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 CLERK, U.S. DISTRICT COURT
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 CENTRAL DISTRICT OF CALIFORNIA
 BY DEPUTY

UNITED STATES DISTRICT COURT
 FOR THE CENTRAL DISTRICT OF CALIFORNIA

Commodity Futures Trading Commission,)	Case No.
)	CV04-6463 PA (CWx)
Plaintiff,)	
)	[Proposed]
v.)	CONSENT ORDER OF
)	PERMANENT
)	INJUNCTION AND
)	EQUITABLE
Chase Commodities Corp., Lee LaGorio,)	RELIEF AGAINST
Excel Obando and Universal Financial)	DEFENDANTS
Holding Corporation,)	
)	
Defendants.)	Courtroom: 15
)	Honorable Percy Anderson

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INTRODUCTION

On August 4, 2004, Plaintiff Commodity Futures Trading Commission ("Commission," "CFTC," or "Plaintiff") filed its Complaint in the above-captioned action against Chase Commodities Corp. ("Chase"), Lee LaGorio ("LaGorio"), Excel Obando ("Obando") and Universal Financial Holding Corporation ("UFHC") (collectively "Defendants") seeking injunctive and other equitable relief for violations of the Commodity Exchange Act (the "Act"), 7 U.S.C. §§ 1 *et seq.* (2002), and the Regulations promulgated thereunder, 17 C.F.R. §§ 1.1 *et seq.* (2004). The Court entered a Temporary Restraining Order on August 5, 2004 and an Order of Preliminary Injunction against Defendants Chase, LaGorio, and Obando on August 23, 2004.

I. CONSENTS AND AGREEMENTS

To effect settlement of the matters alleged in the Complaint in this action without a trial on the merits or further judicial proceedings, Defendants:

1. Consent to entry of this Consent Order of Permanent Injunction and Equitable Relief Against Defendants ("Consent Order");
2. Affirm that the Defendants have agreed to this Consent Order voluntarily, and that no promise 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, other than as set forth specifically herein;

1 3. Acknowledge service of the summons and Complaint;

2
3 4. Admit the jurisdiction of this Court over them and the subject matter
4 of this action pursuant to Section 6c of the Act, 7 U.S.C. § 13a-1 (2002);

5
6 5. Admit that venue properly lies with this Court pursuant to Section 6c
7 of the Act, 7 U.S.C. § 13a-1 (2002);

8
9 6. Waive:

10 a. all claims which they may possess under the Equal Access to
11 Justice Act (EAJA), 5 U.S.C. § 504 (2000) and 28 U.S.C. § 2412
12 (2000), relating to, or arising from, this action and any right under
13 EAJA to seek costs, fees and other expenses relating to, or arising
14 from, this action;

15
16 b. any claim of Double Jeopardy based upon the institution of
17 this proceeding or the entry in this proceeding of any order imposing
18 a civil monetary penalty or any other relief; and

19
20 c. all rights of appeal from this Consent Order;

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22 7. Consent to the continued jurisdiction of this Court for the purpose of
23 enforcing the terms and conditions of this Consent Order and for any other
24 purposes relevant to this case, even if Defendants now or in the future reside
25 outside the jurisdiction;
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1 8. Agree that neither the Defendants nor their agents, employees or
2 representatives acting under their control shall take any action or make any public
3 statement denying, directly or indirectly, any allegations in the Complaint or
4 findings in this Consent Order, or creating or tending to create the impression that
5 the Complaint and this Consent Order are without factual basis; provided,
6
7 however, that nothing in this provision shall affect the Defendants: i) testimonial
8 obligations, or ii) right to take legal positions in other proceedings to which the
9 Commission is not a party. The Defendants will undertake all steps necessary to
10 assure that their agents, employees and representatives understand and comply
11 with this agreement; and
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15 9. In consenting to the entry of this Consent Order, the Defendants
16 neither admit nor deny the allegations of the Complaint or the Findings of Fact and
17 Conclusions of Law contained in this Consent Order, except as to jurisdiction and
18 venue. However, the Defendants agree and intend that the allegations of the
19 Complaint and all of the Findings of Fact and Conclusions of Law made by this
20 Court and contained in Part II of this Consent Order shall be taken as true and
21 correct and be given preclusive effect, without further proof, in the course of any
22 current or subsequent bankruptcy proceeding filed by, on behalf of, or against any
23 Defendant. Each Defendant shall provide immediate notice of any bankruptcy
24 filed by, on behalf of, or against that Defendant and shall provide immediate notice
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1 of any change of address, phone number, or contact information in the manner
2 required by Part V of this Consent Order.

