

**UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION**

COMMODITY FUTURES TRADING)	
COMMISSION,)	
)	
Plaintiff,)	
)	
v.)	Case No.: 18-cv-0797
)	
DRO KHOLAMIAN)	Judge Sara L. Ellis
)	
and)	
)	
BLUE STAR TRADING, LLC,)	
)	
Defendants.)	
)	

**CONSENT ORDER FOR PERMANENT INJUNCTION, CIVIL MONETARY PENALTY
AND OTHER EQUITABLE RELIEF AGAINST DEFENDANTS DRO KHOLAMIAN
and BLUE STAR TRADING, LLC**

I. INTRODUCTION

On November 20, 2018, Plaintiff Commodity Futures Trading Commission (“Commission” or “CFTC”) filed a Complaint against Defendants Dro Kholamian (“Kholamian”) and Blue Star Trading, LLC (“Blue Star”) (or collectively “Defendants”) seeking injunctive and other equitable relief, as well as the imposition of civil penalties, for violations of the Commodity Exchange Act (“Act”), 7 U.S.C. §§ 1–26 (2018), and the Commission’s Regulations (“Regulations”) promulgated thereunder, 17 C.F.R. pts. 1–190 (2020). The Court entered an *ex parte* statutory restraining order against Kholamian and Blue Star on November 30, 2018 and a Consent Order for Preliminary Injunction and Other Ancillary Relief Against Defendants Kholamian and Blue Star on December 13, 2018.

II. CONSENTS AND AGREEMENTS

To effect settlement of all charges alleged in the Complaint against Defendants without a trial on the merits or any further judicial proceedings, Defendants Kholamian and Blue Star:

1. Consent to the entry of this Consent Order for Permanent Injunction, Civil Monetary Penalty, and Other Equitable Relief Against Defendants Kholamian and Blue Star (“Consent Order”);
2. Affirm that they have read and agreed to this Consent Order voluntarily, and that no promise, other than as specifically contained herein, or threat, has been made by the Commission or any member, officer, agent, or representative thereof, or by any other person, to induce consent to this Consent Order;
3. Acknowledge service of the summons and Complaint;
4. Admit the jurisdiction of this Court over them and the subject matter of this action pursuant to Section 6c of the Act, 7 U.S.C. § 13a-1 (2018);
5. Admit the jurisdiction of the Commission over the conduct and transactions at issue in this action pursuant to the Act;
6. Admit that venue properly lies with this Court pursuant to 7 U.S.C. § 13a-1(e);
7. Waive:
 - (a) Any and all claims that they may possess under the Equal Access to Justice Act, 5 U.S.C. § 504 (2018) and 28 U.S.C. § 2412 (2018), and/or the rules promulgated by the Commission in conformity therewith, Part 148 of the Regulations, 17 C.F.R. pt. 148 (2020), relating to, or arising from, this action;
 - (b) Any and all claims that they may possess under the Small Business Regulatory Enforcement Fairness Act of 1996, Pub. L. No. 104-121, tit. II, §§ 201–53, 110 Stat. 847, 857–74 (codified as amended at 28 U.S.C. § 2412 and in scattered sections of 5 U.S.C. and 15 U.S.C.), relating to, or arising from, this action;

(c) Any claim of Double Jeopardy based upon the institution of this action or the entry in this action of any order imposing a civil monetary penalty or any other relief, including this Consent Order; and

(d) Any and all rights of appeal from this action;

8. Consent to the continued jurisdiction of this Court over them for the purpose of implementing and enforcing the terms and conditions of this Consent Order and for any other purpose relevant to this action, even if Defendants Kholamian or Blue Star now or in the future resides outside the jurisdiction of this Court;

9. Agree that they will not oppose enforcement of this Consent Order on the ground, if any exists, that it fails to comply with Rule 65(d) of the Federal Rules of Civil Procedure and hereby waives any objection based thereon;

10. Agree that neither they nor any of their agents or employees under their authority or control shall take any action or make any public statement denying, directly or indirectly, any allegation in the Complaint or the Findings of Fact or Conclusions of Law in this Consent Order, or creating or tending to create the impression that the Complaint and/or this Consent Order is without a factual basis; provided, however, that nothing in this provision shall affect their:

(a) testimonial obligations, or (b) right to take legal positions in other proceedings to which the Commission is not a party. Defendants shall comply with this agreement, and shall undertake all steps necessary to ensure that all of their agents and/or employees under their authority or control understand and comply with this agreement;

11. Admit to all of the findings made in this Consent Order and all of the allegations in the Complaint.

12. In *United States v. Dro Kholamian*, No. 20 CR 530 (N.D. Ill.) (June 3, 2021) (“Criminal Action”), Kholamian pleaded guilty to violating 18 U.S.C. § 1343 (Count One), and

in connection with that plea, on June 3, 2021, entered into a plea agreement [ECF No.29]. In connection with that plea, Kholamian admitted the facts recited in the plea agreement and in Count One of the criminal indictment that charged him on August 20, 2020 with wire fraud and violating 18 U.S.C.§1343 [ECF No. 1], and those same facts are admitted as if set forth in this Order. Copies of the plea agreement and criminal indictment are attached as Exhibits A and B to this Order;

13. Consent to the use of the findings and conclusions in this Consent Order in this proceeding and in any other proceeding brought by the Commission or to which the Commission is a party or claimant, and agrees that they shall be taken as true and correct and be given preclusive effect therein, without further proof;

14. Do not consent, however, to the use of this Consent Order, or the findings and conclusions herein, as the sole basis for any other proceeding brought by the Commission or to which the Commission is a party, other than a: statutory disqualification proceeding; proceeding in bankruptcy, or receivership; or proceeding to enforce the terms of this Order;

15. Agree to provide immediate notice to this Court and the Commission by certified mail, in the manner required by paragraph 94 of Part V. D. of this Consent Order, of any bankruptcy proceeding filed by, on behalf of, or against them, whether inside or outside the United States; and

16. Agree that no provision of this Consent Order shall in any way limit or impair the ability of any other person or entity to seek any legal or equitable remedy against Defendants Kholamian or Blue Star in any other proceeding.

III. FINDINGS OF FACT AND CONCLUSIONS OF LAW

The Court, being fully advised in the premises, finds that there is good cause for the entry of this Consent Order and that there is no just reason for delay. The Court therefore directs the entry of the following Findings of Fact, Conclusions of Law, permanent injunction and equitable relief pursuant to Section 6c of the Act, 7 U.S.C. § 13a-1 (2018), as set forth herein.

THE PARTIES AGREE AND THE COURT HEREBY FINDS:

A. Findings of Fact

The Parties to this Consent Order

17. Plaintiff Commodity Futures Trading Commission is an independent federal regulatory agency that is charged by Congress with administering and enforcing the Act and the Regulations.

18. Defendant Dro Kholamian resides in Barrington, Illinois. Kholamian is the president and a managing member of Blue Star, and a signatory on Blue Star's bank accounts. Kholamian is not currently registered with the Commission in any capacity, but was registered with the Commission as an associated person of various firms from November 14, 2003 to November 17, 2008, and as a floor broker from July 20, 2013, until he withdrew that registration on September 2, 2016.

19. Defendant Blue Star Trading, LLC became a limited liability corporation in the state of Illinois on January 1, 2009 and was involuntarily dissolved on April 10, 2015. Its principal place of business was in Park Ridge, Illinois. Blue Star has never been registered in any capacity with the Commission.

Overview of Kholamian's Trading Activity

20. From January 2013 to the time of filing of this lawsuit (the "Relevant Period"), Kholamian had proprietary trading accounts in his own name where he traded commodity futures contracts at several futures commission merchants ("FCMs").

21. Kholamian's proprietary trading accounts at these FCMs had deposits in the aggregate sum of \$209,764. Kholamian withdrew \$55,535 from his trading accounts and lost \$153,838 overall trading commodity futures contracts. As of October 31, 2018, Kholamian had a total remaining balance of \$591.14 in three FCM accounts.

22. Blue Star never had any trading accounts in its name at any registered FCMs.

Solicitation Fraud

23. Kholamian sought out clients who would agree to let him trade forex and commodity futures contracts on their behalf through his company, Blue Star. Kholamian approached potential clients at his Armenian church located in Glenview, Illinois, and through word of mouth and social contacts to U.S. citizens, primarily those of Armenian heritage.

