

**IN THE UNITED STATES DISTRICT COURT  
FOR THE  
WESTERN DISTRICT OF MICHIGAN  
SOUTHERN DIVISION**

**COMMODITY FUTURES TRADING  
COMMISSION,**

**Plaintiff,**

**v.**

**Steven G. Schroeder**

**Defendant.**

**CIVIL ACTION NO. 1:06 CV 0705**

**Gordon J. Quist  
U.S. District Judge**

**CONSENT ORDER OF PERMANENT INJUNCTION AND OTHER ANCILLARY  
RELIEF AGAINST DEFENDANT STEVEN G. SCHROEDER**

Plaintiff, Commodity Futures Trading Commission ("Commission"), has filed a Complaint against Defendant Steven G. Schroeder ("Schroeder") seeking injunctive and other equitable relief for violations of the Commodity Exchange Act, as amended ("Act"), 7 U.S.C. §§ 1 et seq. (2002), and Regulations promulgated there under, 17 C.F.R. §§ 1 et seq. (2006). The Court entered a Statutory Restraining Order against the defendant on September 27, 2006.

The Court has considered the Complaint, Motion for Entry of a Preliminary Injunction, Plaintiff's Brief in Support of Motions for Entry of a Statutory Restraining Order, Preliminary Injunction and Expedited Discovery and Appendix of Exhibits, including two declarations of Commission investigator, William W. Heitner, Jr., the declaration of the Deputy Record Custodian for the National Futures Association, Sandra A. Guard, the declarations of managed account customers, Gary Schubert and James Lembeck, the declaration of Matt Bowen, an

individual solicited as a managed account customer, and a declaration from Jon Marcus, principal of Lakefront Futures, Inc., and other papers filed herein.

**THE PARTIES AGREE AND THE COURT FINDS THAT:**

To effect settlement of the matters alleged in the Complaint against Defendant without a trial on the merits, defendant:

1. Consents to the entry of this Consent Order of Permanent Injunction and Other Equitable Relief (“Order”).
2. Affirms that he has agreed to this 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 Order, other than as set forth specifically herein.
3. Acknowledges service of the Summons and Complaint.
4. Admits jurisdiction of this Court over him and the subject matter of this action pursuant to Section 6c of the Act, 7 U.S.C. § 13a-1 (2002).
5. Admits that venue properly lies with this Court pursuant to Section 6c of the Act, 7 U.S.C. § 13a-1 (2002).
6. Waives:
  - A. All claims which he may possess under the Equal Access to Justice Act (“EAJA”), 5 U.S.C. § 504 and 28 U.S.C. § 2412, relating to, or arising from, this action, and any right under EAJA to seek costs, fees, and other expenses relating to or arising from this action;

B. Any claim of Double Jeopardy based upon the institution of this proceeding or the entry in this proceeding of any order imposing a civil monetary penalty or any other relief; and

C. All rights of appeal from this Order.

**THE PARTIES ALSO AGREE AND THE COURT FINDS THE FOLLOWING:**

7. Since at least September 2004 to the present (the “relevant time”), Schroeder has fraudulently solicited and defrauded existing and prospective managed futures account clients while holding himself out to the public as a commodity trading advisor (“CTA”).

8. During the relevant time, Schroeder acted as commodity trading advisor (“CTA”) without being registered as such with the Commission.

9. While acting as a CTA, the defendant failed to provide participants with a Disclosure Document as required by Commission Regulation 4.31.

10. During the course of soliciting clients, Schroeder omitted telling prospective clients the fact that he had lost money trading commodity futures for himself and for his managed account clients.

11. During the course of soliciting clients, Schroeder made the following material misrepresentations to some of his prospective clients and clients:

(a) On an internet website entitled letstalkwinning.com, Schroeder falsely claimed that he had been very successful trading commodity futures and that he had recently doubled a \$100,000 investment in one month;

(b) Schroeder sent e-mails reflecting track records of his trading showing large profits, although the trades listed never took place and the reported profits were not real;

(c) Schroeder guaranteed that he could make a 30% profit per month for his managed account clients, without having any basis for making that guarantee;

(d) Schroeder sent copies of purported statements for a futures trading account in his name at a futures commission merchant (“FCM”) called Rosenthal Collins Group (“Rosenthal”). These included a statement, dated February 8, 2005, showing a balance of \$100,000 and another statement, dated February 15, 2005, showing a balance of \$164,122, both of which were fictitious and did not reflect any actual balances or trading;

(e) Schroeder sent e-mails including a phony personal commodity trading track record showing \$730,000 in profits;

(f) Schroeder falsely claimed in an e-mail that he had received his “doctorate in finance from the University of Michigan” approximately 20 years ago;

(g) In approximately September 2005, Schroeder falsely claimed in e-mails that the accounts he managed had earned profits of more than \$1 million and 1,000% returns since February 1<sup>st</sup>;

(h) Schroeder sent purported statements for his account at another FCM, Man Financial, Inc. (“Man”), showing a \$1 million balance which were a total fabrication as his personal accounts at Man had a zero balance at that time and never had an account balance close to that magnitude;

(i) Schroeder sent a purported statement showing account equity on October 12, 2005 of more than \$759,000 for what he explained was his current account at Rosenthal. The Rosenthal statement was also a fabrication as Schroeder did not have an open account at Rosenthal at that time and never had an account balance close to that magnitude.