3
4 10. Each Defendant agrees to cooperate with Commission staff in the
5 continuing litigation of this matter against any Defendant not a party to this
6 Consent Order. As part of such cooperation, each Defendant agrees, subject to all
7 applicable privileges, to comply fully, promptly and truthfully to any inquiries or
8 requests for information or testimony, including but not limited to, testifying
9 completely and truthfully in this action and producing statements or trial
10 declarations to the Commission related to any trial of the subject matter of this
11 proceeding.
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16 11. The Court, being fully advised in the premises, finds that there is good
17 cause for the entry of this Consent Order and that there is no just reason for delay.
18 The Court therefore directs the entry of findings of fact, conclusions of law and a
19 permanent injunction and equitable relief, pursuant to § 6c of the Act, 7 U.S.C. §
20 13a-1, as set forth herein.
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1 **II. FINDINGS OF FACT AND CONCLUSIONS OF LAW**

2 The Court hereby makes the following findings of fact and conclusions of
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4 law:

5 12. This Court has subject matter jurisdiction over this action and the
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7 allegations in the Complaint pursuant to Section 6c of the Act, 7 U.S.C. § 13a-1.

8 13. This Court has personal jurisdiction over the Defendants pursuant to
9
10 Section 6c of the Act, 7 U.S.C. § 13a-1.

11 14. Venue properly lies with this Court pursuant to Section 6c of the Act,
12
13 7 U.S.C. § 13a-1, because the Defendants resided in and transacted business in the
14
15 Central District of California.

16 15. The Commission and Defendants have agreed that this Court shall
17
18 retain jurisdiction over each of them for the purpose of enforcing the terms of this
19
20 Consent Order.

21 16. The **Commodity Futures Trading Commission** is an independent
22
23 federal agency that is charged with responsibility for administering and enforcing
24
25 the provisions of the Act, 7 U.S.C. §§ 1 *et seq.*, and the Regulations promulgated
26
27 thereunder, 17 C.F.R. §§ 1.1 *et seq.*

28 17. Defendant **Chase Commodities Corporation** is a California
corporation with its place of business in Woodland Hills, California. Chase has

1 been registered with the Commission as an Introducing Broker ("IB") since
2 April 21, 2003. Chase's primary business was to solicit customers to purchase
3 options through Defendant UFHC. Chase employed registered associated persons
4 ("APs") to conduct its business. The fraudulent acts, misrepresentations, and
5 omissions of Chase's APs occurred within the scope of their employment with
6 Chase. Chase is therefore liable for these acts pursuant to Section 2(a)(1)(B) of the
7 Act, 7 U.S.C. § 2(a)(1)(B).
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11 18. Defendant **Lee LaGorio**, resides in Woodland Hills, California. He
12 has been listed as a principal of Chase since April 21, 2003. He is Chase's
13 President and Treasurer, owns 50 percent of Chase, and has supervisory duties and
14 authority over the day to day operations of Chase's business. LaGorio maintained
15 an office at Chase. His day to day responsibilities included: 1) hiring and firing of
16 Chase APs; 2) signing employee and management paychecks; 3) signing Chase's
17 agreements, including Chase's guaranteed introducing broker agreement with
18 UFHC; 4) signing the Chase "AP monitoring" forms regarding individual AP's
19 performance in sales solicitations; 5) determining disciplinary actions taken with
20 respect to Chase APs; 6) investigating, responding and settling customer
21 complaints. LaGorio is a controlling person of Chase and is therefore liable for
22 Chase's violations of the Act and Regulations pursuant to Section 13(b) of the Act,
23 7 U.S.C. § 13c(b).
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1 19. Defendant **Excel Obando**, resides in Sun Valley, California. He has
2 been listed as a principal and registered AP of Chase since May 1, 2003. Obando
3 was Chase's Compliance Officer, and shared supervisory duties and authority over
4 the day to day operations of Chase's business with LaGorio. Obando's day to day
5 responsibilities included: 1) acting as Chase's Compliance Officer to ensure,
6 among other things, that Chase APs' sales solicitations complied with the Act,
7 Regulations and National Futures Association ("NFA") rules; 2) sitting in the same
8 room as Chase's APs to monitor the APs; 3) receiving and reviewing customer
9 complaints; 4) being listed as the "IB supervisor" on the firm's complaint
10 resolution forms with customers who had alleged sales solicitation fraud against
11 Chase; 5) preparing the firm's "AP monitoring" forms regarding the individual
12 AP's sales solicitations performance; and 6) ensuring that Chase was in
13 compliance with Anti-Money Laundering guidelines. Obando is a controlling
14 person of Chase and is therefore liable for Chase's violations of the Act and
15 Regulations pursuant to Section 13(b) of the Act, 7 U.S.C. § 13c(b).
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22 20. Defendant **Universal Financial Holding Corporation** is a Florida
23 corporation whose principal place of business is in Aventura, Florida, 33180. At
24 all times relevant to this litigation, UFHC was an FCM. Chase and UFHC entered
25 into a standard Guarantee Agreement (CFTC Form 1-FR-IB; Part B) on or about
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1 April 2, 2003. Chase and UFHC have continuously maintained this relationship at
2 all points relevant to this litigation. The agreement provides that UFHC is
3
4 "jointly and severally liable for[] all obligations of the introducing
5 broker [*i.e.*, Chase] under the Commodity Exchange Act, . . . and the
6 rules, regulations and orders which have been or may be promulgated
7 thereunder with respect to the solicitation of and transactions
8 involving all commodity customer . . . accounts of the introducing
9 broker entered in or after the effective date of this agreement."
10
11