24. The clients Kholamian approached were not eligible contract participants ("ECPs") as defined under Section 1a(18)(xi) of the Act, 7 U.S.C. § 1a(18)(xi) (2018), in that they did not possess amounts invested on a discretionary basis, the aggregate amount of which was in excess of \$10 million, or possess aggregate amounts in excess of \$5 million and enter into agreements, contracts, or transactions in order to manage risk.

25. Kholamian told prospective clients that he would trade for them through his company, Blue Star, which had a physical office location in Park Ridge, Illinois. He also told them that he had been a trader for more than 32 years and had worked with "millions of dollars."

In addition, he told at least one prospective client that he had \$500,000 to \$700,000 of client funds under management.

26. In connection with his operation of Blue Star and solicitation of prospective clients for trading forex and commodity futures contracts in managed accounts, Kholamian promised prospective clients:

- (a) That he would generate for them a 10-20% profit on a \$25,000 investment within one year; and
- (b) That they could withdraw their funds at any time, without penalty.

27. After having accepted client funds, Kholamian represented that existing investments were “doing well” and were on target to make a 20% return after one year.

28. In fact, Kholamian did not deposit all of his clients’ funds in any forex or commodity futures accounts and he, instead, knowingly misappropriated at least a portion of their funds. Further, Kholamian knew, or was reckless in not knowing, that his proprietary trading accounts had lost \$153,979 overall during the relevant period.

Misappropriation of Client Funds

29. The Defendants received \$995,000 in Kholamian’s personal account from seven clients for futures and/or forex trading. Defendants returned \$768,000 to those clients through his personal account and the Blue Star account and misappropriated \$227,000 of their funds. Kholamian used the misappropriated funds to pay other clients and for his personal and business expenses, including making cash transfers to his personal bank accounts.

30. An illustration of Kholamian’s misappropriation involves a deposit made by Client GG, a non-ECP, on September 30, 2016. In connection with Kholamian’s solicitation, Client GG understood that his funds would be used to trade commodity futures and forex in his

account that would be set up for him and managed by Kholamian. Client GG followed instructions given to him by Kholamian and sent a \$25,000 wire payable to Kholamian's personal bank account to fund his investment for trading forex and commodity futures. Kholamian did not send Client GG's funds to a trading account and, instead, used some of Client GG's funds to withdraw \$6,000 cash on the day that he received Client GG's funds. Although Kholamian paid Client GG the sum of \$5,000 in "profits," via a check drawn from the Blue Star bank account, Kholamian made up various excuses when Client GG demanded the return of his \$25,000 principal, claiming, among other excuses, that he was "stuck in a trade." Eventually, Kholamian gave Client GG a \$25,000 check drawn on the Blue Star bank account that could not be negotiated due to insufficient funds. Thereafter, Kholamian told Client GG that he had "lost the money." Kholamian has not returned any of Client GG's remaining deposit to him.

31. Another illustration of Kholamian's misappropriation involves an investment made by Client DG, a non-ECP, who invested \$25,000 intended for trading forex and commodity futures on December 7, 2016. Client DG sent a wire payable to Kholamian's personal bank account, as he had been directed to do by Kholamian. Kholamian did not send Client DG's funds to any trading account. Rather, he used \$15,000 of Client DG's funds to pay another client the same day that he received Client DG's funds. When Client DG later demanded the return of his funds, Kholamian told him that he could not get his money because it was "tied up in trades." After Client DG made repeated demands, Kholamian sent him a check for \$30,000 drawn on the Blue Star account that could not be negotiated due to insufficient funds. In late 2017, Kholamian told Client DG that he was "going through a rough time." Client DG has not received the return of any of his deposit from Kholamian.

32. Neither Client GG's funds nor Client DG's funds were ever used for forex or commodity trading purposes and their funds were, instead, misappropriated by Kholamian for his own business and personal expenses.

Kholamian Acted as Controlling Person for Blue Star

33. During the Relevant Period, Kholamian controlled all aspects of Blue Star's operations. Kholamian conducted all solicitations with prospective clients on behalf of Blue Star, engaged in all communications with clients, and made all financial and strategic decisions for Blue Star by directing, among other things, the opening of bank accounts and signing of checks on behalf of Blue Star, the payment of Blue Star's operating expenses, and the deposit and withdrawals of client funds from Blue Star accounts.

B. Conclusions of Law

Jurisdiction and Venue

34. This Court possesses jurisdiction over this action pursuant to 28 U.S.C. § 1331 (2018) (codifying federal question jurisdiction) and 28 U.S.C. § 1345 (2018) (providing that U.S. district courts have original jurisdiction over civil actions commenced by the United States or by any agency expressly authorized to sue by Act of Congress). Section 6c(a) of the Act, 7 U.S.C. § 13a-1(a) (2018), provides that the Commission may bring actions for injunctive relief or to enforce compliance with the Act or any rule, regulation, or order thereunder in the proper district court of the United States 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 thereunder.

35. Venue properly lies with this Court pursuant to 7 U.S.C. § 13a-1(e), because Defendants reside in this jurisdiction and the acts and practices in violation of the Act occurred within this District.

Fraud in Connection with Commodity Futures Transactions by Fraudulent Solicitation and Misappropriation

36. Section 4b(a)(1)(A) and (C) of the Act, 7 U.S.C. § 6b(a)(1)(A), (C) (2018), makes it unlawful for any person, in or in connection with any order to make or the making of any contract of sale of any futures contract to cheat, defraud or willfully deceive, or attempt to cheat, defraud, or willfully deceive any other person by any means whatsoever in regard to any order or contract or the disposition or execution of any order or contract, or in regard to any act of agency performed, with respect to any order or contract for such other person.

37. During the relevant period, Defendants violated 7 U.S.C. § 6b (a)(1)(A) and (C) by, among other things:

- (1) Falsely promising to clients that they would generate a 10-20% return on a \$25,000 investment within one year;
- (2) Falsely promising to clients that they could withdraw their funds at any time, without penalty;
- (3) Telling clients that their existing investments were “doing well” and were on target to make a 20% return after one year; .and
- (4) Misappropriating client funds for Kholamian’s personal benefit.

38. Defendants committed the acts and practices described above using instrumentalities of interstate commerce, including the use of interstate wires for transfer of funds.

39. Defendants committed the acts and practices described herein willfully.

40. Each act of misrepresentation, misappropriation and omission of material fact, constitutes a separate and distinct violation of 7 U.S.C. § 6b(a)(1)(A) and (C).

41. The foregoing acts, omissions and failures of Kholamian, and all other agents of Blue Star, occurred within the scope of their employment, office or agency with Blue Star; therefore, Blue Star is liable for these acts, omissions and failures pursuant to Section 2(a)(1)(B) of the Act, 7 U.S.C. § 2(a)(1)(B) (2018), and Regulation 1.2, 17 C.F.R. § 1.2 (2020).

42. Kholamian directly or indirectly controls Blue Star, and did not act in good faith, or knowingly induced, directly or indirectly, the acts constituting Blue Star's violations of 7 U.S.C. § 6b(a)(1)(A) and (C), and is thus liable for its violations pursuant to Section 13(b) of the Act, 7 U.S.C. § 13c(b) (2018).

Fraud in Connection with Forex Transactions by Fraudulent Solicitation and Misappropriation

43. Section 4b(a)(2)(A) and (C) of the Act, 7 U.S.C. § 6b(a)(2)(A), (C) (2018), makes it unlawful for any person, in or in connection with any order to make, or the making of, any contract of sale of any commodity for future delivery that is made, or to be made, for or on behalf of, or with, any other person, other than on or subject to the rules of a designated contract market (A) to cheat or defraud or attempt to cheat or defraud the other person; or (C) willfully to deceive or attempt to deceive the other person by any means whatsoever in regard to any order or contract or the disposition or execution of any order or contract, or in regard to any act of agency performed, with respect to any order or contract for or, in the case of paragraph (2), with the other person.

