UNITED STATE OF AMERICA
Before the
COMMODITY FUTURES TRADING COMMISSION

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WINFIELD JORDAN, Complainant, v. KOFI NKRUMAH AMAOBIN; and CHICAGO FUTURES INVESTMENT GROUP; INC., d/b/a AMAOBIN & COMPANY, Respondents.	*	CFTC Docket No. 00-R55

INITIAL DECISION

Introduction

Winfield Jordan seeks to recover the $17,559 that he lost when he resumed trading commodity futures and options with Kofi Amaobin in the summer of 1999. Jordan had previously traded futures and options with Amaobin in 1996 and 1997, and had realized modest losses. Jordan alleges that when he decided to resume trading, he told Amaobin that his financial situation had significantly deteriorated since 1996, when he had indicated on his account application that his annual income was between twenty-five thousand and fifty thousand dollars, and his net worth was over one hundred thousand dollars. According to Jordan, he told Amaobin that he could risk no more than $2,000 because: he had retired in bad health; his bookkeeper had embezzled $100,000 and destroyed his automobile auction business; his income had dwindled to nothing beyond his $900 monthly Social Security payments; and he only had $20,000 "to play with." According to Jordan, Amaobin disregarded his dire financial situation and

recklessly placed more and more trades when the account was in deficit or on margin call, and then convinced Jordan to pay for the trades with repeated guarantees that he could quickly triple his money.

In sharp contrast, Amaobin denies that Jordan advised him of any changed financial circumstances, and otherwise denies any violations and seeks dismissal of the complaint. Amaobin asserts: that Jordan called him and told him that his financial condition had not changed from 1996 and 1997; that Jordan wanted to trade aggressively; and that, before he placed each trade, Amaobin received Jordan's assurances that he could afford the trade and would wire the necessary funds overnight. Amaobin argues that Jordan's purported financial destitution is belied by the fact that he had simultaneously funded an account with another firm and continued to trade there after he closed his account with Amaobin.

After carefully considering the evidentiary record, I have concluded that Jordan has failed to establish by a preponderance of the evidence that Amaobin committed any violations causing damages.[1] This conclusion is based in large part on the determination that while Amaobin's testimony appeared to be self-serving, his testimony was relatively more reliable than was Jordan's testimony, because Amobin's testimony was generally more detailed and more internally consistent. In contrast, Jordan's testimony suffered from internal inconsistencies and his inability to recall meaningful details of several crucial conversations. Also, Jordan did not substantiate his assertion of financial

[1] The evidentiary record consists principally of the oral testimony of Jordan and Amaobin, affidavits and statements by Jordan and Amaobin, a tape-recording of a series of conversations surreptitiously recorded by Jordan, and various documents such as written correspondence between the parties, and account-opening documents and account statements from the various commodity accounts opened by Jordan.

destitution or provide a plausible explanation for the source of the funds in his other futures account.

Factual Findings:

Kofi Amaobin, a resident of Chicago, Illinois, became a registered associated person in 1990. He is not currently registered. During the relevant time, he was a registered principal with Chicago Futures Investment Group ("CFIG"). CFIG was a registered introducing broker, located in Chicago, that was guaranteed by LFG, LLC, a futures commission merchant with its principal place of business also in Chicago.[2]

Winfield Jordan, a 75-year-old resident of Bangor, Maine, has a high school education. Jordan suffers from a variety of age-related physical ailments, chiefly heart congestion. As noted above, at the hearing Jordan admitted that he could not recall the details of several crucial conversations with Amaobin. However, he seemed to be mentally alert and capable of representing his own interests.

After he served in the Navy in the Philippines as a carpenter's mate in 1945 and 1946, Jordan worked as a machine operator in a shoe factory for five years, and as an automobile salesman for almost 30 years. Then, from 1980 to 1996, Jordan owned and operated Eastern Maine Auto Auction. In 1996, Jordan discovered that his bookkeeper had embezzled over $100,000, and decided to close his business and retire at the age of 70.

