

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF FLORIDA

Case No. 05-60928-CIV-ALTONAGA/Turnoff

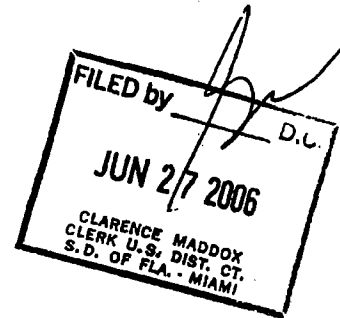
COMMODITY FUTURES TRADING
COMMISSION,

Plaintiff,

v.

WORLD MARKET ADVISORS, INC., *et al*

Defendants.



**ORDER OF DEFAULT JUDGMENT FOR PERMANENT
INJUNCTION
AND OTHER ANCILLARY RELIEF**

Plaintiff, Commodity Futures Trading Commission (“Plaintiff” or “CFTC”) filed a Complaint and First Amended Complaint charging that Defendants World Market Advisors, Inc., (“WMA”), U.S. Capital Management, Inc., (“US Capital”), United Equity Group, Inc., (“United Equity”), Liberty One Advisors, LLC (“Liberty One”), and Lighthouse Capital Management, LLC (“Lighthouse”), acting as a common enterprise in a scheme with other corporate defendants, brokers and controlling individuals, had engaged, are engaging, and may be about to engage in acts and practices that constitute violations of Section 4c(b) of the Commodity Exchange Act, as amended (“Act”), 7 U.S.C. § 6c(b) (2002), and Commission Regulation 32.9(a) and (c), 17 C.F.R. § 32.9(a) and (c) (2005) by fraudulently soliciting customers throughout the United States, Canada, and the United Kingdom to trade foreign currency options contracts. WMA, US Capital, United Equity, Liberty One and Lighthouse (hereinafter “WMA Common Enterprise” or

152
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“Default Defendants”), were properly served with summons and a copy of the action against them. The Default Defendants did not answer or otherwise defend against the action within the time permitted by the Federal Rules of Civil Procedure and the Plaintiff has now moved for a default judgment for permanent injunction and other ancillary relief.

This Court has considered the Complaint, First Amended Complaint, declarations, exhibits, memorandum in support of the Motion for Default Judgment and other papers filed herein and being fully advised of the premises:

THE COURT FINDS:

1. This Court has subject matter jurisdiction over this action pursuant to Section 6c of the Act, 7 U.S.C. § 13a-1, which authorizes the Commission to seek injunctive relief against any person whenever it shall appear to the Commission that such 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.
2. Venue properly lies with this Court pursuant to Section 6c of the Act, 7 U.S.C. § 13a-(e), because the Default Defendants are found in, inhabit, or transact business, among other places, in this District, or the acts and practices conducted in violation of the Act have occurred, are occurring, or are about to occur, among other places, within this district.
3. On June 13, 2005, each of the Default Defendants was served with summons and a copy of the complaint by a process server who served their respective registered agents. The Default Defendants failed to plead or otherwise defend the action against them within the time permitted by Rule 12 of the Federal Rules of Civil Procedure. Upon application by the Plaintiff, the Clerk entered a “Clerk’s Default”

against each of the Defaulting Defendants. Subsequently, this Court entered Orders directing the Plaintiff to submit its Motion for Default Final Judgment along with supporting affidavits and other documentation.

4. The Default Defendants have been given adequate notice of the Plaintiff's Motion for Default Final Judgment and entry of this Order.

5. The allegations of the Complaint and First Amended Complaint are well pleaded and hereby taken as true.

6. The Plaintiff has made a showing that the Default Defendants operated as a common enterprise and that they have engaged in acts and practices which violate Sections 4c(b) of the Act and Commission Regulation 32.9(a) and (c). Specifically, the WMA Common Enterprise, through its brokers, fraudulently solicited at least 1200 customers over the telephone throughout the United States, Canada, and the United Kingdom with high pressure sales tactics to open accounts to trade foreign currency options contracts. The WMA Common Enterprise, through its brokers, misrepresented and failed to disclose material facts concerning: (i) the likelihood that customers will profit from trading foreign currency options contracts; (ii) the risk of loss involved in trading foreign currency options contracts; (iii) the WMA Common Enterprise's losing trading record for customers; and (iv) the disciplinary action taken against one of its brokers for fraudulent sales practices.