44. Section 2(c)(2)(C)(iv) of the Act, 7 U.S.C. § 2(c)(2)(C)(iv) (2018), provides that 7 U.S.C. § 6b(a)(2)(A) and (C) also applies to Defendants' forex transactions "as if" they were a contract of sale of a commodity for future delivery.

45. Regulation 5.2(b)(1) and (3), 17 C.F.R. § 5.2(b)(1), (3) (2020), makes it unlawful for a person by use of the mails, or any means or instrumentality of interstate commerce, directly or indirectly, in or in connection with any retail forex transaction: (1) to cheat or defraud or attempt to cheat or defraud any person; or (3) willfully to deceive or attempt to deceive any person by any means whatsoever.

46. During the relevant period, Defendants violated 7 U.S.C. § 6b(a)(2)(A) and (C) and 17 C.F.R § 5.2(b) (1) and (3), by, *inter alia*:

- (1) Falsely promising to clients that they would generate a 10-20% return on a \$25,000 investment within one year;
- (2) Falsely promising to clients that they could withdraw their funds at any time, without penalty;
- (3) Telling clients that their existing investments were “doing well” and were on target to make a 20% return after one year; and
- (4) Misappropriating client funds for Kholamian’s personal benefit.

47. Defendants committed the acts and practices described above using instrumentalities of interstate commerce, including the use of interstate wires for transfer of funds.

48. Defendants committed the acts and practices describes herein willfully.

49. Each act of misrepresentation, misappropriation and omission of material fact, including, but not limited to, those specifically alleged herein, constitutes a separate and distinct violation of 7 U.S.C. § 6b(a)(2)(A) and (C) and 17 C.F.R. § 5.2(b)(1) and (3).

50. The foregoing acts, omissions and failures of Kholamian, and all other agents of Blue Star, occurred and are occurring within the scope of their employment, office or agency

with Blue Star; therefore, Blue Star is liable for these acts, omissions and failures pursuant to 7 U.S.C. § 2(a)(1)(B) and 17 C.F.R. § 1.2.

51. Kholamian directly or indirectly controls Blue Star, and did not act in good faith, or knowingly induced, directly or indirectly, the acts constituting Blue Star's violations of 7 U.S.C. § 6b(a)(2)(A) and (C), and is thus liable for its violations pursuant to 7 U.S.C. § 13c(b) (2018).

Blue Star Acted as a Commodity Trading Advisor and Kholamian Acted as Its Associated Person in Connection with Commodity Futures and Forex, and Both Engaged in Fraud

52. In connection with commodity futures transactions, a Commodity Trading Advisor ("CTA") is defined, in part, in Section 1a(12) of the Act, 7 U.S.C. § 1a(12) (2018), as any person who:

For compensation or profit, engages in the business of advising others, either directly, or through publications, writings, or electronic media, as to the value of or the advisability of trading in

- (1) any contract of sale of a commodity for future delivery, security futures product or swap; or
- (2) any agreement, contract, or transaction described in Section 2(c)(2)(C)(i).

53. In connection with retail forex transactions, a CTA is defined in Regulation 5.1(e)(1), 17 C.F.R. § 5.1(e)(1) (2020), as any person who:

[E]xercises discretionary trading authority or obtains written authorization to exercise discretionary trading authority over any account for or on behalf of any person that is not an eligible contract participant as defined in section 1a(18) of the Act, in connection with retail forex transactions.

54. During the relevant period, Blue Star has been operating as a CTA in that it, for profit, engaged in the business of advising others of the advisability of trading in commodity futures and forex trades for profit.

55. In connection with commodity futures transactions, an Associated Person (“AP”) of a CTA is defined by Regulation 1.3, 17 C.F.R. § 1.3 (2020), as any natural person who is a “partner, officer, employee, consultant, or agent (or any natural person occupying a similar status or performing similar functions), in any capacity which involves the solicitation of a client’s or prospective client’s discretionary account.”

56. In connection with retail forex transactions, 17 C.F.R. § 5.1(e)(2) defines an AP of a CTA as any natural person associated with a CTA as a partner, officer, employee, consultant or agent, in any capacity, which involves the solicitation of a client’s or prospective client’s discretionary account. Except in circumstances not relevant here, Regulation 5.3(a)(3)(ii), 17 C.F.R. § 5.3(a)(3)(ii) (2020), requires those that meet the definition of a forex AP of a CTA to register with the Commission.

57. During the relevant period, Kholamian acted as an AP of Blue Star by soliciting clients for discretionary trading accounts for trading commodity futures and retail forex.

58. Section 4o(1)(A) of the Act, 7 U.S.C. § 6o(1)(A) (2018), provides, in relevant part, that it shall be unlawful for a CTA, or an AP of a CTA, by use of the mails or any means or instrumentality of interstate commerce, directly or indirectly “to employ any device, scheme or artifice to defraud any client . . . or prospective client. . . .”

59. Section 4o(1)(B) of the Act, 7 U.S.C. § 6o(1)(B) (2018), provides, in relevant part, that it shall be unlawful for a CTA, or an AP of a CTA, by use of the mails or any means or instrumentality of interstate commerce, directly or indirectly “to engage in any transaction, practice, or course of business which operates as a fraud or deceit upon any client . . . or prospective client”

60. Section 2(c)(2)(C)(ii)(I) of the Act, 7 U.S.C. § 2(c)(2)(C)(ii)(I)(2018), states, in part, that Section 4o of the Act, 7 U.S.C. § 6o, applies to any agreement, contract, or transaction in foreign currency offered on a leveraged or margined basis to non ECPs.

61. By reason of the foregoing, Defendants violated 7 U.S.C. § 6o(1) (A) and (B).

62. Each act of misrepresentation, misappropriation and omission of material fact, including, but not limited to, those specifically alleged herein, constitutes a separate and distinct violation of 7 U.S.C. § 6o(1)(A) and (B).

63. The foregoing acts, omissions and failures of Kholamian, and all other agents of Blue Star, occurred and are occurring within the scope of their employment, office or agency with Blue Star; therefore, Blue Star is liable for these acts, omissions and failures pursuant to 7 U.S.C. § 2(a)(1)(B) and 17 C.F.R. § 1.2.

64. Kholamian directly or indirectly controls Blue Star, and did not act in good faith, or knowingly induced, directly or indirectly, the acts constituting Blue Star's violations, and is thus liable for its violations of 7 U.S.C. § 6o(1)(A) and (B) pursuant to 7 U.S.C. § 13c(b).

Failure to Register as a CTA in connection with commodity futures and forex

65. Section 4m(1) of the Act, 7 U.S.C. § 6m(1) (2018), makes it unlawful for any CTA, unless registered with the CFTC, to make use of the mails or any means or instrumentality of interstate commerce in connection with its business as a CTA.

66. Section 2(c)(2)(C)(iii)(I)(bb) of the Act, 7 U.S.C. § 2(c)(2)(C)(iii)(I)(bb) (2018), makes it unlawful for any person, unless registered in such capacity as the CFTC shall determine, to exercise discretionary trading authority over any account for or on behalf of any person that is not an ECP, in connection with leveraged or margined forex transactions.

67. Regulation 5.3(a)(3)(i), 17 C.F.R. § 5.3(a)(3)(i) (2020), requires any CTA as defined in 17 C.F.R. § 5.1(e)(1) and in connection with leveraged or margined forex transactions, to register as a CTA.

68. Blue Star has never been registered as a CTA.

69. Blue Star does not qualify for a CTA registration exemption under either the Act or the Regulations.

70. Blue Star, through the relevant period, used the mails, wires, or other instrumentalities of interstate commerce in or in connection with its activities as a CTA, in connection with commodity futures and forex trading, while failing to register as a CTA. It also exercised discretionary trading authority over commodity futures trading accounts for profit. Consequently, it violated 7 U.S.C. §§ 6m(1) and 2(c)(2)(C)(iii)(I)(bb) and 17 C.F.R. § 5.3(a)(3)(i).

71. Each instance of exercising discretionary trading authority over any commodity futures trading account for profit, including but not limited to those specifically alleged herein, is alleged as a separate and distinct violation of 7 U.S.C. § 6m(1).