(j) Schroeder sent copies of purported FCM account statements for his personal trading account showing a starting balance of \$100,000 in January 2005 that had earned a profit

of \$400,000 in less than a year. These statements were false in that Schroeder never reaped profits of that magnitude for himself or any of his clients;

(k) Schroeder sent statements showing a starting balance in February 2005 of \$100,000 for his personal account at Rosenthal and statements showing a net account value of more than \$1.2 million for Schroeder's account at Man in September 2005. These statements were completely false since, at that time, Schroeder did not even have open trading accounts on the dates represented on the statements, nor did he ever have account balances close to that magnitude at either firm when he had such accounts open;

(l) As recently as June 21, 2006, Schroeder was sending e-mails to clients and prospective clients falsely representing that he was profitably trading other commodity futures accounts.

12. Schroeder had agreed to receive compensation from his managed futures account clients in the form of a percentage of the profits he would earn for their trading accounts after the first month of trading;

13. During the relevant time, Schroeder fraudulently solicited approximately \$2.057 million from at least eleven members of the public, for whom he had agreed to trade commodity futures through powers of attorney.

14. Ten of the clients solicited by Schroeder actually opened accounts that were eventually traded by Schroeder, with one of the accounts returning a small profit of \$3,239. However, Schroeder's managed trading accounts had overall trading losses of approximately \$220,000 during the relevant time.

15. At the time of the filing of this lawsuit, Schroeder had control over two client accounts at an FCM called Goldenberg, Haymeyer & Co. ("GH & Co.") with a total account value of more than \$300,000.

16. Schroeder traded for himself through three commodity trading accounts at various FCMs from July through October 2004, losing close to \$32,000 on net deposits totaling \$59,000.

17. During the relevant time, Schroeder has made use of the means and instrumentalities of interstate commerce, and the mails, in connection with the acts, practices and courses of conduct set forth in the allegations in the Complaint.

**IT IS THEREFORE ORDERED THAT:**

18. The Defendant is permanently restrained, enjoined and prohibited from directly or indirectly:

- A. Cheating or defrauding, or attempting to cheat, or defraud other persons in or in connection with an offer to enter into, the entry into, the confirmation of the execution of, or the maintenance of, any commodity futures transaction, in violation of Section 4b(a)(2)(i) of the Act, 7 U.S.C. § 6b(a)(2)(i);
- B. Making or causing to be made to any other person any false report or statement thereof or causing to be entered for any person any false record thereof, in violation of Section 4b(a)(2)(ii) of the Act, 7 U.S.C. § 6b(a)(2)(ii);
- C. Willfully deceiving or attempting to deceive by any means whatsoever other persons by any means whatsoever in regard to any order or contract, or in regard to any act of agency performed with respect to any order or contract, in violation of Section 4b(a)(2)(iii) of the Act, 7 U.S.C. § 6b(a)(2)(iii);
- D. While acting as a CTA, employing any device, scheme or artifice to defraud other persons, or engaging in transactions, practices, or a course of business that operates as a fraud or deceit upon any persons, in violation of Section 4o(1) of the Act, 7 U.S.C. § 6o(1);
- E. Engaging in business as, and holding himself out to the public as, a CTA, without the benefit of proper registration with the Commission, in violation of Section 4m(1) of the Act, 7 U.S.C. § 6m(1);

F. Entering into agreements with any persons to direct the trading in their commodity interest accounts without first, or at the same time, delivering to the prospective clients a Disclosure Document containing the information required by Regulations 4.34 and 4.35, 17 C.F.R. §§ 4.34 and 4.35 (2006), in violation of Regulation 4.31, 17 C.F.R. § 4.31.

19. The Defendant is further permanently restrained, enjoined and prohibited from directly or indirectly:

- A. Engaging in, controlling or directing the trading for any commodity futures or options accounts for or on behalf of any other person or entity, whether by power of attorney or otherwise;
- B. Entering into any commodity futures or options transactions for his own accounts, for any accounts in which he has a direct or indirect interest, and/or having any commodity futures or options traded on his behalf; and
- C. 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, except as provided for in Section 4.14(a)(9) of the Commission's Regulations, 17 C.F.R. § 4.14(a)(9), or acting, directly or indirectly, as a principal, agent, or any other officer, agent or employee of any person registered, required to be registered, or exempted from registration with the Commission, unless such exemption is pursuant to Section 4.14(a)(9) of the Commission's Regulations, 17 C.F.R. §4.14(a)(9). This includes, but is not limited to, soliciting, accepting or receiving any funds, revenue or other property from any person, giving advice for compensation, or soliciting prospective customers, relating to the purchase or sale of any commodity futures or options.