12
13 **Chase APs Violated the Act and Regulations**

14 21. Beginning no later than August 1, 2003, Chase APs solicited members
15 of the general public to open accounts to trade options. To induce customers to
16 trade, Chase APs—aided by detailed sales scripts—made uniform and consistent
17 misrepresentations regarding the risks and rewards of trading options. In telephone
18 sales calls, Chase APs engaged in fraudulent sales solicitations by knowingly
19 failing to disclose and misrepresenting material facts concerning, among other
20 things: (i) the profit potential of options; (ii) the risk involved in trading options;
21 and (iii) Chase's poor trading record. Chase customers relied on these material
22 misrepresentations made by Chase APs in making their decisions to purchase
23 options.
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Chase APs Misrepresented the Profit Potential of Options

1 22. Chase APs misrepresented the profit potential of options trading and
2 the likelihood that profit would be achieved. Chase APs represented to their
3 customers that it was their specialty to take on customers who had previously lost
4 money trading commodities and recover those losses for them. Chase APs told
5 customers that, unlike the customer's previous trading firm, Chase would monitor
6 the markets to ensure that profits were maximized and losses minimized.
7
8

9
10 23. Chase APs promised customers that they would make substantial
11 amounts of money in a very short time by trading options. For example, Chase
12 APs told their customers, among other things, that they could double their money.
13

14 24. Chase APs misrepresented to their customers that well-known public
15 information would lead to large profits; information which the commodities
16 markets had already factored into the price of the underlying commodity. For
17 example, Chase APs told their customers that the price of oil would be affected by
18 the United States' involvement in the Iraq war and that customers would profit by
19 purchasing oil options. Chase APs also misrepresented to their customers that a
20 known world event or past weather condition would affect the commodities
21 markets.
22
23
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25 25. Chase APs misrepresented the urgency of the investment opportunity
26 by using high-pressure sales pitches to convince customers to invest immediately
27 so as not to miss a purported opportunity to earn enormous profits. Chase APs
28

1 further told their customers that the sooner a customer invested the more money
2 the customer would earn.

4 **Chase APs Misrepresented the Risk of Trading Options**

5 26. Chase APs provided misleading advice about the risk involved with
6 trading options. While claiming that customers would realize a large return, Chase
7 APs failed to explain the specific risks of trading options. In many instances,
8 Chase failed to advise its customers that there was any risk involved with investing
9 in options. When customers expressed concerns about losing their money, or their
10 apprehension about making risky investments, they were told that investing in
11 options on commodities was low-risk, secure and they would make money. Chase
12 APs also told customers not to worry if they did not have enough investment
13 capital available to purchase the options because the customers would make
14 sufficient profits such that Chase could take the initial investment amount out of
15 the customer's expected profits.

21 **Chase APs Failed to Disclose the Firm's Losing Track Record**

22 27. Between August 1, 2003 and March 31, 2004, Chase had a total of
23 444 customer accounts, of which 85 did not actively trade. Of the remaining 359
24 accounts that actively traded, 99 percent of them (354 accounts) lost money.
25 Collectively, these customer accounts lost \$4,252,645.65.
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1 28. Chase charged their customers at least \$2,273,925.00 in commissions,
2 and fees; which is more than 50 percent of the aggregate customer losses of
3 \$4,252,645.65 incurred by their customers.
4

5 29. Aware of these massive customer losses and despite their optimistic
6 representations regarding profits, Chase APs never disclosed to customers that 99
7 percent of their customers had lost substantially all of their investment with Chase.
8

9 **Sales Scripts**

10
11 30. Chase APs used sales scripts and notes to make consistent sales
12 solicitations to their customers. These scripts and notes were located in and on
13 several of the AP's desks from which they conducted their telephone sales calls.
14