72. Each instance of exercising discretionary trading authority on behalf of any person that is not an ECP, in connection with leveraged or margined forex transactions, including but not limited to those specifically alleged herein, is alleged as a separate and distinct violation of 7 U.S.C. § 2(c)(2)(C)(iii)(I)(bb) and 17 C.F.R. § 5.3(a)(3)(i).

73. Kholamian directly or indirectly controls Blue Star, and did not act in good faith, or knowingly induced, directly or indirectly, the acts constituting Blue Star's violations, and is thus liable for its violations of 7 U.S.C. §§ 6m(1) and 7 U.S.C. § 2(c)(2)(C)(iii)(I)(bb) and 17 C.F.R. § 5.3(a)(3)(i) pursuant to 7 U.S.C. § 13c(b).

Failure to Register as an AP of a CTA in connection with commodity futures and forex

74. Section 4k(3) of the Act, 7 U.S.C. § 6k(3) (2018), makes it unlawful for any AP, unless registered with the CFTC, to solicit a client's or prospective client's discretionary account or to supervise any person or persons so engaged.

75. Section 2(c)(2)(C)(iii)(I)(aa) of the Act, 7 U.S.C. § 2(c)(2)(C)(iii)(I)(aa) (2018), makes it unlawful for any person, unless registered in such capacity as the CFTC shall determine, to solicit or accept orders from any person that is not an ECP, in connection with leveraged or margined forex transactions.

76. 17 C.F.R. § 5.3(a)(3)(ii) requires any AP as defined in 17 C.F.R. § 5.1(e)(2) and in connection with leveraged or margined forex transactions, to register as an AP.

77. By reason of the conduct described above, Kholamian was a partner, officer, employee, consultant, or agent of Blue Star, and he was involved in the solicitation of Blue Star's clients' or prospective clients' discretionary accounts.

78. Kholamian was not registered with the Commission as an AP.

79. By reason of the foregoing, Kholamian violated 7 U.S.C. §§ 2(c)(2)(C)(iii)(I)(aa) and 6k(3), and 17 C.F.R. §5.3(a)(3)(ii).

80. Each instance of soliciting clients or prospective clients' discretionary account in connection with commodity futures trading, including but not limited to those specifically alleged herein, is alleged as a separate and distinct violation of 7 U.S.C. § 6k(3).

81. Each instance of soliciting clients or prospective clients who were not ECPs, in connection with leveraged or margined forex transactions, including but not limited to those specifically alleged herein, is alleged as a separate and distinct violation of 7 U.S.C.

§ 2(c)(2)(C)(iii)(I)(aa) and 17 C.F.R. § 5.3(a)(3)(ii).

82. The foregoing acts, omissions and failures of Kholamian, and all other agents of Blue Star, occurred and are occurring within the scope of their employment, office or agency with Blue Star; therefore, Blue Star is liable for these acts, omissions and failures pursuant to 7 U.S.C. § 2(a)(1)(B) and 17 C.F.R. § 1.2.

83. Unless restrained and enjoined by this Court, there is a reasonable likelihood that Kholamian and Blue Star will continue to engage in the acts and practices alleged in the Complaint and in similar acts and practices in violation of the Act and Regulations.

IV. PERMANENT INJUNCTION

IT IS HEREBY ORDERED:

84. Based upon and in connection with the foregoing conduct, pursuant to Section 6c of the Act, 7 U.S.C. § 13a-1 (2018), Kholamian and Blue Star are permanently restrained, enjoined and prohibited from directly or indirectly:

- a. Cheating or defrauding, or attempting to cheat or defraud, or willfully deceiving or attempting to deceive other persons in or in connection with any order to make, or the making of, any contract of sale of any commodity for future delivery that is made, or to be made, on or subject to the rules of a designated contract market, for or on behalf of any other person, in violation of Section 4b(a)(1)(A) and (C) of the Act, 7 U.S.C. § 6b(a)(1)(A), (C) (2018);
- b. Cheating or defrauding, or attempting to cheat or defraud, or willfully deceiving or attempting to deceive other persons in or in connection with any order to make, or the making of, any contract of sale of any commodity for future delivery, or swap, that is made, or to be made, for or on behalf of, or with, any other person, other than on or subject to the rules of a designated contract market, in violation

of Section 4b(a)(2)(A) and (C) of the Act, 7 U.S.C. § 6b(a)(2)(A), (C) (2018), and Regulation 5.2(b)(1) and (3), 17 C.F.R. § 5.2(b)(1), (3) (2020);

- c. While operating as a commodity trading advisor or an associated person of a commodity trading advisor, employing any device, scheme, or artifice to defraud any client or prospective client, or engaging in any transaction, practice, or course of business which operates as a fraud or deceit upon any client or participant or prospective client or participant, in violation of Section 4o(1)(A) and (B) of the Act, 7 U.S.C. §§ 6o(1)(A), (B) (2020);
- d. Making use of the mails or any means or instrumentality of interstate commerce in connection with its business as a CTA without registration with the CFTC as a CTA, in violation of Section 4m(a) of the Act, 7 U.S.C. § 6m(1) (2018), or exercising discretionary trading authority over any account for or on behalf of any person that is not an ECP in connection with leveraged or margined forex transactions, without registration with the CFTC as a CTA, in violation of Section 2(c)(2)(C)(iii)(I)(bb) of the Act, 7 U.S.C. § 2(c)(2)(C)(iii)(I)(bb) (2018), and Regulation 5.3(a)(i), 17 C.F.R. § 5.3(a)(3)(i) (2020); and/or
- e. Soliciting a client's or prospective client's discretionary account or supervising any person or persons so engaged, without registration with the CFTC as an AP in violation of Section 4k(3) of the Act, 7 U.S.C. § 6k(3) (2018), or soliciting or accepting orders from any person that is not an ECP, in connection with leveraged or margined forex transactions, in violation of 7 U.S.C. § 2(c)(2)(C)(iii)(I)(aa) (2018) and 17 C.F.R. § 5.3(a)(3)(ii).

85. Kholamian and Blue Star are also permanently restrained, enjoined and prohibited from directly or indirectly:

- a. Trading on or subject to the rules of any registered entity (as that term is defined in Section 1a(40) of the Act, 7 U.S.C. § 1a(40) (2018);
- b. Entering into any transactions involving “commodity interests” (as that term is defined in Regulation 1.3, 17 C.F.R. § 1.3 (2020)) for their own personal accounts or for any account in which they have a direct or indirect interest;
- c. Having any commodity interests traded on their behalf;
- d. Controlling or directing the trading for or on behalf of any other person or entity, whether by power of attorney or otherwise, in any account involving commodity interests;
- e. Soliciting, receiving or accepting any funds from any person for the purpose of purchasing or selling any commodity interests;
- f. Applying for registration or claiming exemption from registration with the Commission in any capacity, and engaging in any activity requiring such registration or exemption from registration with the Commission, except as provided for in Regulation 4.14(a)(9), 17 C.F.R. § 4.14(a)(9) (2020); and/or
- g. Acting as a principal (as that term is defined in Regulation 3.1(a), 17 C.F.R. § 3.1(a) (2020)), agent or any other officer or employee of any person (as that term is defined in Section 1a(38) of the Act, 7 U.S.C. § 1a(38) (2020)), registered, exempted from registration or required to be registered with the Commission except as provided for in 17 C.F.R. § 4.14(a)(9).

V. RESTITUTION AND A CIVIL MONETARY PENALTY

A. Restitution

86. Defendants' violations of the Act and Regulations merit the award of restitution. However, this Court recognizes that the court in the Criminal Action has ordered that Defendant Kholamian pay restitution in the amount of Seven-hundred and fifty-five thousand dollars (\$755,000). Of that sum, Kholamian was ordered to pay a total of Two-hundred and seventy-seven thousand dollars (\$227,000) to the defrauded clients of Defendants Kholamian and Blue Star in connection with the same conduct at issue in this action. Accordingly, restitution is ordered against Kholamian in the amount of Two-hundred and twenty-seven thousand dollars (\$227,000), jointly and severally, with Defendant Blue Star ("Restitution Obligation") with this sum payable to the forex or commodity interest clients in amounts set forth on Attachment C, hereto. Further, any sums paid toward restitution in the criminal action to Defendants' forex or commodity interest clients will be credited as a dollar-for-dollar reduction against Kholamian and Blue Star's civil restitution obligation.