Before he retired in 1996, Jordan had maintained a series of non-discretionary accounts with ADM, Barnes Brokerage, and Newport Commodities. For each account, Jordan reviewed and signed standard risk disclosure statements. LFG obtained

[2] The complaint against LFG was dismissed after LFG declared bankruptcy.

incomplete sets of account statements for these three accounts which indicated that Jordan funded the accounts with modest sums of $1,000 or less, made day trades or short-term trades usually involving no more than one or two futures or options contracts, and also often placed trades before wiring funds to pay for the trades. Trading in each of these accounts had resulted in total losses of no more than several hundred dollars.

In 1996, Jordan opened an account with Amaobin and CFIG. Jordan represented in his account application that he had an annual income between $25,000 and $50,000, and a net worth over $100,000. Around this time, Jordan also informed Amaobin about his bookkeeper's embezzlement. Jordan funded the account with a deposit of $875. From October to December 1996, Jordan made a few futures and options trades, and realized an overall net loss of about $816. During this time, Amaobin routinely permitted Jordan to place trades and then wire funds overnight to cover the trades. Apparently, this practice did not create any problems in 1996 or 1997, but in 1999 it would contribute to the catastrophic losses underlying Jordan's reparations complaint. In January 1997, Jordan ceased trading with Amaobin, but left a small balance and did not close the account.

In December 1998, Jordan opened an account with Rosenthal-Collins ("R-C"), by transferring the $148 balance from his Barnes account. He would not begin trading, and would not deposit additional funds, for several months. Meanwhile, according to Jordan, he had received his $20,000 share of the proceeds from the sale of the house owned by Jordan and his now ex-wife. Then, on June 7, 1999, Jordan began placing trades in the R-C account. He would deposit $2,800 on June 22, $3,000 on July 28, and $2,826 on December 1, 1999. By the end of July 1999, trading in Jordan's R-C account would

realize about $2,028 in losses. Ultimately, in 1999, Jordan would lose a total of $5,854 trading in the R-C account.

In July 1999, Jordan decided to resume trading with Amaobin. Amaobin testified that Jordan called him and said that he had been subscribing to a trading newsletter and wanted to begin trading, especially in grains. Amaobin also testified that he asked Jordan if his financial situation had changed (*i.e.*, retired, income between $25,000 and $50,000, and net worth over $100,000), and Jordan replied that it had not. In sharp contrast, Jordan asserts that Amaobin called him out of the blue, and that Jordan told Amaobin that his financial situation had significantly deteriorated to the point that he relied on his social security payments to cover his rent, and living and medical expenses, and that because he only had $20,000 "to play with,"[3] he could afford to risk no more than $2,000.

Jordan has not produced any reliable evidence, such as a financial statement, that establishes his alleged diminished financial status. Jordan's assertion that he told Amaobin that he could risk no more than $2,000 was belied by: one, the fact that he simultaneously deposited $5,800 into his Rosenthal-Collins account; two, the fact that he never mentioned the $2,000 limitation during the August conversations that Jordan surreptitiously recorded because he had supposedly begun to mistrust Amaobin; and three, the fact that he never mentioned the $2,000 limit in his two protest letters written later to LFG and its attorney. During a recorded conversation after Jordan had stopped trading, Amaobin did not dispute Jordan's assertion that he had told Amaobin he had only $20,000 "to play with." However, Amaobin informed Jordan that he had assumed this meant that Jordan had $20,000 in risk capital and not $20,000 in total savings, and

[3] Jordan testified that when he said he had "$20,000 to play with," he meant he only had savings of $20,000, rather than excess, discretionary funds available for speculative purposes.

that Amaobin would not have advised him to trade futures had he known that. [Transcript of recording produced as attachment to LFG's requests for admissions.]