15 31. The sales scripts provided Chase APs with specific statements of
16 fraud and misrepresentation to be made to Chase's customers. The sales scripts all
17 contained similar misrepresentations about high profit potential and limited risk in
18 trading options. The language in the sales scripts is consistent with the
19 misrepresentations and the downplaying of investment risk that Chase APs orally
20 told their customers.
21

22
23 32. From at least August 1, 2003, to the filing of Plaintiff's Complaint,
24 Defendant Chase, through its APs, in connection with an offer to enter into, the
25 entry into, the confirmation of, the execution of, or the maintenance of commodity
26 options transactions, defrauded, deceived, or attempted to defraud, or deceive,
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1 other persons by making false, deceptive, or misleading representations of material
2 facts and by failing to disclose material facts necessary to make other facts
3 disclosed not misleading to customers, all in violation of Section 4c(b) of the Act,
4 7 U.S.C. § 6c(b), and Section 33.10 of the Regulations, 17 C.F.R. § 33.10.
5

6
7 33. Defendants LaGorio and Obando directly or indirectly controlled
8 Chase's APs, and did not act in good faith or knowingly induced, directly or
9 indirectly, the act or acts constituting the violations alleged as to Chase. Therefore,
10 Defendants LaGorio and Obando are controlling persons of Chase and are liable
11 for Chase's violations of Section 4c(b) of the Act, 7 U.S.C. § 6c(b), and Regulation
12 33.10, 17 C.F.R. § 33.10, pursuant to Section 13(b) of the Act, 7 U.S.C. § 13c(b).
13
14

15 34. Defendant Universal Financial Holding Corporation (UFHC) is jointly
16 and severally liable for Chase's violations of Section 4c(b) of the Act, 7 U.S.C. §
17 6c(b) (2002), and Commission Regulations 33.10, 17 C.F.R. § 33.10 (2004),
18 pursuant to its guarantee agreement with Chase.
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21 35. Plaintiff has demonstrated good cause why equitable remedies,
22 including restitution and trading bans, should be imposed on various Defendants as
23 set forth below.
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25 **III. ORDER FOR PERMANENT INJUNCTION**

26 **IT IS HEREBY ORDERED that:**
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1 36. Defendants Chase, LaGorio and Obando violated the Act and
2 Regulations and are permanently restrained, enjoined, and prohibited from, directly
3 or indirectly, cheating or defrauding or attempting to cheat or defraud other
4 persons and willfully deceiving or attempting to deceive other persons by making
5 false, deceptive or misleading representations of material facts, by failing to
6 disclose material facts, in or in connection with an offer to enter into, the entry
7 into, or the confirmation of the execution of any commodity option transaction, in
8 violation of Section 4c(b) of the Act, 7 U.S.C. § 6c(b), and Regulation 33.10, 17
9 C.F.R. § 33.10, and specifically from engaging in any commodity sales
10 solicitations to customers that:
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15 A) misrepresent the profit potential in commodities trading;

16 B) omit to state that the commodities market already factors into the
17 price of commodities any seasonal trends and other well-known market events;
18

19 C) omit material facts necessary to make other facts disclosed not
20 misleading to customers;
21

22 D) omit to provide the actual track record of the broker or firm if the
23 potential for profit is discussed; and
24

25 E) omit or downplay the risks involved in commodity trading,
26 regardless of whether the customer has signed a standard risk disclosure statement.
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1 37. Defendants Chase, and LaGorio are found to have violated the Act
2 and Regulations and are permanently restrained, enjoined, and prohibited from
3 directly or indirectly engaging in any commodities trading that is subject to the
4 rules of a contract market or, pursuant to Section 5a of the Act, 7 U.S.C. § 7a(a), a
5 Derivatives Transaction Execution Facility, in any account:
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7

8 A) that is held in the name of a Defendant;

9 B) in which a Defendant has a direct or indirect financial interest; or
10

11 C) held in the name of any other person.
12

13 38. Defendant Obando is found to have violated the Act and Regulations
14 and is, for a period not less than five years from the date of this Consent Order,
15 restrained, enjoined, and prohibited from directly or indirectly engaging in any
16 commodities trading that is subject to the rules of a contract market or, pursuant to
17 Section 5a of the Act, 7 U.S.C. § 7a(a), a Derivatives Transaction Execution
18 Facility, in any account:
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21 A) that is held in the name of a Defendant;

