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**UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF GEORGIA
ATLANTA DIVISION**

COMMODITY FUTURES TRADING COMMISSION,	Case No.:
Plaintiff,	1 03 CV-2633
v.	**COMPLAINT FOR INJUNCTIVE AND OTHER EQUITABLE RELIEF, AND FOR CIVIL MONETARY PENALTIES UNDER THE COMMODITY EXCHANGE ACT, AS AMENDED, 7 U.S.C. §§ 1 *ET SEQ.***
RISK CAPITAL TRADING GROUP, DERON BAUGH, TYRONE EDWARDS, STEPHEN MARGOL, RICK SIEGEL, RICHARD TILLMAN, and JUAN VALENTIN,	
Defendants.	

I. SUMMARY

1. Since at least January 2002, Risk Capital Trading Group, Inc. ("Risk Capital"), Deron Baugh ("Baugh"), Tyrone Edwards ("Edwards"), Stephen Margol ("Margol"), Rick Siegel (Siegel"), Richard Tillman ("Tillman") and Juan Valentin ("Valentin") (collectively "defendants") have been fraudulently soliciting customers to open commodity trading accounts through Risk Capital to trade commodity futures contracts ("futures") and options on commodity futures contracts ("options") by knowingly misrepresenting, and failing to disclose

material facts, concerning, among other things, (i) the likelihood that a customer would realize large profits from futures and options trading; (ii) the risk involved in trading futures and options; and (iii) the excessively poor performance record of Risk Capital customers.

2. Accordingly, pursuant to Section 6c of the Commodity Exchange Act, as amended, ("the Act"), 7 U.S.C. § 13a-1, plaintiff Commodity Futures Trading Commission ("Commission") brings this action to enjoin defendants' unlawful acts and practices and to compel their compliance with the Act and Commission Regulations ("Regulations"). In addition, the Commission seeks civil monetary penalties, restitution to customers for losses proximately caused by defendants' fraud, disgorgement of defendants' ill-gotten gains, and such other relief as this Court may deem necessary or appropriate.

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

II. JURISDICTION AND VENUE

4. The Act establishes a comprehensive system for regulating the purchase and sale of commodity futures contracts and options on commodity futures. This Court has jurisdiction over this action pursuant to Section 6c of the Act, 7 U.S.C. § 13a-1, which provides that, whenever it shall appear to the Commission 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 Commission may bring an action against such person to enjoin such practice or to enforce compliance with the Act.

5. Venue properly lies with this Court pursuant to Section 6c(e) of the Act, 7 U.S.C. § 13a-1(e), because defendants are found in, inhabit, or transact business in this District or the acts and practices in violation of the Act have occurred, are occurring, or are about to occur within this District, among other places. In particular, Risk Capital is a Georgia corporation with its principal business address in Atlanta, Georgia, and defendants Edwards, Siegel, Tillman and Valentin solicited customers from Risk Capital's Atlanta business office while defendants Baugh and Margol transact business with the Atlanta office.

III. THE PARTIES

6. Plaintiff **Commission** is a federal independent regulatory agency which is charged with the administration and enforcement of the Act, 7 U.S.C. §§ 1 et seq., and the regulations promulgated thereunder.

7. Defendant **Risk Capital Trading Group** is a Georgia corporation with its principal place of business at 3350 Riverwood Parkway, Suite 1560, Atlanta, Georgia 30339 and a branch office located at 19495 Biscayne Boulevard, Suite 607, Aventura, Florida 33180. Risk Capital currently has more than forty associated persons ("APs"). Risk Capital has been registered with the Commission as an Introducing Broker ("IB") continuously since January 24, 2001.

8. Defendant **Deron Baugh**, who resides at 8271 S. Coral Circle, North Lauderdale, Florida 33068, was registered as an associated person ("AP") of Risk Capital from June 2002 to April 2003. Baugh was employed at the Aventura branch office.

9. Defendant **Tyrone Edwards**, who resides at 1265 Upchurch Road, McDonough, Georgia 30252, was registered as an AP of Risk Capital from December 26, 2000 to June 5, 2002. Edwards was employed at the main Atlanta office.

10. Defendant **Stephen Margol**, who resides at 5641 Oakview Terrace, Hollywood, Florida 33312, has been registered as an AP of Risk Capital since September 3, 2002. He is employed at the Aventura branch office.

11. Defendant **Rick Siegel**, who resides at 1385 Fountain Cove, Lawrenceville, Georgia 30043, has been registered as an AP of Risk Capital since March 2002 at the firm's Atlanta office.