87. The amounts payable to each client shall not limit the ability of any client from proving that a greater amount is owed from Defendants or any other person or entity, and nothing herein shall be construed in any way to limit or abridge the rights of any client that exist under state or common law.

88. Pursuant to Rule 71 of the Federal Rules of Civil Procedure, each client of Defendants who suffered a loss is explicitly made an intended third-party beneficiary of this Consent Order and may seek to enforce obedience of this Consent Order to obtain satisfaction of any portion of the restitution that has not been paid by Defendants to ensure continued

compliance with any provision of this Consent Order and to hold Defendants in contempt for any violations of any provision of this Consent Order.

89. To the extent that any funds accrue to the U.S. Treasury for satisfaction of Defendants' Restitution Obligation, such funds shall be transferred to the Department of Justice for disbursement to Defendants' clients.

Civil Monetary Penalty

90. Defendants shall pay, jointly and severally, a civil monetary penalty in the amount of One-Hundred and Fifty-Thousand Dollars (\$150,000) ("CMP Obligation"). If the CMP Obligation is not paid immediately, then post-judgment interest shall accrue on the CMP Obligation beginning on the date of entry of this Consent Order and shall be determined by using the Treasury Bill rate prevailing on the date of entry of this Consent Order pursuant to 28 U.S.C. § 1961.

91. Defendants shall pay their CMP Obligation and any post-judgment interest, by electronic funds transfer, U.S. postal money order, certified check, bank cashier's check, or bank money order. If payment is to be made other than by electronic funds transfer, then the payment shall be made payable to the Commodity Futures Trading Commission and sent to the address below:

CFTC
C/O ESC/AMK-326; RM 265
6500 S. MacArthur Blvd.
Oklahoma City, OK 73169
(405) 954-6569 office
(405) 954-1620 fax
9-AMC-AR-CFTC@faa.gov

If payment by electronic funds transfer is chosen, Defendants shall contact Tonia King or her successor at the address above to receive payment instructions and shall fully comply with those

instructions. Defendants shall accompany payment of the CMP Obligation with a cover letter that identifies Defendants and the name and docket number of this proceeding. Defendants shall simultaneously transmit copies of the cover letter and the form of payment to the Chief Financial Officer, Commodity Futures Trading Commission, Three Lafayette Centre, 1155 21st Street, NW, Washington, D.C. 20581 and to Deputy Director, Robert T. Howell, Commodity Futures Trading Commission, Division of Enforcement, 525 W. Monroe St., Suite 1100, Chicago, IL 60661.

C. Provisions Related to Monetary Sanctions

92. Partial Satisfaction: Acceptance by the Commission or the Monitor of any partial payment of Defendants' Restitution Obligation, or CMP Obligation shall not be deemed a waiver of their obligation to make further payments pursuant to this Consent Order, or a waiver of the Commission's right to seek to compel payment of any remaining balance.

93. Asset Freeze: On November 30, 2018, the court entered an asset freeze order prohibiting the transfer, removal, dissipation and disposal of Defendants' assets ("Asset Freeze Order"), which was continued pursuant to the preliminary injunction order entered on December 13, 2018. The court hereby lifts the Asset Freeze Order.

D. Miscellaneous Provisions

94. Notice: All notices required to be given by any provision in this Consent Order shall be sent certified mail, return receipt requested, as follows:

Notice to Commission:

Robert T. Howell
Deputy Director
Commodity Futures Trading Commission
Division of Enforcement
525 W. Monroe Street
Suite 1100
Chicago, IL 60661

Notice to Defendants:

Dro Kholamian, individually and on behalf of Blue Star Trading, LLC
21254 Crestview Dr.
Barrington, IL 60010

All such notices to the Commission shall reference the name and docket number of this action.

95. Change of Address/Phone: Until such time as Defendants satisfy in full their Restitution Obligation and CMP Obligation as set forth in this Consent Order, Defendants shall provide written notice to the Commission by certified mail of any change to his telephone number and mailing address within ten calendar days of the change.

96. Entire Agreement and Amendments: This Consent Order incorporates all of the terms and conditions of the settlement among the parties hereto to date. Nothing shall serve to amend or modify this Consent Order in any respect whatsoever, unless: (a) reduced to writing; (b) signed by all parties hereto; and (c) approved by order of this Court.

97. Invalidation: If any provision of this Consent Order or if the application of any provision or circumstance is held invalid, then the remainder of this Consent Order and the application of the provision to any other person or circumstance shall not be affected by the holding.

98. Waiver: The failure of any party to this Consent Order or of any client at any time to require performance of any provision of this Consent Order shall in no manner affect the

right of the party or client at a later time to enforce the same or any other provision of this Consent Order. No waiver in one or more instances of the breach of any provision contained in this Consent Order shall be deemed to be or construed as a further or continuing waiver of such breach or waiver of the breach of any other provision of this Consent Order.

99. Waiver of Service, and Acknowledgement: Defendants waive service of this Consent Order and agree that entry of this Consent Order by the Court and filing with the Clerk of the Court will constitute notice to the Defendants of its terms and conditions. Defendants further agree to provide counsel for the Commission, within thirty days after this Consent Order is filed with the Clerk of Court, with an affidavit or declaration stating that Defendants have received and read a copy of this Consent Order.

100. Continuing Jurisdiction of this Court: This Court shall retain jurisdiction of this action to ensure compliance with this Consent Order and for all other purposes related to this action, including any motion by Defendants to modify or for relief from the terms of this Consent Order.

101. Injunctive and Equitable Relief Provisions: The injunctive and equitable relief provisions of this Consent Order shall be binding upon Defendants, upon any person under their authority or control, and upon any person who receives actual notice of this Consent Order, by personal service, e-mail, facsimile or otherwise insofar as he or she is acting in active concert or participation with Defendants.

102. Authority: Dro Kholamian hereby warrants that he is the President and Managing Member of Blue Star Trading, LLC, and that this Consent Order has been duly authorized by Blue Star Trading, LLC and he has been duly empowered to sign and submit this Consent Order on behalf of Blue Star Trading, LLC.

103. Counterparts and Facsimile Execution: This Consent Order may be executed in two or more counterparts, all of which shall be considered one and the same agreement and shall become effective when one or more counterparts have been signed by each of the parties hereto and delivered (by facsimile, e-mail, or otherwise) to the other party, it being understood that all parties need not sign the same counterpart. Any counterpart or other signature to this Consent Order that is delivered by any means shall be deemed for all purposes as constituting good and valid execution and delivery by such party of this Consent Order.

104. Contempt: Defendants understand that the terms of the Consent Order are enforceable through contempt proceedings, and that, in any such proceedings they may not challenge the validity of this Consent Order.

105. Agreements and Undertakings: Defendants shall comply with all of the undertakings and agreements set forth in this Consent Order.

There being no just reason for delay, the Clerk of the Court is hereby ordered to enter this *Consent Order for Permanent Injunction, Civil Monetary Penalty and Other Equitable Relief Against Defendants Dro Kholamian and Blue Star Trading, LLC*, forthwith and without further notice.

IT IS SO ORDERED on this 21st day of March, **2022**.



Sara L. Ellis
UNITED STATES DISTRICT JUDGE

CONSENTED TO AND APPROVED BY:



Dro Kholamian
President and Manager
Blue Star Trading, LLC
21254 Crestview Dr.
Barrington, IL 60010

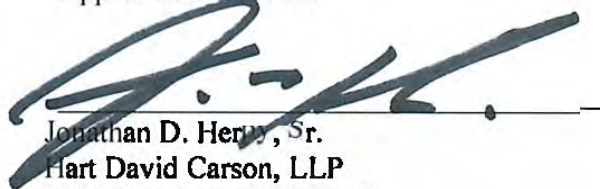
Date: 1-1-22



Dro Kholamian, individually
21254 Crestview Dr.
Barrington, IL 60010

Date: 1-7-22

Approved as to form:



Jonathan D. Heron, Sr.
Hart David Carson, LLP
360 West Butterfield Road
Suite 325
Elmhurst, IL 60126

Attorneys for Defendants, Blue Star Trading, LLC and
Dro Kholamian

/s/ Susan B. Padove

Susan B. Padove
Senior Trial Attorney
Commodity Futures Trading Commission
525 W. Monroe Street
Suite 1100
Chicago, IL 60661
312-596-0544
Cell: 202-390-6885
spadove@cftc.gov

Date: 2-25-22

**UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION**

Commodity Futures Trading Commission,)	
)	
Plaintiff,)	
v.)	
)	
Dro Kholamian;)	
)	Civil Action No: 1: 18-cv-7907
and)	Judge Sara L. Ellis
)	Magistrate Judge Jeffrey Cole
Blue Star Trading, LLC)	
)	
Defendants.)	