22 B) in which a Defendant has a direct or indirect financial interest; or
23

24 C) held in the name of any other person.
25

26 39. The injunctive provisions of this Consent Order shall be binding upon
27 Defendants Chase, LaGorio and Obando, and any person who is acting as officer,
28 agent, employee, servant, or attorney on their behalf, and any person acting in

1 active concert or participation with Defendants Chase, LaGorio and Obando, who
2 receives actual notice of this Consent Order by personal service or otherwise.
3

4 **IV. ORDER FOR OTHER EQUITABLE RELIEF**

5 **IT IS HEREBY ORDERED that:**

6
7 40. Appointment of Monitor: To effect payment by Defendants and
8 distribution of restitution to Chase's customers, the Court appoints Daniel Driscoll
9 of the National Futures Association as Monitor ("Monitor"). The Monitor shall
10 collect restitution payments from the Defendants, compute pro rata allocations to
11 injured customers identified in Appendix A to this Consent Order, and make
12 distributions consistent with paragraph 47, below. Beginning at the end of the
13 third month following the date of this Order and at succeeding three-month
14 intervals thereafter, the Monitor shall provide quarterly reports to the Commission
15 at the address for Notices set forth in paragraph 48, below. As the Monitor is not
16 being specially compensated for these services, and these services are outside the
17 normal duties of the Monitor, he shall not be liable for any action or inaction
18 arising from his appointment as Monitor, other than actions involving fraud.
19

20
21 41. Restitution Payment: Defendants are hereby jointly and severally
22 liable to pay restitution in the amount of \$4,252,645.65, plus post-judgment
23 interest to accrue beginning on the date this Order is entered and payable at the
24 interest rate set forth in 28 U.S.C. § 1961. Consistent with paragraph 42 of this
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1 Consent Order, Defendants' initial payment of a minimum of \$1,712,130.46 less
2 any amounts required to cover the banks' outstanding administrative or wire
3 transfer fees, shall be made from financial accounts identified in Paragraph 42 of
4 this Consent Order that are currently frozen pursuant to the Court's Order of
5 Preliminary Injunction ("Freeze Order"). Those accounts contain a minimum of
6 \$1,712,130.46 and such funds shall be paid by wire transfer in the manner
7 described in paragraph 42, below. Consistent with paragraph 43 of this Consent
8 Order, Defendants shall make subsequent payments totaling at least \$2,540,515.19.
9 All subsequent restitution payments as set forth in this paragraph and paragraph 43
10 shall be made by electronic funds transfer, or by U.S. postal money order, certified
11 check, bank cashier's check, or bank money order, made payable to the
12 Commodity Futures Trading Commission, and sent to Daniel Driscoll, Monitor,
13 National Futures Association, 200 W. Madison St., #1600, Chicago, IL 60606-
14 3447 under a cover letter that identifies Chase, LaGorio, Obando, or UFHC and the
15 name and docket number of the proceeding. Defendants shall simultaneously
16 transmit a copy of the cover letter and the form of payment to Gregory Mocek, or
17 his successor, Director, Division of Enforcement, Commodity Futures Trading
18 Commission, at the following address: Three Lafayette Centre, 1155 21st Street,
19 N.W., Washington, D.C. 20581.
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1 42. Initial Restitution Payment: Upon the issuance of this Order, the
2 Commission shall promptly provide each of the financial institutions identified in
3 this paragraph with a copy of this Order. Within thirty (30) days of receiving a
4 copy of this Consent Order, each of the financial institutions identified in this
5 paragraph are specifically directed to liquidate and release any and all funds held
6 by Defendants in any account number identified below, whether the account is held
7 singly or jointly with another Defendant identified herein, or in any other capacity,
8 and to convey by wire transfer to an account designated by the Monitor, any and
9 all funds contained in those accounts, less any amounts required to cover the
10 banks' outstanding administrative or wire transfer fees. The transfer of such funds
11 represents an offset to the Defendants' aggregate joint and several restitution
12 obligation identified in paragraph 41. At no time during the liquidation, release
13 and/or wire transfer of these funds pursuant to this Consent Order shall the
14 Defendants be afforded any access to, or be provided with, any funds from these
15 accounts. Defendants Chase, LaGorio, and Obando, as well as all banks and
16 financial institutions listed in this Consent Order, shall cooperate fully and
17 expeditiously with the Commission and Monitor in the liquidation, release and
18 wire. The accounts to be liquidated, released and transferred are:

- 19
20
21 a. All five accounts totaling \$184,262.12 held by, on behalf
22 of, or in the name of Defendant Chase at Citibank in the approximate amounts
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1 of \$39,431.92, \$20,260.94, \$56,691.52, \$1,129.69, and \$66,748.05,
2 specifically identified as accounts #XXXXXX2247, #XXXXXX2288,
3 #XXXXXX2270, #XXXXXX2296 and #XXXXXX2262.