12. Defendant **Richard Tillman**, who resides at 3031 W. Commercial Boulevard, Ft. Lauderdale, Florida 33309, has been registered as an AP of Risk Capital since July 2002 at the Aventura branch office.

13 Defendant **Juan Valentin**, who resides at 201 Winterset Parkway, Marietta, Georgia 30067, was registered as an AP of Risk Capital from November 2001 to April 2003 at Risk Capital's Atlanta office.

IV. FACTUAL STATEMENT

A. Background

14. Since at least January 2002, Risk Capital, by and through its APs, including but not limited to Baugh, Edwards, Margol, Siegel, Tillman and Valentin, solicited members of the general public to open commodity trading accounts through Risk Capital to trade futures and options.

15. In telephone sales calls, Baugh, Edwards, Margol, Siegel, Tillman, Valentin and other Risk Capital APs made and continue to make fraudulent and materially misleading sales solicitations by knowingly: (1) misrepresenting the likelihood that customers will profit from the purchase of futures and options; (2) misrepresenting the risk of trading futures and options and (3) failing to disclose, in light of the profit representations they are making, the firm's dismal performance record trading futures and options for customers.

B. Misrepresentations Exaggerating the Likelihood of Profit

16. Risk Capital, through its APs, including but not limited to, Baugh, Edwards, Margol, Siegel, Tillman, and Valentin, commonly use misleading investment advice based on seasonal trends, other well known public information already factored in by the commodity markets and leverage examples to entice customers to trade with Risk Capital.

17. During the course of telephone sales solicitation, Risk Capital, through its APs, including but not limited to, Baugh, Edwards, Margol, Siegel, Tillman, and Valentin misrepresent the likelihood of customer profitability based on seasonal trends in various futures and options markets. For example:

(a) Edwards solicited a customer to invest by representing that gas prices rise in the summer and heating oil prices rise in the winter, or words to that effect;

(b) Valentin represented to a customer that the market was moving up because of the summer driving season, or words to that effect;

(c) A Risk Capital AP represented to a customer that in the summer season gas prices always increase and that the customer had to move quickly to take advantage of these price trends, or words to that effect;

(d) Another Risk Capital AP represented to a customer that it was a good time to invest in heating oil options because the heating oil market was seasonal; the same AP represented to another customer that seasonal increases in the market price of gasoline was a reason to invest quickly, or words to that effect.

18. Risk Capital through its APs, including but not limited to, Baugh, Edwards, Margol, Siegel, Tillman, and Valentin, also tell customers that certain world events such as the crisis in the Middle East and labor strikes in Venezuela virtually guarantee a profit for customers. For example:

(a) Tillman represented to at least one customer that the situation with Iraq and the possibility of war made it likely that the customer's investment would be profitable, or words to that effect;

(b) Tillman represented to a customer that he was confident that crude oil prices would increase as a result of the impending war, or words to that effect;

(c) Siegel represented to at least one customer that the pre-war situation made it an opportune time to invest, or words to that effect;

(d) Baugh represented to at least one customer who had sustained losses to invest additional funds by claiming that oil was going up with the onset of war, or words to that effect; and

(e) Baugh represented to another customer that it was a great time to invest in crude oil because of the impending war with Iraq and because of the strikes in Venezuela, or words to that effect.

19. Risk Capital, through its APs, including but not limited to, Baugh, Edwards, Margol, Siegel, Tillman, and Valentin, tell customers to expect to make large returns on their investments quickly. For example:

(a) Siegel represented to at least one customer that the worst case scenario for the investment would be that the customer would double her money, or words to that effect;

(b) Siegel represented to another customer that the high commissions charged by Risk Capital would be negligible in comparison to the large profit the customer's investment would make, or words to that effect;

(c) Valentin represented to at least one customer that he could easily double his money within a few weeks, or words to that effect;

(d) Valentin represented to another customer that a $3,000 investment could be worth as much as $100,000 in just three months, or words to that effect;

(e) Valentin represented to at least one customer that the investment was not 100% guaranteed but that he was confident that the investment would be profitable, or words to that effect;

(f) Edwards represented to at least one customer that that the customer could make ten times his initial investment in just a few months, or words to that effect; and

(g) Margol represented to at least one customer that his investment with Risk Capital would be profitable, or words to that effect.

