



U.S. COMMODITY FUTURES TRADING COMMISSION

Three Lafayette Centre
1155 21st Street, NW, Washington, DC 20581
www.cftc.gov

RECEIVED
C.F.T.C.

2007 NOV -2 A 10:17

Office of Proceedings

OFFICE OF PROCEEDINGS
PROCEEDINGS CLERK

EDWARD F. HASSEE,
Complainant,

v.

INTERNATIONAL COMMODITY CLEARING, LLC.;
SULAIMAN "Sal" HUSAIN;
MANSUR "Manny" HUSAIN;
STEVEN IRVING ZANDER;
SAMMY JOE GOLDMAN;
LIBERTY REAL ASSETS INVESTMENT CORP.;
BONNIE KRISTINA "Kristi" HAYNES;
JOHN PETER GELARDI;
CHRISTOPHER HAROLD HARRIS; and
MELVIN DOUGLAS STECK,
Respondents.

*
*
*
*
* CFTC Docket No. 07-R26
* Served via Federal Express
*
*
*
*
*
*
*
*
*
*

DEFAULT ORDER

Introduction

Respondents International Commodity Clearing, LLC ("ICC"), Liberty Real Assets Investments Corporation ("LRA" or "Liberty"), Sulaiman "Sal" Husain, Mansur "Manny" Husain, Bonnie Kristina "Kristi" Haynes, Christopher Harold Harris, and Melvin Douglas Steck have failed to file answers to Edward Hassee's complaint, as amended and supplemented,¹ and thus are in default. Pursuant to CFTC rule 12.22(a), the defaults by ICC, Liberty, Sal and Manny Husain, Haynes, Harris and Steck constitute admissions of the allegations in the complaint, as

¹ "The pattern of conduct is distressingly familiar – find a lonely and vulnerable old man, shower him with attention, pitch the investments as high-return and practically risk-free, and then separate him from his money in ever increasing amounts, while pocketing tens of thousands of dollars in commissions." (Addendum to complaint.)

amended and supplemented, and constitute waivers of any decisional procedural afforded by the reparations rules on the facts set forth in the complaint, as amended and supplemented.²

As explained below, it has been concluded:

One, that Christopher Harris and Melvin Steck, working together, used a combination of high-pressure tactics, deceptions, and misrepresentations and omissions to perpetuate an egregious load and churn scheme, and convert \$297,507 of Hassee's funds for the enrichment of themselves and the other respondents.

Two, that Kristi Haynes, the owner, president and compliance director of Liberty, aided and abetted Harris' and Steck's fraudulent scheme, and failed to diligently supervise Liberty, Harris and Steck.

Three, that Sal and Manny Husain, father and son and half of the quartet of owners that operated and controlled ICC and its predecessor firm:

- willfully associated ICC with Liberty, despite the fact that they knew, or should have known, via their firm's previous guarantee arrangement with Liberty, that the owners and managers of Liberty, and numerous Liberty associated persons including Harris, had extensive experience at numerous firms notorious for fraudulent, high-pressure sales tactics, and had been disciplined by the CFTC and the National Futures Association for those tactics;
- knew, or should have known, that ICC, and its predecessor firm National Commodity Corporation, had not instituted any system, enhanced or otherwise, to detect and prevent fraudulent sales and trading tactics by Liberty;
- knew, or should have known, via the ICC account application, that Hassee was an 80-year old novice trader, with a conservative investment profile, a net worth around \$100,000, and annual pension income of about \$50,000;
- knew, or should have known, via ICC daily equity runs, that Liberty and its agents were rapidly and aggressively converting exponentially increasing amounts of Hassee's funds via a load and churn scheme; and

²This default order is based on: one, Edward Hassee's initial complaint, addendum to the complaint, and motion to amend the complaint; two, Edward Hassee's two affidavits; three, Robert Hassee's affidavit; four, a cassette tape-recording, and typed transcript, of the Liberty account-opening compliance review for the Hassee account (exhibits to Robert Hassee's affidavit); five, the account statements for the Hassee account (produced by the receiver for Nations Investments, LLC, in response to a *sua sponte* subpoena); six, the Liberty and ICC account-opening documents signed by Hassee, and the equity runs for the Hassee account (produced by the Nations receiver); and seven, National Futures Association records.