7. At all times relevant, World Market, US Capital, United Equity, Liberty One and Lighthouse operated as a common enterprise and are therefore liable for the deceptive acts and practices of each other. Further, WMA Common Enterprise's agents and employees were acting within the scope of their employment. Therefore, the WMA

Common Enterprise is liable for the violation of its agents and employees pursuant to Section 2(a)(1)(B) of the Act, 7 U.S.C. § 2(a)(1)(B) (2002).

8. The totality of the circumstances establish that, unless retrained and enjoined by this Court, there is a reasonable likelihood that the WMA Common Enterprise will continue to engage in the acts and practices alleged in the Complaint and First Amended Complaint and in similar acts and practices in violation of the Act and Regulations.

9. The imposition of other ancillary equitable relief is required to comply with the basic objectives of the Act.

IT IS THEREFORE ORDERED, ADJUDGED AND DECREED THAT

Plaintiff's motion is granted and final judgment by default is entered in favor of the Plaintiff and against defendants World Market, US Capital, United Equity, Liberty One and Lighthouse as follows:

A. World Market, US Capital, United Equity, Liberty One and Lighthouse are permanently restrained, enjoined and prohibited, from directly or indirectly:

cheating or defrauding or attempting to cheat or defraud any other person; or directly or indirectly deceiving or attempting to deceive any other person by any means whatsoever in or in connection with an offer to enter into, the entry into, or the confirmation of the execution of, any commodity option transaction in violation of Section 4c(b) of the Act, 7 U.S.C. § 6c(b) (2002), and Regulation 32.9(a) and (c), 17 C.F.R. § 32.9(a) and (c) (2005).

B. World Market, US Capital, United Equity, Liberty One and Lighthouse are permanently restrained, enjoined and prohibited, from directly or indirectly:

1. Soliciting or accepting any funds from any person in connection with the purchase or sale of any commodity futures, options on commodity futures, foreign currency futures, or options on foreign currencies;
2. Engaging in, controlling, or directing the trading of any commodity futures, options on commodity futures, foreign currency futures or options on foreign currencies, on their own behalf or for on behalf of any other person or entity, whether by power of attorney or otherwise;
3. Introducing customers to any other person engaged in the business of trading in commodity futures, options on commodity futures, foreign currency futures or options on foreign currencies;
4. Issuing statements or reports to others concerning the trading of commodity futures, options on commodity futures, foreign currency futures or options on foreign currencies;
5. Soliciting, accepting or placing orders, giving advice or price quotations or other information in connection with the purchase or sale of commodity futures, options on commodity futures, foreign currency futures or options on foreign currencies for themselves or others, introducing customers to any other person engaged in the business of commodity futures or options trading; or
6. Otherwise engaging in any business activities related to commodity futures, options on commodity futures, foreign currency futures or options on foreign currencies.
7. Applying for registration or claiming exemptions from registration with the Commission in any capacity, and engaging in any activity requiring such registration or exemption from registration with the Commission, or acting as a principal, agent or officer or employee of any person registered, required to be registered or exempted from registration with the Commission under the Act.

IT IS FURTHER ORDERED THAT

Restitution:

World Market, US Capital, United Equity, Liberty One and Lighthouse are jointly and severally liable to pay restitution to defrauded customers. Within thirty (30) days of the date of this Order, World Market, US Capital, United Equity, Liberty One and

Lighthouse shall pay restitution in the amount of \$20,514,361 ("Restitution Amount"). In addition, World Market, US Capital, United Equity, Liberty One and Lighthouse shall pay pre-judgment interest thereon from October 1, 2002 to the date of this Order calculated at the underpayment rate established by the Internal Revenue Service, pursuant to 26 U.S.C. § 662(a)(2). World Market, US Capital, United Equity, Liberty One and Lighthouse shall also, jointly and severally, pay post judgment interest at the Treasury Bill rate prevailing on the date this Order is entered, pursuant to 28 U.S.C. § 1961(a), from the date this Order is entered until the date full payment of restitution is made, or such other amount that the Plaintiff may prove is equitable and justly owed.