20. Despite being chastised by the National Futures Association ("NFA") (an industry funded non-profit futures association with self-regulatory responsibility under the Act to regulate futures related activities of its members)

for using leverage examples during sales solicitations, Risk Capital through its APs, including but not limited to, Baugh, Edwards, Margol, Siegel, Tillman, and Valentin, continue to mislead customers by representing that they can leverage relatively small investment amounts into large profits. For example:

(a) Siegel represented to at least one customer that for every penny the market moved in her direction, her investment would earn $8,400, or words to that effect;

(b) Margol represented to at least one customer that even a small increase in the price of oil options could yield a large profit, or words to that effect; and

(c) Edwards represented to at least one customer that a small movement in the market could equal a very large profit, or words to that effect.

21. In their sales solicitations, Risk Capital through its APs, including but not limited to, Baugh, Edwards, Margol, Siegel, Tillman, and Valentin, deliberately misrepresent the urgency of the investment opportunity and try to convince customers to invest immediately so as not to miss what they indicate is a fleeting opportunity to make a lot of money. If potential customers hesitate about investing, defendants increase the frequency of their calls, and the urgency of their

sales pitches, urging customers that they must invest immediately in order to maximize their profits. For example:

(a) Margol told a customer to invest quickly while prices were still low to make the largest profits, or words to that effect;

(b) Edwards represented to a customer that any delay in investing would affect the customer's profit, or words to that effect;

(c) Edwards represented to another customer the urgency of investing quickly by telling him that had he entered into the market a few weeks ago, he would have a substantial profit by now, or words to that effect;

(d) Siegel represented to at least one customer that there was no need to wait; any delay could potentially reduce profits, or words to that effect;

(e) Baugh represented to a least one customer that he was sure that he could recover the customer's prior losses, but the customer had to move quickly and send more money, or words to that effect;

(f) Tillman represented to a customer to invest quickly in order to maximize profits, or words to that effect; and

(g) Tillman represented to another customer that the market was going to move at any time and that unless she invested immediately she would miss a great opportunity to make a lot of money, or words to that effect.

C. Misrepresentations and Omissions Minimizing the Risk of Loss

22. During the course of their telephone sales solicitations, Risk Capital, through its APs, including but not limited to Baugh, Edwards, Margol, Siegel, Tillman, and Valentin, routinely fail to disclose adequately the risk of loss inherent in trading futures and options. Their occasional references to risk are nullified when defendants urge customers to invest immediately and by their misrepresentations and omissions falsely convey that, while losses on futures and options are theoretically possible, trading futures and options with Risk Capital is highly profitable and virtually risk free. For example:

(a) Siegel represented to at least one customer that his investment involved a very low amount of risk with the potential for a very high return, or words to that effect;

(b) Siegel represented to a customer that, in the worst case scenario, the customer would double her money, or words to that effect;

(c) Tillman represented to at least one customer that it was unlikely that the customer's investment would lose money, or words to that effect; and

(d) Edwards represented to at least one customer that the most he could lose on his investment would be $500 per contract, or words to that effect.

D. Risk Capital's Losing Performance Record

23. Despite their grandiose profit claims and minimization of risk, defendants never disclose the actual overall losing trading record sustained by their customers. In fact, the overwhelming majority of Risk Capital's customers lose money from their investments.

24. In 2001, 349 out of 356 Risk Capital customers lost money. Customer losses in 2001 totaled $3,549,505.93. At the same time that 97% of customers lost money, Risk Capital APs generated $1,436,478.42 in commission fees between January 2001 and December 2001.

25. Between March 2002 and March 2003, Risk Capital had 933 customers. Only 46 customers (5%) had realized gains. Conversely, 886 customers (95%) experienced realized losses. Total customer losses between 2002 and March 2003 were $9,259,247.52. Risk Capital APs generated $4,177,239.90 in commission fees in 2002 and $1,714,552.60 between January and March 2003.

26. Despite these mounting losses, Risk Capital, through its APs, including but not limited to Baugh, Edwards, Margol, Siegel, Tillman, and Valentin, continue to solicit new customers by highlighting the profit potential of commodity trading without disclosing the fact that a vast majority of their customers lose most, if not all, of their investment.

IV. VIOLATIONS OF THE COMMODITY EXCHANGE ACT AND COMMISSION REGULATIONS

COUNT ONE

VIOLATIONS OF SECTION 4c(b) OF THE ACT AND SECTION 33.10(a) AND (c) OF THE REGULATIONS: OPTIONS FRAUD

27. Paragraphs 1 through 26 above are re-alleged and incorporated by reference.

28. Risk Capital, Baugh, Edwards, Margol, Siegel, Tillman, and Valentin and other Risk Capital APs knew or recklessly disregarded the fact that the representations identified in Paragraphs 14 through 27 were false. Further, they knew, or, absent reckless disregard, should have known that their telephone sales solicitations failed to disclose to customers material facts necessary to make their other statements not misleading.