**CONSENT ORDER FOR PERMANENT INJUNCTION, CIVIL MONETARY PENALTY
AND OTHER EQUITABLE RELIEF AGAINST DEFENDANTS DRO KHOLAMIAN
and BLUE STAR TRADING, LLC**

ATTACHMENT A

Investor	Amount Owed
D.G., San Diego, CA	\$25,000
G.G., Los Angeles, CA	\$20,000
B.H., Encono, CA	\$35,000
O.T., Evanston, IL	\$50,000
S.G., Leesburg, VA	\$17,000
R.F., Highland Park, IL	\$60,000
N.K., Morton Grove, IL	\$20,000
	\$227,000

EXHIBIT A

JUNE 3, 2021

Honorable Manish S. Shah
United States District Judge

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

UNITED STATES OF AMERICA

v.

DRO KHOLAMIAN

No. 20 CR 530

Judge Manish S. Shah

PLEA AGREEMENT

1. This Plea Agreement between the United States Attorney for the Northern District of Illinois, JOHN R. LAUSCH, JR., and defendant DRO KHOLAMIAN, and his attorney, MATTHEW J. MADDEN, is made pursuant to Rule 11 of the Federal Rules of Criminal Procedure and is governed in part by Rule 11(c)(1)(A), as more fully set forth below. The parties to this Agreement have agreed upon the following:

Charges in This Case

2. The indictment in this case charges defendant with wire fraud, in violation of Title 18, United States Code, Section 1343 (Counts 1-9).

3. Defendant has read the charges against him contained in the indictment, and those charges have been fully explained to him by his attorney.

4. Defendant fully understands the nature and elements of the crimes with which he has been charged.

Charge to Which Defendant Is Pleading Guilty

5. By this Plea Agreement, defendant agrees to enter a voluntary plea of guilty to the following count of the indictment: Count One, which charges defendant with wire fraud, in violation of Title 18, United States Code, Section 1343.

Factual Basis

6. Defendant will plead guilty because he is in fact guilty of the charge contained in Count One of the indictment. In pleading guilty, defendant admits the following facts and that those facts establish his guilt beyond a reasonable doubt:

Beginning in or about January 2013, and continuing until in or about at least June 2020, defendant Dro Kholamian devised, intended to devise, and participated in a scheme to defraud, and to obtain money and property based on materially false and fraudulent pretenses, representations, and promises, and by the concealment of material facts.

The defendant was a self-employed trader, who traded commodity futures contracts. The defendant was the President and Manager of a company known as Blue Star Trading, LLC, located in Park Ridge, Illinois. The defendant solicited and obtained money from individuals who provided their funds to the defendant for him to manage as investments or as loans to him (collectively referred to as “victims”).

The defendant knowingly made materially false representations to victims in order to fraudulently obtain and retain the victims’ funds. This included false representations concerning: (a) the risks involved in investing and lending those funds; (b) the expected and actual returns on those investments and loans; (c) the ways those funds would be used and were used; and (d) in certain cases, when those funds would be repaid. The defendant obtained funds from church members, close family friends, and others, including members of the Armenian community in the Chicago area, who trusted him to use and repay their

funds as promised. Instead of using victim funds as promised, the defendant misappropriated a substantial portion of those funds to pay for his own personal expenses, causing losses to the victims of at least approximately \$750,000.

The defendant obtained funds from victims by falsely representing that he was making substantial profits from trading at the time he obtained the funds and that he would earn money for victims and repay the loans he received, based on his highly profitable trading. The defendant failed to disclose to many of the victims that he was facing significant financial difficulties because he had very little income and his trading resulted in net losses, instead of profits.

The defendant falsely represented to certain victims that he would trade their funds, in order to generate profits for them, when the defendant knew that he did not intend to trade all of their funds, and, in fact, did not trade all of their funds as promised.

The defendant obtained money from victims by falsely representing to the victims that they would earn substantial profits or interest on their money. In fact, the defendant was losing money from his trading, and he was misappropriating victims' funds.

The defendant falsely represented to certain victims that there was very little risk involved in providing money to him as an investment or loan. For instance, the defendant falsely represented to victims that he would repay their funds in a timely manner, which included repaying short-term loans promptly. He also falsely represented to certain victims that he would repay their principal, even if he lost all of their money trading, and falsely

represented to certain victims that they could withdraw their funds at any time. In fact, the defendant did not have – and was not earning – sufficient funds to repay the victims’ money in a timely manner as promised. The defendant intentionally failed to disclose to victims the extent of the existing debt that he owed, and that he was unable to repay all of their money.

The defendant borrowed funds from certain victims, falsely representing that he would use those funds to make improvements to a townhouse that he owned in Palatine, Illinois, in order to sell that property. In fact, the defendant did not use all of those funds to make improvements to that property as represented. He also promised to repay those victims from the proceeds of the sale of the townhouse, even though he knew that he would not be able to repay all of them with the proceeds from the sale of the Palatine townhouse. The defendant failed to disclose that he made the same promise to several victims, and the value of the townhouse was not sufficient to repay all of the victims. The defendant also falsely represented to certain victims that he would use their funds to prepare the townhouse for sale, which he did not do. Contrary to his representations, the defendant intended to, and did, use the victims’ funds to pay personal expenses and other victims.

The defendant falsely represented to certain victims that their funds were performing well and were earning money for them, in order to convince them that their funds were still safe and secure.

The defendant gave certain victims promissory notes, which made it appear that the victims were loaning money to the defendant, when, in fact, the victims provided that money to the defendant based on the defendant's promise to trade those funds. The promissory notes misrepresented the nature of the defendant's agreements with those victims. Rather than use funds in the manner he described to victims, the defendant misappropriated a substantial portion of victims' funds to pay for his own personal and business expenses, such as rent payments, car payments, health care payments, utility bills, restaurant charges, and retail purchases, and to make payments to certain victims.

When the defendant was unable to repay certain victims, the defendant falsely represented to them that he had lost their funds through trading, concealing the fact that their funds were gone because he had used them for his personal use and to repay other investors.

The defendant knowingly made false lulling statements to victims about paying them back, which included falsely promising that he would repay them soon and that they would get all of their money back.

As a result of the scheme, the defendant caused losses to victims of at least approximately \$750,000.

On or about September 3, 2015, in the Northern District of Illinois, Eastern Division, and elsewhere, for the purpose of executing the scheme to defraud, the defendant knowingly caused to be transmitted in interstate commerce, by means of wire

communication, certain writings, signs, and signals, namely, an interstate wire transfer of \$50,000, from victim Oscar.T.'s business account at the Northern Trust Company to the defendant's bank account at JP Morgan Chase in Chicago, Illinois, through the Fed Wire system, which funds were to be used for trading, in violation of Title 18, United States Code, Section 1343.

Maximum Statutory Penalties

7. Defendant understands that the charge to which he is pleading guilty carries the following statutory penalties:

a. A maximum sentence of 20 years' imprisonment. This offense also carries a maximum fine of \$250,000, or twice the gross gain or gross loss resulting from that offense, whichever is greater. Defendant further understands that the judge also may impose a term of supervised release of not more than three years.

b. Defendant further understands that the Court must order restitution to the victims of the offense in an amount determined by the Court.

c. Pursuant to Title 18, United States Code, Section 3013, defendant will be assessed \$100 on the charge to which he has pled guilty, in addition to any other penalty or restitution imposed.