- aided and abetted the fraudulent load and churn scheme, and failed to diligently supervise Liberty, by recklessly permitting the scheme to persist and expand, without making any meaningful inquiry or taking any remedial steps.

Four, that ICC is liable for the violations of Sal and Manny Husain, and that Liberty is liable for the violations of Harris, Steck and Haynes.

Five, that Hassee is entitled to a default award of \$297,507, plus prejudgment interest.

This default award does not establish, or diminish, the liability of the three respondents – Sammy Joe Goldman, Steven Irving Zander, and John Peter Gelardi -- who have informed my office that they intend to file answers.

Factual Background

The Parties

1. Edward Hassee, a resident of Evansville, Indiana, at the relevant time – March and April 2005 -- was 80 years old and recently widowed. On his ICC account application, and during the *pro forma* tape-recorded account-opening review with Liberty's compliance director, Kristi Haynes, Hassee confirmed that he was 80 years old, that he had an MBA degree, that he had worked as a vice president of finance for a large pharmaceutical firm, that he received about \$50,000 annually from his pension, that his net worth was "over \$100,000," that he had a conservative approach to personal finances, and that he had invested in stocks and stock options, but had no experience with commodity futures and options and similar high-risk instruments. The tape-recording revealed Hassee to be intelligent and articulate, and to be enjoying a pleasant conversation with a younger woman. On the other hand, the recording clearly revealed that he had a diminished short-term memory, which contributed to his obvious confusion about matters such as the size of his deposit, the names of his brokers, and basic options terminology. The

recording also showed that Hassee did not remotely understand the mechanics of trading options, and that he made it explicitly clear to Haynes that he felt compelled to rely completely on Harris and Steck to select and monitor trades. The recording also substantiated Hassee's assertions, in his complaint and affidavits, that he had not received from Harris and Steck a fair, balanced and accurate explanation about the tremendous commissions that would be charged by Liberty and ICC, and about the specific extremely high risks associated with the dubious, commission-generating trading strategies that they would be recommending. Finally, the recording established that Haynes made no effort to cure Hassee's obvious ignorance and confusion about the specific risks and specific costs associated with the trading strategies that Liberty would be recommending.

2. ICC, located in Ft. Lauderdale, Florida, is a Florida corporation incorporated on November 14, 2003. ICC was registered as a futures commission merchant from April 29, 2004, to August 11, 2006. ICC carried and cleared the Hassee account for six weeks: from March 14, to April 28, 2005.

International Commodity Clearing, LLC is one firm in a string of southern Florida firms -- owned and controlled by the same set of men -- that have been closely linked to several fraudulent schemes directed at the investing public. ICC was the successor to National Commodities Corporation ("NCC"). Similarly, Liberty Real Assets Investments Corporation ("LRA") was the successor to Liberty Financial Trading Corporation ("LFT"). NCC had carried and cleared customer accounts, and acted as the guarantor, for LFT from March 9, 2001, to May 28, 2004. NCC also had entered into a guarantee agreement with LRA from July 18, 2001, to May 28, 2004.

NCC was registered as a futures commission merchant from April 21, 1997, to July 7, 2004. During this time, NCC was named in 51 reparations complaints alleging fraudulent sales

practices, and was named in two National Futures Association Business Conduct Committee complaints, and two CFTC injunctive actions, which alleged failure to supervise guaranteed introducing brokers that had engaged in fraudulent sales and trading practices. In June 2004, after it had settled the second NFA case, NCC ceased operations. At the same time, ICC commenced business, and took over NCC's offices, customer accounts and most of its introducing brokers. ICC's and NCC's owners and principals – Sal Husain, Manny Husain, Sammy Goldman, and Steven Zander – remained the same. ICC's and NCC's compliance director – Zander – remained the same. ICC continued to clear customer accounts introduced by LFT's successor, LRA, but on a non-guaranteed basis.