The persons to whom the restitution amounts shall be paid, and *pro rata* distribution percentages by which each participant shall be paid from the Restitution Amount are set forth in Attachment A hereto. Omission from Attachment A shall in no way limit the ability of any participant from seeking recovery from World Market, US Capital, United Equity, Liberty One or Lighthouse or any other person or entity. Within thirty days of the date of this Order, World Market, US Capital, United Equity, Liberty One and Lighthouse shall provide the Restitution Amount to the National Futures Association ("NFA") c/o Daniel A. Driscoll, Esq., Executive Vice President, Chief Compliance Officer, or his successor, at the following address: National Futures Association, 200 West Madison Street, Chicago, Illinois 60606, under cover of a letter that identifies that World Market, US Capital, United Equity, Liberty One and Lighthouse are making payment and the name and docket number of the proceeding. Upon receipt of the funds for the payment of the Restitution Amount, the NFA will subsequently distribute the funds to investors in accordance with Attachment A and only

after the NFA verifies each participant's claim to a portion of the Restitution Amount. Further, any money paid to the NFA above and beyond the amount sufficient to pay full restitution to the participants identified on the distribution list, Attachment A, shall be converted to disgorgement and shall be sent by the NFA to the Commission to the attention of Dennese Posey, or her successor, Division of Enforcement, Commodity Futures Trading Commission, Three Lafayette Centre, 1155 21st Street, N.W., Washington, D.C. 20581, under cover of a letter that identifies World Market, US Capital, United Equity, Liberty One and Lighthouse as making payment and the name and docket number of the proceeding, as payment of disgorgement.

Disgorgement:

World Market, US Capital, United Equity, Liberty One, and Lighthouse, are jointly and severally liable to pay disgorgement in the amount of \$12,632,841, representing any and all proceeds received as a result of their fraudulent conduct. Within thirty (30) days of this Order, the Default Defendants shall disgorge \$12,632,841 in funds or such other amounts that the Plaintiff may prove is equitably and justly owed. Said amount of disgorgement shall be paid to the Commission pursuant to the directions set forth in the above Restitution provision. The Default Defendants shall also pay pre-judgment interest thereon from October 1, 2002 to the date of this Order calculated at the underpayment rate established by the Internal Revenue Service, pursuant to 26 U.S.C. § 662(a)(2). World Market, US Capital, United Equity, Liberty One and Lighthouse shall also, jointly and severally, pay post judgment interest on the disgorgement amount at the Treasury Bill rate prevailing on the date this Order is entered, pursuant to 28 U.S.C. §

1961(a), from the date this Order is entered until the date full payment of disgorgement is made.

Third Party Beneficiaries:


Pursuant to Rule 71 of the Federal Rules of Civil Procedure, each of the customers identified in Attachment A are explicitly made an intended third-party beneficiary of this Order and each customer identified in Attachment A may seek to enforce obedience of this Order to obtain satisfaction of any portion of the restitution amounts which have not been paid by the Default Defendants, to ensure continued compliance with any provision of this Order and to hold the Default Defendants in contempt for any past violations of any provision of this Order.

Any individual or entity holding funds frozen by this Court's Statutory Restraining Order entered June 9, 2005, shall transfer those funds to the NFA to be distributed, *pro rata*, to the defrauded customers pursuant to the Restitution provision set forth above.

IT IS FURTHER ORDERED THAT

This Court shall retain jurisdiction of this action for all purposes, including assessment of a civil monetary penalty against the Default Defendants, and implementation and enforcement of this Final Default Judgment.

ORDERED, ADJUDGED AND DECREED this 27 day of June, 2006.


CECILIA ALTONAGA
UNITED STATES DISTRICT JUDGE