Sentencing Guidelines Calculations

8. Defendant understands that in determining a sentence, the Court is obligated to calculate the applicable Sentencing Guidelines range, and to consider that range,

possible departures under the Sentencing Guidelines, and other sentencing factors under 18 U.S.C. § 3553(a), which include: (i) the nature and circumstances of the offense and the history and characteristics of the defendant; (ii) the need for the sentence imposed to reflect the seriousness of the offense, promote respect for the law, and provide just punishment for the offense, afford adequate deterrence to criminal conduct, protect the public from further crimes of the defendant, and provide the defendant with needed educational or vocational training, medical care, or other correctional treatment in the most effective manner; (iii) the kinds of sentences available; (iv) the need to avoid unwarranted sentence disparities among defendants with similar records who have been found guilty of similar conduct; and (v) the need to provide restitution to any victim of the offense.

9. For purposes of calculating the Sentencing Guidelines, the parties agree on the following points, except as specified below:

a. **Applicable Guidelines.** The Sentencing Guidelines to be considered in this case are those in effect at the time of sentencing. The following statements regarding the calculation of the Sentencing Guidelines are based on the Guidelines Manual currently in effect, namely the November 2018 Guidelines Manual.

b. **Offense Level Calculations.**

i. The base offense level is 7, pursuant to Guideline § 2B1.1(a)(1).

ii. Pursuant to Guideline § 2B1.1(b)(1)(H), the base offense level is increased by 14 levels because the actual loss to victims (approximately \$750,000) was between \$550,000 and \$1,500,000.

iii. Pursuant to Guideline § 2B1.1(b)(2)(A)(ii), the offense level is increased by 2 levels because the offense involved 10 or more victims.

iv. It is the government's position that pursuant to Guideline § 2B1.1(b)(20)(B)(iii), the base offense level is increased by 4 levels because the offense involved a violation of commodities law and, at the time of the offense, defendant was a commodity pool operator. The defendant is free to make his position known at sentencing.

vi. Pursuant to Guideline § 2B1.1, Application Note 16(C), the enhancement for abuse of a position of trust, under Guideline § 3B1.3, should not be applied, if the enhancement for being a commodity pool operator is applied under § 2B1.1(b)(20)(B)(iii). The parties agree that if the court determines that the enhancement for being a commodity pool operator does not apply, then the base offense level should be increased by 2 levels, because defendant abused a position of trust in a manner that significantly facilitated the commission and concealment of the offense.

vii. Defendant has clearly demonstrated a recognition and affirmative acceptance of personal responsibility for his criminal conduct. If the government does not receive additional evidence in conflict with this provision, and if defendant continues to accept responsibility for his actions within the meaning of Guideline

§ 3E1.1(a), including by furnishing the United States Attorney's Office and the Probation Office with all requested financial information relevant to his ability to satisfy any fine or restitution that may be imposed in this case, a two-level reduction in the offense level is appropriate.

ix. In accord with Guideline § 3E1.1(b), defendant has timely notified the government of his intention to enter a plea of guilty, thereby permitting the government to avoid preparing for trial and permitting the Court to allocate its resources efficiently. Therefore, as provided by Guideline § 3E1.1(b), if the Court determines the offense level to be 16 or greater prior to determining that defendant is entitled to a 2 level reduction for acceptance of responsibility, the government will move for an additional 1 level reduction in the offense level.

c. **Criminal History Category.** With regard to determining defendant's criminal history points and criminal history category, based on the facts now known to the government, defendant's criminal history points equal zero and defendant's criminal history category is I.

d. **Anticipated Advisory Sentencing Guidelines Range.** Therefore, based on the facts now known to the government, the government anticipates that the offense level is 24, which, when combined with the anticipated criminal history category of I, results in an anticipated advisory sentencing guidelines range of 51 to 63 months'

imprisonment, in addition to any supervised release, fine, and restitution the Court may impose.

e. Defendant and his attorney and the government acknowledge that the above guidelines calculations are preliminary in nature, and are non-binding predictions upon which neither party is entitled to rely. Defendant understands that further review of the facts or applicable legal principles may lead the government to conclude that different or additional guidelines provisions apply in this case. Defendant understands that the Probation Office will conduct its own investigation and that the Court ultimately determines the facts and law relevant to sentencing, and that the Court's determinations govern the final guideline calculation. Accordingly, the validity of this Agreement is not contingent upon the probation officer's or the Court's concurrence with the above calculations, and defendant shall not have a right to withdraw his plea on the basis of the Court's rejection of these calculations.

10. Both parties expressly acknowledge that this Agreement is not governed by Fed. R. Crim. P. 11(c)(1)(B), and that errors in applying or interpreting any of the sentencing guidelines may be corrected by either party prior to sentencing. The parties may correct these errors either by stipulation or by a statement to the Probation Office or the Court, setting forth the disagreement regarding the applicable provisions of the guidelines. The validity of this Agreement will not be affected by such corrections, and defendant shall not have a right to withdraw his plea, nor the government the right to vacate this

Agreement, on the basis of such corrections. Both parties expressly acknowledge that this Agreement is not governed by Fed. R. Crim. P. 11(c)(1)(B), and that errors in applying or interpreting any of the sentencing guidelines may be corrected by either party prior to sentencing. The parties may correct these errors either by stipulation or by a statement to the Probation Office or the Court, setting forth the disagreement regarding the applicable provisions of the guidelines. The validity of this Agreement will not be affected by such corrections, and defendant shall not have a right to withdraw his plea, nor the government the right to vacate this Agreement, on the basis of such corrections.

Agreements Relating to Sentencing

11. Each party is free to recommend whatever sentence it deems appropriate.
12. It is understood by the parties that the sentencing judge is neither a party to nor bound by this Agreement and may impose a sentence up to the maximum penalties as set forth above. Defendant further acknowledges that if the Court does not accept the sentencing recommendation of the parties, defendant will have no right to withdraw his guilty plea.
13. Regarding restitution, defendant acknowledges that pursuant to Title 18, United States Code, Section 3663A, the Court must order defendant to make full restitution to victims in an amount to be determined by the Court at sentencing, which the parties anticipate will be approximately \$750,000. The amount of restitution shall reflect credit for any funds repaid prior to sentencing.

14. Restitution shall be due immediately, and paid pursuant to a schedule to be set by the Court at sentencing. Defendant acknowledges that pursuant to Title 18, United States Code, Section 3664(k), he is required to notify the Court and the United States Attorney's Office of any material change in economic circumstances that might affect his ability to pay restitution.

15. Defendant agrees to pay the special assessment of \$100 at the time of sentencing with a cashier's check or money order payable to the Clerk of the U.S. District Court.

16. Defendant agrees that the United States may enforce collection of any fine or restitution imposed in this case pursuant to Title 18, United States Code, Sections 3572, 3613, and 3664(m), notwithstanding any payment schedule set by the Court.

17. After sentence has been imposed on the count to which defendant pleads guilty as agreed herein, the government will move to dismiss the remaining counts of the indictment as to defendant.

Acknowledgments and Waivers Regarding Plea of Guilty

Nature of Agreement

18. This Agreement is entirely voluntary and represents the entire agreement between the United States Attorney and defendant regarding defendant's criminal liability in case 20 CR 530.

19. This Agreement concerns criminal liability only. Except as expressly set forth in this Agreement, nothing herein shall constitute a limitation, waiver, or release by the United States or any of its agencies of any administrative or judicial civil claim, demand, or cause of action it may have against defendant or any other person or entity. The obligations of this Agreement are limited to the United States Attorney's Office for the Northern District of Illinois and cannot bind any other federal, state, or local prosecuting, administrative, or regulatory authorities, except as expressly set forth in this Agreement.

