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COREY LUSTER, Complainant,	*	
v.	*	CFTC Docket No. 12-R026
LINDA FAYE HARRIS, CDH FOREX INVESTMENTS LLC, and CDH GLOBAL HOLDINGS LLC, Respondents.	*	

DEFAULT ORDER

Introduction

Respondents Linda Faye Harris, CDH Forex Investments LLC, and CDH Global Holdings LLC have failed to file answers to Corey Luster's reparations complaint, and thus are in default. Pursuant to CFTC rule 12.22(a), respondents' defaults constitute: admissions of the allegations in the complaint, waivers of any affirmative defenses, waivers of any decisional procedure afforded by the Commission's reparations rules, and waivers of the opportunity to object to taking official notice of certain U.S. District Court, CFTC and NFA orders.

Thus, as explained in more detail below, it has been concluded that Linda Faye Harris ("Harris"), and CDH Forex Investments LLC ("CDH Forex") and CDH Global Holdings LLC ("CDH Global") defrauded Corey Luster ("Luster") in violation of the Commodity Exchange Act, and that these violations proximately caused $3,250 in damages. Accordingly, Harris, CDH Forex and CDH Global have been found jointly liable to Luster for reparations totaling $3,250, plus pre-judgment and post-judgment interest, and $125 in costs for the filing fee.

Findings of Fact

1. CDH Forex Investments, LLC ("CDH Forex"), a Texas limited liability company, became registered with the Commission as a commodity pool operator on September 17, 2008, and as a commodity trading advisor on May 13, 2008. CDH Global Holdings, LLC ("CDH

Global"), a Texas limited liability company, became registered as a commodity trading advisor on December 1, 2009.[1]

Linda Faye Harris ("Harris"), whose last known address was in Lewisville, Texas, became registered as an associated person of CDH Forex on July 1, 2008. Harris was the sole listed principal of, and owned a 10% or more financial interest in, CDH Forex, and Harris had the power, directly or indirectly, through agreement or otherwise, to exercise a controlling influence over the activities of CDH Forex.

From November 30, 2009, until on or about August 24, 2010, Harris was a listed principal of CDH Global. From December 1, 2009 until August 24, 2010, Harris was registered as an associated person of CDH Global.

By CFTC Initial Decision dated December 17, 2012, Harris, CDH Forex and CDH Global were found to be statutorily disqualified from registration and unfit for registration, and their registrations were revoked.

Harris' husband Chance Harris, who actively participated in her fraudulent scheme, was never registered with the CFTC.

2. Corey Luster, a resident of Denton, Texas and a newly minted investment advisor, opened a managed CDH account in April 2009. Luster also received from the Harris's finder's fees totaling $900 in 2009 for referring new customers, including his dad. Luster deposited a total of $3,250: $2,500 on April 3, $500 on July 22, and $250 on September 30, 2009. From April 2009 to June 2010, respondents' generated fictitious monthly account statements that falsely reported consistent profits steadily increasing the account value to $14,180 by the end of June 2010. Respondents never returned any funds to Luster.

3. On July 15, 2010, the National Futures Association confronted Harris with information gathered in the course of its annual audit which indicated that the CDH disclosure documents appeared to be wholly fictitious. Most significantly, the CDH disclosure documents falsely claimed exceptionally high rates of return and grossly exaggerated the number of customer accounts and the amount of funds under management.

On July 19, 2010, the NFA issued a Notice of Member Responsibility Action against Harris, CDH Forex and CDH Global which ordered Harris, CDH Forex and CDH Global to cease doing business. Luster received a copy of this Notice, which he would attach to his reparations complaint form, filed on April 24, 2012.

4. On October 25, 2011, the Commission filed a federal civil injunctive action in the United States District Court of the Northern District of Texas against Linda and Chance Harris, and CDH Forex and CDH Global. *CFTC v. CDH Forex Investments, LLC et al.*, Case No. 3:11-cv-02862 F (N.D. TX). The Commission alleged, *inter alia*, that from August 2008 through July 2010, the defendants had fraudulently solicited and accepted funds from the general public to trade pooled investments and managed accounts in off-exchange forex. As a result of the

[1] CDH Forex and CDH Global are collectively referred to as "CDH."

defendants' fraudulent solicitation, individuals invested over $2.2 million, out of which the defendants generated substantial trading losses and misappropriated about $353,757 to pay rent on the Harris' family home, to make payments on a leased BMW, and to pay credit card bills. Defendants also were charged with misrepresenting the profitability of their trading programs in their promotional material and issuing false account statements to investors in the pooled account in order to perpetuate the fraud. The CFTC complaint also charged Linda Harris with providing false, fictitious, or fraudulent statements to the NFA, including falsified trading account statements and falsified bank statements, in order to hide the ongoing fraud from the NFA.

Following a hearing held on June 12, 2012, the Honorable Judge Royal Ferguson entered an Order for Entry of Default Judgment, Permanent Injunction, Civil Penalties and Other Equitable Relief Pursuant to Federal Rule of Civil Procedure 55(b)(2). The Court found, *inter alia*, that Harris had fraudulently solicited at least $2.2 million from customers out of which total trading losses and misappropriated funds equaled at least $1,361,897, and made material false statements to pool participants. The Court also found that Harris had provided false, fictitious, or fraudulent statements to the NFA, including falsified trading account statements and falsified bank statements, to hide the ongoing fraud from the NFA.

The Court further found that by engaging in this conduct, Linda and Chance Harris had violated Sections 4b(a)(2)(A)-(C) and 9(a)(4) of the Act, and that such violations had occurred within the course and scope of Linda and Chance Harris's employment with CDH Forex and CDH Global. Accordingly, the Court: one, concluded that CDH Forex and CDH Global were liable for Linda and Chance Harris' violations of Act pursuant to Section 2(a)(1)(B) of the Act, and Commission rule 1.2; and two, permanently enjoined Linda and Chance Harris, and CDH Forex and CDH Global from directly or indirectly committing any further fraud in violation of the Act. The Court also ordered the defendants to pay a restitution award of $1,361,897 and a civil monetary penalty of $4,085,691. A copy of the Court's order is attached to Luster's copy of this default order.

Conclusions and Award

The weight of evidence supports the conclusion: one, that Linda Faye Harris defrauded Corey Luster by misrepresenting CDH's past trading performance, by generating account statements that falsely reported consistent trading profits, and by converting Luster's deposits which totaled $3,250, in violation of Sections 4b(a)(2)(a)-(c) and 4o(1) of the Commodity Exchange Act; two, that these violations proximately caused $3,250 in damages;[2] and three, that CDH Forex Investments LLC and CDH Global Holdings LLC are liable for Linda Harris' violations pursuant to Section 2(a)(1)(B) of the Act and Commission rule 1.2.

Accordingly, Linda Faye Harris, CDH Forex Investments LLC, and CDH Global Holdings LLC are ORDERED to pay to Corey Luster reparations totaling $3,250, plus prejudgment and post-judgment interest on that amount at 0.14%, compounded annually from

[2] Luster is entitled to recover his actual out-of-pocket losses, based on his deposits which totaled $3,250. However, Luster is not entitled to recover the additional $10,930 in reported profits, because the weight of the evidence supports the conclusion that these profits reported by respondents were fictitious.

April 3, 2009, to the date of payment, plus $125 in costs for the filing fee. Liability is joint and several.

Any motion by respondents to vacate this default order must meet the appropriate standards set out in CFTC rule 12.23.

Dated January 14, 2013.

Philip V. McGuire,
Judgment Officer