

Commodity Futures Trading Commission  
CEA CASES

**NAME:** SECRETARY OF AGRICULTURE V. RAY E. STUART

**DOCKET NUMBER:** 31

**DATE:** APRIL 17, 1942

**DOCUMENT TYPE:** COMPLAINT

UNITED STATES DEPARTMENT OF AGRICULTURE  
AGRICULTURAL MARKETING ADMINISTRATION  
COMMODITY EXCHANGE BRANCH  
WASHINGTON, D. C.  
UNITED STATES OF AMERICA  
BEFORE THE SECRETARY OF AGRICULTURE  
CE-A Docket No. 31

Secretary of Agriculture Complainant v. Ray E. Stuart, Respondent  
Complaint and Notice of Hearing

There being reason to believe that the respondent has violated the Commodity Exchange Act (7 U.S.C. 1940 ed. 1) and the rules and regulations promulgated pursuant thereto, this complaint is issued alleging the following:

1.

Ray E. Stuart is an individual trading and doing business as R. E. Stuart & Company, at Freeport, Illinois.

2.

The respondent, during the years 1940, 1941, and 1942, has been registered with the Secretary of Agriculture as a futures commission merchant under the provisions of the Commodity Exchange Act and has engaged in business as a futures commission merchant under the name and style of R. E. Stuart & Company, at Freeport, Illinois.

3.

During the years 1940, 1941, and 1942, the respondent received orders from various customers and accepted funds from these customers to margin transactions in contracts for the future delivery of grains, on and subject to the rules of the Board of Trade of the City of Chicago, a contract market designated as such by the Secretary of Agriculture.

4.

The transactions in grain futures contracts executed for the account of the respondent's customers on the Board of Trade of the City of Chicago were made through the firm of Winthrop, Mitchell & Company, Chicago, Illinois, in 1940 and 1941, and through Shearson, Hammill & Company, Chicago, Illinois, in 1942. Both of these firms during the periods referred to were clearing members of the Chicago Board of Trade, and the respondent during this time was a correspondent or agent of these firms.

5.

During the period from November 20, 1940, to February 1942, the respondent entered orders for the purchase and sale of commodities for future delivery on

and subject to the rules of the Board of Trade of the City of Chicago in the accounts of customers without the knowledge or consent of the customers, thereby using the customers' funds to margin and guarantee the trades of the respondent. These trades were made in the accounts of Lorena

Medeke, Edna Althof, Mrs. Raymond Young, and Heiko Greenfield, and as a result of these trades, the funds on deposit with the respondent for these parties were completely dissipated.

6.

The respondent, while a correspondent of a member firm of a contract market, in connection with orders to make and the making of futures contracts for the commodities named in the Commodity Exchange Act on contract markets, which contracts may be used for hedging or determining the price basis of transactions in interstate commerce in the commodities involved, on April 22, 1941, and various dates thereafter, including April 26, September 15, September 22, October 8 and 14, November 22, 28, and 29, December 4, 9, and 13, 1941, and February 26, 1942, bucketed such orders and confirmed the execution thereof to various customers including Mrs. Raymond Young, Lorena Medeke, Edna Althof, and Heiko Greenfield when, in fact, the orders were not executed on a contract market but were held by the respondent for his own account, all in violation of Section 4b, Subsection (D) of the Commodity Exchange Act.

7.

The respondent from April 22, 1941, to February 26, 1942, conducted an office and place of business at Freeport, Illinois, for the purpose of soliciting or accepting orders for the purchase or sale of commodities for future delivery and conducting deals in commodities for future delivery that could be used for hedging or determining the price basis for such transactions in interstate commerce and

executed or consummated such orders, contracts, or dealings otherwise than by or through a member of a contract market, in violation of Section 4h, Subsection (1), of the Commodity Exchange Act.

8.

The respondent, during the times hereinbefore mentioned, delivered for transmission through the mail or in interstate commerce by other means of communication, confirmations of the execution of and reports of the price of contracts of sale of commodities for future delivery, on or subject to the rules of the Board of Trade of the City of Chicago, when such contracts were not made on or through a member of, a Board of Trade which had been designated by the Secretary of Agriculture as a contract market, all in violation of Section 4 of the Commodity Exchange Act.

9.

The respondent by reason of the facts alleged in paragraphs 4 to 8, inclusive, did willfully make and cause to be made misleading and false reports and statements concerning contracts for the future delivery of commodities to customers; willfully attempted to and did deceive such customers in regard to such contracts and acts of agencies performed with respect to such contracts; willfully defrauded such customers of funds deposited to margin and guarantee their trades in commodities for future delivery, failed to keep accurate records with respect to such trades and gave false information

to representatives of the Department of Agriculture with respect to such trades, all in violation of the provisions of the Commodity Exchange Act.

THEREFORE, the respondent is hereby afforded an opportunity to answer the foregoing allegations in accordance with the rules of practice and is notified to be and appear before a referee to be appointed by the Secretary of Agriculture at a hearing to be held at 10:00 a.m., on May 6, 1942, at Room 1200, Board of Trade Building, 141 W. Jackson Boulevard, Chicago, Illinois, or at such other times and places as may be determined by the referee, and then and there show cause, if any there be, why an order should not be made revoking the registration of the respondent as a futures commission merchant and directing that all contract markets, until further notice by the Secretary of Agriculture, refuse all trading privileges to the respondent.

IT IS ORDERED that this complaint and notice of hearing be served on the named respondent, by delivery of a true copy hereof to him by an employee of the Department of Agriculture or by registered mail, at least three days prior to the date herein set for hearing.

(SEAL)

Done at Washington, D. C., this 17th day of April 1942. Witness my hand and the seal of the Department of Agriculture.

/s/ Grover B. Hill

Assistant Secretary of Agriculture

**LOAD-DATE:** June 11, 2008