ICC's registration was suspended on August 11, 2006, for failure to pay a reparations award. ICC's business was taken over by Nations Investments, which operated out of the old NCC-ICC offices. On July 30, 2007, the U.S. District Court for the Southern District of Florida issued a restraining order freezing the assets of Nations, Sal Husain, and Sammy Goldman. According to the CFTC complaint, Nations had become undercapitalized by \$4.5 million, due to \$3.5 million in losses in the forex markets, exacerbated by \$1 million in last-minute withdrawals by Sal Husain and Sammy Goldman. On August 7, 2007, the court approved the appointment of a receiver to marshal the assets of Nations.³

3. Sulaiman "Sal" Husain, a resident of Southwest Ranches, Florida, was a co-owner, and registered principal and associated person with NCC and ICC. The two NFA business conduct committee complaints against NCC concluded with consent orders finding that Sal Husain had failed to diligently supervise the activities of NCC's guaranteed introducing brokers. Before starting up NCC, he had been an owner and registered principal with American Financial Services, and American Financial Trading Corporation, both of which had been expelled from

³ The responsibility of the receiver does not include the resolution of claims by ICC customers.

the futures industry for fraudulent sales and trading practices. Sal Hussain had been personally named and disciplined in two NFA disciplinary actions before Hasse opened his account in March 2005. He has not been registered since August 7, 2007.

4. Mansur "Manny" Husain, son of Sal and also a resident of Southwest Ranches, Florida, was a registered principal and associated person with NCC from May 2003 to July 2004, and with ICC from June 2004 to September 2005. Before working for NCC, he had worked as an unregistered employee for a string of firms which had been expelled from the futures industry for fraudulent sales and trading practices: American Futures Group; Commonwealth Financial Group; and American Financial Trading Corp. He is currently not registered.

5. Sammy Joe Goldman, a resident of Delray Beach, Florida, was an owner, and registered principal, of NCC and ICC. Before starting up NCC, he had been a registered principal or branch office manager with a string of firms, going back to the 80's, that had been expelled from the futures industry for fraudulent sales and trading practices, including: International Precious Metals Corporation; Multivest Options; Bachus & Stratton; Commonwealth Financial Group; and Cromwell Financial. Goldman had been personally named and disciplined in two NFA disciplinary actions before Hasse opened his account. He is currently not registered.

6. Steven Irving Zander, a resident of Boca Raton, Florida, was an owner, registered principal, and compliance director for NCC and ICC. Before starting up NCC, he had been a registered principal or branch office manager with a long string of firms that had expelled from the futures industry for fraudulent sales and trading practices, including: International Precious Metals Corporation; Multivest Options; and American Financial Trading Corp. Zander had

been personally named and disciplined in one NFA disciplinary action before Hasse opened his account.

On March 26, 2006, the NFA Business Conduct Committee issued a complaint alleging that Zander, in his capacity as ICC's compliance director, had failed to effectively screen prospective guaranteed introducing broker candidates to weed out potential problem firms, and had failed to implement any meaningful remedial training or enhanced supervisory measures for guaranteed introducing brokers with tainted owners and sales forces dominated by individuals who had been associated with firms that had been expelled or disciplined by the NFA or the CFTC. On February 22, 2007, the NFA issued a consent order that found that Zander had failed to diligently supervise ICC's guaranteed introducing brokers, and imposed on Zander a one year ban.

7. Liberty Real Assets Investment Corporation, a registered introducing broker located in Pompano Beach, Florida, introduced Hassee's account to ICC. As noted above, Liberty Real Assets Investment Corporation ("LRA" or "Liberty") was the successor corporation to Liberty Financial Trading Corporation ("LFT"). Of the 105 associated persons with LFT during its three year life, 50 had worked for firms that had been fined or expelled for fraudulent sales practices. Of the 39 associated persons whose registration was transferred to LRA when LFT ceased operations, 13 had worked for firms that had been fined or expelled for fraudulent sales practices.