5 b. All accounts held by, on behalf of, or in the name of Defendant
6 LaGorio at Wachovia Securities in the approximate amount of \$960,243.00,
7 identified specifically as accounts #XXX-XX1228, #XXX-XX1236, #XXX-
8 XX1244, #XXX-XX1252, #XXX-XX8567, and XXX-XX3118.

11 c. All accounts held by, on behalf of, or in the name of Defendant
12 LaGorio at Charles Schwab in the approximate amount of \$1,692.94, identified
13 specifically as account # XXXX-8697.

15 d. All accounts held by, on behalf of, or in the name of Defendant
16 LaGorio at Union Bank of California comprised of two accounts in the
17 approximate amounts of \$12,165.36 and \$60,603.75, identified as accounts
18 #XXXXXXXX0803 and #XXXXXXXX3853.

21 e. All accounts held by, on behalf of, or in the name of Defendant
22 LaGorio at Edward Jones in the approximate amount of \$393,775.57 identified
23 specifically as account #XXX-XXX07-1-3.

25 f. All accounts held by, on behalf of, or in the name of Defendant
26 LaGorio at Safeco Mutual Fund comprised of two accounts (#XX60 and #XO) in
27 the approximate amount of \$8,220.19 and \$96.63 respectively, totaling \$8,316.82.

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1 g. All accounts held by, on behalf of, or in the name of Defendant
2 LaGorio at Legg Mason Investments in the approximate amount of \$10,015.49
3
4 identified specifically as account #XXX-X6017.

5 h. All accounts held by, on behalf of, or in the name of Defendant
6
7 LaGorio at Royce Investments in the approximate amount of \$8,760.02, identified
8 specifically as account #XXX-X6017.

9 i. All accounts held by, on behalf of, or in the name of Defendant
10
11 LaGorio at ING Russia Fund in the approximate amount of \$28,098.63, identified
12 specifically as account #XXXXXX5824.

13 j. All accounts held by, on behalf of, or in the name of Defendant
14
15 LaGorio at Fidelity Mutual Funds comprised of two accounts in the approximate
16 amounts of \$3,949.07 and \$6,668.82 totaling \$10,617.89, specifically identified as
17 accounts #XXX-XX9180 and #XXX-XX5498.

18 k. All accounts held by, on behalf of, or in the name of Defendant
19
20
21 LaGorio at Muhlenkamp Fund Investments in the approximate amount of
22 \$9,805.89, specifically identified as account #XXXXXX4750.

23 l. All accounts held by, on behalf of, or in the name of Defendant
24
25 Obando at Bank of America in the approximate amount of \$13,175 identified
26 specifically as accounts #XXXXX-X5400 and #XXXXX-X4988.
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1 m. All accounts held by, on behalf of, or in the name of Defendant
2 Obando at Washington Mutual in the approximate amount of \$958.16, identified
3 specifically as account #XXX-XXX749-8.
4

5 43. Subsequent Restitution Payments: Defendants shall satisfy the
6 remaining restitution amount of at least \$2,540,515.19 by making payments
7 according to the following schedule in the manner set forth in Paragraph 41, above:
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9 a. Beginning within sixty (60) days of the entry of this Consent
10 Order, or by March 1, 2006, whichever is later, Defendants shall make a minimum
11 payment of \$20,000. Beginning on April 1, 2006, and continuing through
12 February 1, 2008, Defendants shall make a minimum monthly payment of at least
13 \$20,000. Each payment is to reach the Monitor on the first day of the month;
14

15 b. Beginning on March 1, 2008, and continuing through February
16 1, 2009, Defendants shall make a minimum monthly payment of at least \$30,000.
17 Each payment is to reach the Monitor on the first day of the month;
18

19 c. Beginning on March 1, 2009, and continuing through February
20 1, 2010, Defendants shall make a minimum monthly payment of at least \$50,000.
21 Each payment is to reach the Monitor on the first day of the month;
22

23 d. Beginning on March 1, 2010, and continuing through February
24 1, 2011, Defendants shall make a minimum monthly payment of at least \$83,000.
25 Each payment is to reach the Monitor on the first day of the month; and
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1 e. Defendants' final payment on February 1, 2011, shall include
2 all remaining unpaid restitution with all remaining post-judgment interest and shall
3 be payment of the entire remaining restitution in full.
4