As with his first round of trading with Amaobin, Jordan wired funds after trades were placed. Under this arrangement, Jordan would deposit $2,000 on July 28, $9,000 on August 3, $2,000 on August 13, $1,500 on August 16, and $3,000 on August 18, for a total of $17,500. Amaobin testified that for each trade he confirmed that Jordan could afford the trade and would wire the necessary funds.[4] However, beginning in August, the number and size of positions, and the size of the margin deficits, significantly increased, while the size of Jordan's deposits diminished and eventually proved inadequate to meet the margin deficits. According to Amaobin, on August 2 and 5, he advised Jordan that it was extremely risky to rely on his long option positions to margin his futures positions, and that LFG had the discretionary power to require Jordan to post more margin funds. Soon afterwards, LFG issued a margin call, and on August 12, placed the account on liquidation-only status.

A total of thirteen trades would be made for Jordan's account in 1999. Set out below is a summary of the 1999 trading activity in Jordan's account:

In	*Out*	*Description*	*Net profit/loss*
7-21	7-23	2 Nov soybean 525 calls	$ 747
7-23	8-25	5 Oct cotton calls	(941)
7-26	7-30	10 Nov soybean 575 calls	(1,863)
8-02	8-25	30 Nov soybean 650 calls	(6,720)
8-05	8-05	5 Nov soybean futures	(253)
8-05	8-19	10 Sep/Nov soybean spread	(1,814)
8-06	8-06	5 Sep wheat futures	443
8-06	8-17	10 Dec wheat calls	(2,113)
8-09	8-09	5 Nov soybeans futures	1,943

[4] Respondents' records established regular phone contact between Jordan and Amaobin that closely corresponded to the trading activity, with calls on July 21, 23 (2 calls), 30, and August 2, 5 (2 calls), 6 (3 calls), 9 (3 calls), 10 (4 calls), 11 (3 calls), 17 (2 calls), and 19 (2 calls).

8-09	8-09	10 Dec wheat futures	387
8-10	8-10	2 Nov soybean futures	232
8-11	8-11	10 Sep soybean futures	(2,863)
8-11	8-17	20 Sep soybean 500 calls	(6,976)

These trades would generate about $4,360 in commissions and fees, and realize an overall net loss of $23,147, and as a result leave a debit balance of $5,647.

Discussion:

Jordan has failed to establish that Amaobin permitted his account to be overtraded, either in contravention of any instruction to limit risk or in violation of any duty to intervene. Jordan' advanced age alone does not establish that he had lost the ability to assess risk or to maintain control of the trading activity. During the taped conversations, Jordan indicated that as a result of worsening health problems he had developed a heightened awareness of his mortality, which may have made him more willing to take on more risk than he had before. However, Jordan has not established that, as a result of his age or health, he had become gullible or unable to assess the risk of trading options or unable to limit the amount of funds that he exposed to risk.

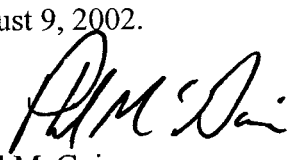
Jordan's core allegation that he advised Amaobin that he could only risk $2,000 cannot be squared with the fact that he simultaneously deposited $5,800 into a second account with another firm, the fact that he never reminded Amaobin of a $2,000 limitation during any of the surreptitiously recorded conversations, and the fact that he never mentioned the $2,000 limit in his two protest letters. Jordan's statement that he had $20,000 to "play with" could be interpreted a variety of ways, but in the context of his conversation with Jordan it would be far more reasonable and fair to interpret that statement as a reference to Jordan's available risk capital than a reference to the last

remnant of Jordan's dwindling life savings. Thus, in light of Jordan's previous trading experience, Jordan's assurances that his financial condition had not changed, and Jordan's representation that he had $20,000 in risk capital, Amaobin acted reasonably in assuming that Jordan's personal circumstances had not changed so much as to render him unfit to trade futures or options. Similarly, the fact that Jordan had promised Amaobin to wire funds after he had approved trades -- as he had routinely done in the past with Amaobin and in his other accounts – precludes a finding that Amaobin fraudulently induced Jordan into approving excessive trades. In these circumstances, Jordan's claim must fail.

ORDER

Winfield Jordan has failed to establish by a preponderance of the evidence any violations causing damages. Accordingly, the complaint is DISMISSED.

Dated August 9, 2002.



Phil McGuire,
Judgment Officer