29. In or in connection with an offer to enter into, the entry into, the confirmation of, the execution of, or the maintenance of commodity options transactions, Risk Capital, Baugh, Edwards, Margol, Siegel, Tillman, and Valentin cheated, defrauded, or deceived or attempted to cheat, defraud, or deceive, other persons by making false, deceptive, or misleading representations of material facts and by failing to disclose material facts necessary to make other facts they disclosed not misleading, including but not limited to those statements and

omissions identified in paragraphs 14 through 27, all in violation of Section 4c(b) of the Act, 7 U.S.C. § 6c(b), and Regulation 33.10(a) and (c), 17 C.F.R. § 33.10(a) and (c).

30. The foregoing acts, misrepresentations, omissions and failures of Baugh, Edwards, Margol, Siegel, Tillman, Valentin, and the other Risk Capital APs occurred within the scope of each such person's employment or office with Risk Capital. Risk Capital is therefore liable for these acts pursuant to Section 2(a)(1)(B)of the Act, 7 U.S.C. § 2(a)(1)(B).

31. Each material misrepresentation or omission made during the relevant time period by Risk Capital, Baugh, Edwards, Margol, Siegel, Tillman, and Valentin, and other Risk Capital APs, including but not limited to those specifically alleged herein, is a separate and distinct violation of Section 4c(b) of the Act and Regulation 33.10.

COUNT TWO

VIOLATIONS OF § 4b(a)(2)(i) AND (iii) OF THE ACT: FUTURES FRAUD

32. Paragraphs 1 through 31 above are realleged and incorporated by reference.

33. Risk Capital, Baugh, Edwards, Margol, Siegel, Tillman, and Valentin have: (1) cheated or defrauded or attempted to cheat or defraud other persons; and

(2) willfully deceived or attempted to deceive other persons in or in connection with orders to make, or the making of, contracts of sale of commodities for future delivery, made, or to be made, for or on behalf of any other persons, where such contracts for future delivery were or could be used for the purposes set forth in Section 4b(a)(2)(i) and (iii) of the Act, 7 USC. § 6b(a)(2)(i) and (iii), all in violation of Section 4b(a)(2)(i) and (iii) of the Act, 7 U.S.C. § 6b(a)(2)(i) and (iii).

34. In the course of their solicitation of investors, Risk Capital, Baugh, Edwards, Margol, Siegel, Tillman, and Valentin and other Risk Capital APs have knowingly made material misrepresentations and omitted material facts necessary to make other representations not misleading, including, but not limited to the misrepresentations and omissions set forth at paragraphs 14 through 27, in violation of Section 4b(a)(2)(i) and (iii) of the Act, 7 U.S.C. § 6b(a)(2)(i) and (iii).

35. The foregoing acts, misrepresentations, omissions and failures of Baugh, Edwards, Margol, Siegel, Tillman, Valentin, and the other Risk Capital APs occurred within the scope of each such person's employment or office with Risk Capital. Risk Capital is therefore liable for these acts pursuant to Section 2(a)(1)(B)of the Act, 7 U.S.C. § 2(a)(1)(B).

36. Each fraudulent misrepresentation and omission, including but not limited to those specifically alleged herein at paragraphs 14 through 27, is alleged

as a separate and distinct violation of Section 4b(a)(2)(i) and (iii) of the Act, 7 U.S.C. § 6(b)(a)(2)(i) and (iii).

VI. RELIEF REQUESTED

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

a) an order finding that the defendants violated Sections 4c(b) and 4b(a)(2)(i) and (iii) of the Act and Section 33.10(a) and (c) of the Regulations;

b) a permanent injunction prohibiting the defendants from engaging in conduct violative of Sections 4c(b) and 4b(a)(2)(i) and (iii) of the Act and Section 33.10 of the Regulations and from engaging in any commodity-related activity, including soliciting new customers;

c) an order directing the defendants to disgorge, pursuant to such procedure as the Court may order, all benefits received from the acts or practices which constitute violations of the Act or Regulations, as described herein, and interest thereon from the date of such violations;

d) an order directing the defendants to make full restitution, pursuant to such procedure as the Court may order, to every customer whose funds were received by them as a result of acts and practices which constituted violations of the Act and Regulations, as described herein, and interest thereon from the date of such violations;

e) an order directing the defendants to pay a civil monetary penalty in the amount of not more than the higher of $120,000 or triple the monetary gain to each defendant for each violation of the Act or Regulations; and

f) such other and further remedial ancillary relief as the Court may deem appropriate.

Respectfully submitted,

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