Waiver of Rights

20. Defendant understands that by pleading guilty he surrenders certain rights, including the following:

a. **Trial rights.** Defendant has the right to persist in a plea of not guilty to the charges against him, and if he does, he would have the right to a public and speedy trial.

i. The trial could be either a jury trial or a trial by the judge sitting without a jury. However, in order that the trial be conducted by the judge sitting without a jury, defendant, the government, and the judge all must agree that the trial be conducted by the judge without a jury.

ii. If the trial is a jury trial, the jury would be composed of twelve citizens from the district, selected at random. Defendant and his attorney would participate in choosing the jury by requesting that the Court remove prospective jurors for cause where

actual bias or other disqualification is shown, or by removing prospective jurors without cause by exercising peremptory challenges.

iii. If the trial is a jury trial, the jury would be instructed that defendant is presumed innocent, that the government has the burden of proving defendant guilty beyond a reasonable doubt, and that the jury could not convict him unless, after hearing all the evidence, it was persuaded of his guilt beyond a reasonable doubt and that it was to consider each count of the indictment separately. The jury would have to agree unanimously as to each count before it could return a verdict of guilty or not guilty as to that count.

iv. If the trial is held by the judge without a jury, the judge would find the facts and determine, after hearing all the evidence, and considering each count separately, whether or not the judge was persuaded that the government had established defendant's guilt beyond a reasonable doubt.

v. At a trial, whether by a jury or a judge, the government would be required to present its witnesses and other evidence against defendant. Defendant would be able to confront those government witnesses and his attorney would be able to cross-examine them.

vi. At a trial, defendant could present witnesses and other evidence in his own behalf. If the witnesses for defendant would not appear voluntarily, he

could require their attendance through the subpoena power of the Court. A defendant is not required to present any evidence.

vii. At a trial, defendant would have a privilege against self-incrimination so that he could decline to testify, and no inference of guilt could be drawn from his refusal to testify. If defendant desired to do so, he could testify in his own behalf.

b. **Appellate rights.** Defendant further understands he is waiving all appellate issues that might have been available if he had exercised his right to trial, and may only appeal the validity of this plea of guilty and the sentence imposed. Defendant understands that any appeal must be filed within 14 calendar days of the entry of the judgment of conviction.

21. Defendant understands that by pleading guilty he is waiving all the rights set forth in the prior paragraphs, with the exception of the appellate rights specifically preserved above. Defendant's attorney has explained those rights to him, and the consequences of his waiver of those rights.

Presentence Investigation Report/Post-Sentence Supervision

22. Defendant understands that the United States Attorney's Office in its submission to the Probation Office as part of the Pre-Sentence Report and at sentencing shall fully apprise the District Court and the Probation Office of the nature, scope, and extent of defendant's conduct regarding the charges against him, and related matters. The

government will make known all matters in aggravation and mitigation relevant to sentencing.

23. Defendant agrees to truthfully and completely execute a Financial Statement (with supporting documentation) prior to sentencing, to be provided to and shared among the Court, the Probation Office, and the United States Attorney's Office regarding all details of his financial circumstances, including his recent income tax returns as specified by the probation officer. Defendant understands that providing false or incomplete information, or refusing to provide this information, may be used as a basis for denial of a reduction for acceptance of responsibility pursuant to Guideline § 3E1.1 and enhancement of his sentence for obstruction of justice under Guideline § 3C1.1, and may be prosecuted as a violation of Title 18, United States Code, Section 1001 or as a contempt of the Court.

24. For the purpose of monitoring defendant's compliance with his obligations to pay a fine and restitution during any term of supervised release or probation to which defendant is sentenced, defendant further consents to the disclosure by the IRS to the Probation Office and the United States Attorney's Office of defendant's individual income tax returns (together with extensions, correspondence, and other tax information) filed subsequent to defendant's sentencing, to and including the final year of any period of supervised release or probation to which defendant is sentenced. Defendant also agrees that a certified copy of this Agreement shall be sufficient evidence of defendant's request to the

IRS to disclose the returns and return information, as provided for in Title 26, United States Code, Section 6103(b).

Other Terms

25. Defendant agrees to cooperate with the United States Attorney's Office in collecting any unpaid fine and restitution for which defendant is liable, including providing financial statements and supporting records as requested by the United States Attorney's Office.

26. Defendant understands that, if convicted, a defendant who is not a United States citizen may be removed from the United States, denied citizenship, and denied admission to the United States in the future.

Conclusion

27. Defendant understands that this Agreement will be filed with the Court, will become a matter of public record, and may be disclosed to any person.

28. Defendant understands that his compliance with each part of this Agreement extends throughout the period of his sentence, and failure to abide by any term of the Agreement is a violation of the Agreement. Defendant further understands that in the event he violates this Agreement, the government, at its option, may move to vacate the Agreement, rendering it null and void, and thereafter prosecute defendant not subject to any of the limits set forth in this Agreement, or may move to resentence defendant or require defendant's specific performance of this Agreement. Defendant understands and

agrees that in the event that the Court permits defendant to withdraw from this Agreement, or defendant breaches any of its terms and the government elects to void the Agreement and prosecute defendant, any prosecutions that are not time-barred by the applicable statute of limitations on the date of the signing of this Agreement may be commenced against defendant in accordance with this paragraph, notwithstanding the expiration of the statute of limitations between the signing of this Agreement and the commencement of such prosecutions.

29. Should the judge refuse to accept defendant's plea of guilty, this Agreement shall become null and void and neither party will be bound to it.

30. Defendant and his attorney acknowledge that no threats, promises, or representations have been made, nor agreements reached, other than those set forth in this Agreement, to cause defendant to plead guilty.

31. Defendant acknowledges that he has read this Agreement and carefully reviewed each provision with his attorney. Defendant further acknowledges that he understands and voluntarily accepts each and every term and condition of this Agreement.

AGREED THIS DATE: _____

JASON YONAN

Digitally signed by JASON YONAN
Date: 2021.05.27 08:52:53 -05'00'

Signed by Jason Yonan on behalf of
JOHN R. LAUSCH, JR.
United States Attorney



DRO KHOLAMIAN
Defendant

JACQUELINE STERN

Digitally signed by JACQUELINE STERN
Date: 2021.05.27 10:13:16 -05'00'

JACQUELINE STERN
Assistant U.S. Attorney



MATTHEW J. MADDEN
Attorney for Defendant

EXHIBIT B

✓

FILED

AUG 20 2020 ✓

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

THOMAS G. BRUTON
CLERK, U.S. DISTRICT COURT

UNITED STATES OF AMERICA)
)
 v.)
)
DRO KHOLAMIAN)

No. **20CR 530**

Violation: Title 18, United States Code,
Section 1343

JUDGE SHAH

MAGISTRATE JUDGE COX

The SPECIAL MAY 2019 GRAND JURY charges:

1. At times material to this Indictment:

a. Defendant DRO KHOLAMIAN was a self-employed trader, who traded commodity futures contracts and foreign exchange currency contracts.

b. KHOLAMIAN was the President and Manager of a company known as Blue Star Trading, LLC, located in Park Ridge, Illinois.

c. KHOLAMIAN solicited and obtained money from individuals who provided their funds to KHOLAMIAN for him to manage as investments or as loans to him (collectively referred to as "victims").

2. Beginning in or about no later than January 2013, and continuing until in or about at least June 2020, in the Northern District of Illinois, Eastern Division, and elsewhere,

DRO KHOLAMIAN,

defendant herein, devised, intended to devise, and participated in a scheme to defraud, and to obtain money and property based on materially false and fraudulent pretenses,

representations, and promises, and by the concealment of material facts, which scheme is further described below.

3. It was part of the scheme that defendant KHOLAMIAN knowingly made materially false representations to victims in order to fraudulently obtain and retain the victims' funds. This included false representations concerning: (a) the risks involved in investing and lending those funds; (b) the expected and actual returns on those investments and loans; (c) the ways those funds would be used and were used; and (d) when those funds would be repaid. KHOLAMIAN targeted church members, close family friends, and others, who trusted him to use and repay their funds as promised. Instead of using victim funds as promised, KHOLAMIAN misappropriated a substantial portion of those funds to pay for his own personal expenses, causing losses to the victims of at least approximately \$700,000.

4. It was further part of the scheme that KHOLAMIAN obtained funds from victims by falsely representing that he was, at that time, a very successful trader, and that he would earn money for victims and repay the loans he received, based on his highly profitable trading. KHOLAMIAN failed to disclose to many of the victims that he was facing significant financial difficulties because he had very little income and his trading resulted in net losses, instead of profits.

5. It was further part of the scheme that KHOLAMIAN falsely represented to certain victims that he would trade their funds, in order to generate profits for them, when KHOLAMIAN knew that he did not intend to trade all of their funds, and, in fact, did not trade all of their funds as promised.

