:
1. Directly or indirectly soliciting or accepting any funds from any person in connection with the purchase or sale of any commodity futures, options on commodity futures, foreign currency futures, or options on foreign currencies;
 2. Engaging in, controlling, or directing the trading of any commodity futures, options on commodity futures, foreign currency futures or options on foreign currencies, on their own behalf or for on behalf of any other person or entity, whether by power of attorney or otherwise;
 3. Introducing customers to any other person engaged in the business of trading in commodity futures, options on commodity futures, foreign currency futures or options on foreign currencies;
 4. Issuing statements or reports to others concerning the trading of commodity futures, options on commodity futures, foreign currency futures or options on foreign currencies;
 5. Placing orders, giving advice or price quotations or other information in connection with the purchase or sale of commodity futures, options on commodity futures, foreign currency futures or options on foreign currencies; or

6. Otherwise engaging in any business activities related to commodity futures, options on commodity futures, foreign currency futures or options on foreign currencies.
- H. Enter an order requiring the defendants to disgorge to any officer appointed or directed by the Court, or directly to their customers, 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.
- I. Enter an order requiring the defendants to make restitution by making whole, each and every customer whose funds were received or utilized by them in violation of any provisions of the Act or Regulations, thereunder, as described herein, including pre-judgment interest.
- J. Enter an order requiring the defendants to pay civil monetary penalties under the Act, to be assessed by the Court, in amounts of, not more than the higher of \$120,000 for each violation prior to October 24, 2004, and \$130,000 for violations thereafter, or triple the monetary gain, to defendants for each violation of the Act and Regulations described herein.
- K. Enter an order requiring the defendants to pay costs and fees as permitted by 28 U.S.C. §§ 1920 and 2412(a)(2) (1994); and
- L. Enter an order for such further relief, as this Court may deem necessary and appropriate under the circumstances.

Date: JUNE 7, 2005

Respectfully submitted,



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