LRA and LFT (collectively the "Liberty firms" or "Liberty common enterprise") were founded by Ted Romeo, who was the subject of a 2001 NFA disciplinary complaint against American Financial Trading, Sammy Goldman and Romeo, and the subject of a 2003 NFA disciplinary complaint against NCC, LFT, Sal Husain and Romeo, both alleging sales practice

fraud. Romeo, the Liberty firms, Sal Husain and NCC would not challenge the assertions in a subsequent CFTC injunctive complaint that, from 2002 to 2004, over 96% of the Liberty firms' approximately 930 customers had lost money on their investments, and that customer losses had totaled at least \$10 million, of which \$6 million was attributable to commissions. In settlement of the second NFA complaint, Ted Romeo agreed to withdraw from principal status for a period of three years, commencing February 3, 2003. About two weeks before the bar was to take effect, Romeo assigned all of his interest in the Liberty firms to his wife Shauna.⁴ In a third disciplinary complaint, the NFA alleged that Ted Romeo continued to act as a *de facto* principal who maintained the same desk and exercised control over of the firm's sales and trading practices. The NFA charged that LFT had failed to disclose Romeo as a principal and had permitted him to act as an unregistered associated person, and charged that NCC and Sal Husain had failed to diligently supervise LFT. On May 11, 2004, the NFA issued a consent order in which LFT, NCC and Sal Husain, without admitting or denying the alleged violations, consented to the findings that they had committed the alleged violations, and each consented to a fine of \$75,000. Shortly afterwards, LFT ceased operations. At the same time, LRA commenced business, and took over LFT's offices, customer accounts, and all but three of its associated persons.

8. Bonnie Kristina "Kristi" Haynes, a Deerfield, Florida resident, was an owner, and registered principal and associated person with the Liberty firms from March 2002, to June 2005. During the relevant time, Haynes was Liberty's president and compliance director, and in that capacity conducted the scripted and recorded account-opening compliance review, and the initial

⁴ It appears that the owners of the Liberty common enterprise compensated themselves with a large cut of the commissions. LFT and Romeo did not challenge the NFA's assertions, in the third complaint against Liberty, that during the first quarter of 2003, LFT had made about \$1.1 million in commissions, and that, at the end of the quarter, Shauna was paid over \$228,000 from LFT and Psalm One, a management company associated with LFT.

trade authorization, for the Hassee account. She presumably also conducted many of the subsequent trade authorizations for the Hassee account. Before working for the Liberty firms, she was an associated person with Barkley Financial Corporation and Group One Financial Services, both of which have been disciplined for fraudulent sales practices. She is currently not registered.

9. John Peter Gelardi, a resident of Oakland Park, Florida, was an owner, and registered principal and associated person with the Liberty firms from February 2002 to March 2006. During the relevant time, Gelardi was listed as the sales manager for Liberty. Before working for the Liberty firms, he was an associated person with Cromwell Financial Services, First Investors Group of the Palm Beaches, and American Financial Trading, all of which have been disciplined for fraudulent sales practices. He is currently not registered.

10. Martin Douglas Steck, a resident of Ft. Lauderdale, Florida, was a registered associated person with the Liberty firms from September 2003 to April 2006. He had no previous commodities experience. In contrast, Christopher Harold Harris had worked for nine years at a trio of firms that had been disciplined for fraudulent sales practices: Coastal Commodity Corporation, Commonwealth Futures Group, and Cromwell Financial. Harris, a resident of Boca Raton, Florida, was a registered associated person with the Liberty firms from May to October 2004, and again from January to August 2005. On October 14, 2004 – five months before Steck would introduce Harris to Hassee -- the NFA issued a sales practice complaint against Cromwell and various associated persons, including Harris, in which it alleged that Harris had engaged in fraudulent high-pressure sales tactics while employed by Cromwell. On August 31, 2006, Harris consented to various sanctions, including a one-year bar. Neither Steck nor Harris is currently registered.