5 f. Should the Court not sign this Consent Order by December 30,
6 2005, the Monitor may adjust the due dates of the payments listed in paragraphs a-
7 e above, consistent with the amounts and time frames specified in paragraphs a-e
8 above.
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11 44. Civil Monetary Penalties: Civil Monetary Penalties ("CMP") are
12 assessed by the Court in the following manner:
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14 a. Defendant LaGorio is ordered to pay a \$120,000 CMP on or
15 before March 1, 2011;

16 b. Defendant Obando is ordered to pay a \$120,000 CMP on or
17 before March 1, 2011;

18 c. Defendants LaGorio and Obando shall make their CMP
19 payments by electronic funds transfer, or by U.S. postal money order, certified
20 check, bank cashier's check, or bank money order, made payable to the
21 Commodity Futures Trading Commission, and sent to Dennese Posey, or her
22 successor, Division of Enforcement, Commodity Futures Trading Commission,
23 Three Lafayette Centre, 1155 21st Street, N.W., Washington, D.C. 20581, under a
24 cover letter that identifies LaGorio or Obando and the name and docket number of
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1 the proceeding. Each Defendant shall simultaneously transmit a copy of the cover
2 letter and the form of payment to the Monitor and to Gregory Mocek, or his
3 successor, Director, Division of Enforcement, Commodity Futures Trading
4 Commission, at the following address: Three Lafayette Centre, 1155 21st Street,
5 N.W., Washington, D.C. 20581.
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8 45. Accelerator Clause:

9 a. If Defendants fail to make a scheduled restitution payment, as
10 set out in paragraphs 41 through 43, above, within five (5) business days of the
11 designated due date; or
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13 b. If any Defendant fails to carry out or abide by each and every
14 term, condition or obligation of this Consent Order; or
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16 c. If any Defendant engages in any activity that violates the Act
17 and Regulations such that the Commission brings a civil suit against any
18 Defendant in any other matter;
19

20 then the entire unpaid restitution amount and full CMP, plus post judgment
21 interest, shall be immediately due and owing. Upon that occurrence, Defendant(s)
22 will then have five (5) business days in which to pay the entire remaining
23 restitution and full CMP. Should Defendant(s) fail to pay this amount within the
24 five (5) business days, the Court, upon the Commission's motion, will enter a
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1 judgment against Defendant(s) for the entire remaining restitution and CMP, plus,
2 post judgment interest.

3
4 Defendant(s) only defense to a claim that they failed to make a monthly
5 restitution payment and/or the payment of the CMP is whether Defendant(s) made
6 the monthly restitution payment and/or the payment of CMP as directed by this
7 Consent Order. Specifically, Defendant(s) shall be barred from asserting any other
8 defense, including expiration of any statute of limitations, waiver, estoppel or
9 laches, where such defense is based on the alleged failure of the Commission to
10 pursue such claims or causes of action during the pendency of this civil action,
11 during the negotiation of this Consent Order or while this Consent Order remains
12 in effect.

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16 46. The equitable relief provisions of this Consent Order shall be binding
17 upon Defendants, and any person who is acting in the capacity of officer, agent,
18 employee, servant, or attorney of Defendants, and any person acting in active
19 concert or participation with Defendants and those equitable relief provisions that
20 relate to restitution shall be binding on any financial institutions listed above or
21 holding frozen funds or assets of the Defendants, who receives actual notice of this
22 Consent Order by personal service or otherwise.

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26 47. Distribution of Restitution: The Monitor will distribute restitution
27 funds obtained from Defendants in an equitable fashion as determined by the
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1 Monitor to each of the customers identified in Attachment A to this Consent Order.
2 Nothing herein shall be construed in any way to limit or abridge the rights of any
3 customer that exist under federal, state, or common law to assert a claim for
4 recovery against Defendants subject to any offset or credit that Defendants may be
5 entitled to claim under the law governing that customer's claim. Subsequent to the
6 entry of this Consent Order, each Defendant shall provide the Commission and the
7 Monitor with immediate notice of any filing or compromise and settlement of any
8 private or governmental actions relating to the subject matter of this Order in the
9 manner required by Part V of this Consent Order.
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13 **V. MISCELLANEOUS PROVISIONS**

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15 48. Upon execution of this Consent Order, the Temporary Restraining
16 Order and Preliminary Injunction shall dissolve as to each Defendant.
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18 49. The Commodity Futures Trading Commission shall notify the
19 financial institutions identified in Paragraph 42 immediately in writing that once
20 the amounts identified in Paragraph 42 are liquidated, the Defendants' accounts
21 shall no longer be frozen.
22

23 50. Notices: All notices required to be given by any provision in this
24 Consent Order shall be sent certified mail, return receipt requested, as follows:
25 Notice to Commission: Attention - Director of Enforcement, Commodity Futures
26 Trading Commission, Division of Enforcement, 1155 21st Street N.W.,
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1 Washington, DC 20581; Notice to NFA – Daniel Driscoll, National Futures
2 Association, 200 W. Madison St., #1600, Chicago, IL 60606-3447.

SCANNED

3
4 51. Entire Agreement and Amendments: This Consent Order
5 incorporates all of the terms and conditions of the settlement among the parties
6 hereto. Nothing shall serve to amend or modify this Consent Order in any respect
7 whatsoever, unless: (1) reduced to writing; (2) signed by all parties hereto; and
8 (3) approved by order of this Court.
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11 52. Invalidation: If any provision of this Consent Order, or if the
12 application of any provisions or circumstances is held invalid, the remainder of the
13 Consent Order and the application of the provisions to any other person or
14 circumstance shall not be affected by the holding.
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17 53. Waiver: The failure of any party hereto at any time or times to
18 require performance of any provision hereof shall in no manner affect the right of
19 such party at a later time to enforce the same or any other provision of this Consent
20 Order. No waiver in one or more instances of the breach of any provision
21 contained in this Consent Order shall be deemed to be or construed as a further or
22 continuing waiver of such breach or waiver of the breach of any other provision of
23 this Consent Order.
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26 54. Acknowledgements: Upon being served with copies of this Consent
27 Order after entry by the Court, the Defendants shall sign acknowledgments of such
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SCANNED


1 service and serve such acknowledgments on the Court and the Commission within
2 seven (7) calendar days.

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4 55. Continuing Jurisdiction of this Court: This Court shall retain
5 jurisdiction of this cause to assure compliance with this Consent Order and for all
6 other purposes related to this action.

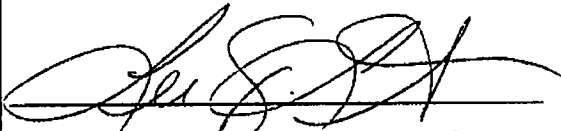
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8 56. Authority: LaGorio hereby warrants that he is the President of
9 Chase, and that this Consent Order has been duly authorized by Chase and he has
10 been duly empowered to sign and submit it on behalf of Chase. Andrew Stern
11 hereby warrants that he is the President of UFHC, and that this Consent Order has
12 been duly authorized by UFHC and he has been duly empowered to sign and
13 submit it on behalf of UFHC.

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16 There being no just reason for delay, the Clerk of the Court is hereby
17 directed to enter this Consent Order.

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19 **SO ORDERED**, at Los Angeles, California on this 24th day of
20 January 2006.

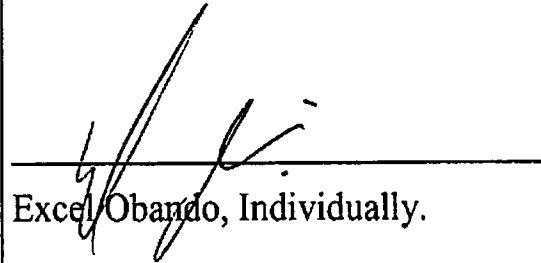
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24 _____
25 **HONORABLE PERCY ANDERSON**
26 **UNITED STATES DISTRICT JUDGE**
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1 CONSENTED TO AND APPROVED BY:

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Date: 12-16-05

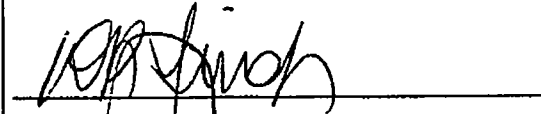
5 Lee LaGorio, Individually and on
6 behalf of Chase Commodities Corp.

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Date: 12/16/05

9
10 Excel Obando, Individually.

11 Approved for Entry:

12
13 

Date: 12/21/05

14 David Jacobs, Esq.
15 William Stein, Esq.
16 Deborah R. Linden, Esq.
17 Epstein Becker & Green
18 1875 Century Park East, Suite 500
19 Los Angeles, California 90067
310-557-9517 (Jacobs)
310-553-2165 (fax)

20 Counsel for Defendants Chase, LaGorio, and Obando and Local Counsel for
21 Defendant Universal Financial Holding Corporation
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SCANNED

Andrew Stern

Date: 12-23-05

Andrew Stern,
on behalf of Universal Financial Holding Corporation.

Kent Kawakami

Date: 1/23/06

Kenneth W. McCracken, Esq. (Pro Hac Vice)
Richard Glaser, Esq. (Pro Hac Vice)
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816-960-7750 (fax)
Attorneys for Plaintiff
U.S. Commodity Futures Trading Commission

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