**THE PARTIES FURTHER AGREE AND THE COURT FURTHER FINDS THAT:**

20. The issues of necessary equitable relief regarding restitution for defrauded investors and an appropriate disgorgement and civil monetary penalty for the Defendant is still unresolved and is hereby reserved for further proceedings before this Court. In order to facilitate resolution of these issues, the Defendant is restrained, enjoined and prohibited, until further order of this Court, from directly or indirectly:

- A. Dissipating, withdrawing, transferring, removing, dissipating, concealing or disposing of, in any manner, any funds, assets, choses in action, or other property, wherever situated, including but not limited to, all funds, personal property,

money or securities held in safes, safety deposit boxes and all funds on deposit in any financial institution, bank or savings and loan account held by, under the control, or in the name of Defendant Steven G. Schroeder, or otherwise, and the assets affected by this paragraph shall include both existing assets and assets acquired after the effective date of the Court's Order, and the Court's Order shall remain in effect until such time as the Court orders a distribution of same; provided, however, that Defendant Schroeder is allowed to spend monthly from account number 7163731701 at the Fifth Third Bank not more than \$600 income earned after the date of entry of this Order on ordinary and reasonable living expenses and Schroeder will provide plaintiff's counsel with copies of monthly statements for said bank account; provided further, however, that the Court retains authority to modify the \$600 figure on motion of either party with notice and an opportunity to be heard; and

- B. Destroying, mutilating, concealing, altering or disposing of, in any manner, any of the books and records, documents, correspondence, brochures, manuals, electronically stored data, tape records or other property of defendants, wherever located, including all such records concerning defendants' business operations, until further order of the Court.

21. Until further order of this Court, Defendant and each firm, corporation, partnership, association or other person or entity which holds or is a depository of his funds, securities, assets or other property of any kind, are prohibited from directly or indirectly transferring, withdrawing, removing or disposing of any such funds, securities, assets or other property.

22. The injunctive provisions of this Order shall be binding on the Defendant, upon any person insofar as he or she is acting in the capacity of officer, agent, servant, employee or attorney of Defendant, and upon any person who receives actual notice of this Order by personal service, facsimile or otherwise insofar as he or she is acting in active concert or participation with the Defendant.

23. Defendant Schroeder will provide the plaintiff with sworn deposition testimony and all documents and records regarding:

- A. The names and last known addresses, phone numbers, and e-mail addresses of all of his clients and prospective clients;



- B. All funds, securities, commodity interests, assets and other property currently owned or controlled (legally, equitably or otherwise) directly or indirectly by the Defendant;
- C. All funds, securities, commodity interests, assets and other property received directly or indirectly by the defendant, whether individually or jointly, describing the source, amount, disposition, and current location of each listed item;
- D. All funds, securities, commodity interests, assets and other property transferred or otherwise disposed of directly or indirectly by the Defendant describing the source, amount, disposition, and current location of each listed item, including accounts or assets of the Defendant held by financial institutions located outside the territorial United States; and
- E. The name and last known address of each bailee, debtor or other person or entity currently holding any funds, securities, commodity interests, assets or other property owned or controlled (legally, equitably or otherwise) by the Defendant, either individually or jointly.

24. The Defendant shall further allow representatives of the plaintiff Commission upon reasonable notice to inspect the books, records and other electronically stored data, tape recordings, and other documents of the Defendant and his agents, including all such records of their business operations, wherever they are situated and whether they are in the hands of the Defendant or others and to copy said documents, data, and records either on or off the premises where they may be situated.

25. The Defendant shall immediately take all steps within their power to repatriate all funds, assets and property held by, under the control of, or in the name of the Defendant, whether jointly or otherwise, outside the United States, including but not limited to all funds on deposit in any banks, brokerage houses or other financial institution, by paying them to the Clerk of Court or as otherwise ordered by the Court, for further disposition in this case. The Defendant shall also execute the Consent to Release of Financial Records attached hereto and made a part of this Order.

26. This Order may be served by William Heitner, an employee of the Commission, and may be served by facsimile transmission.

27. The Court shall retain jurisdiction over this action to ensure compliance with this Order and for all other purposes related to this action.

**IT IS SO ORDERED.**

Dated: October<sup>6</sup>, 2006

/s/ Gordon J. Quist  
Gordon J. Quist  
United States District Judge

CONSENTED TO AND APPROVED BY:

Steven G. Schroeder  
Steven G. Schroeder  
Individually,  
Defendant

Susan B. Padove  
Susan B. Padove  
Senior Trial Attorney  
One of the Attorneys for the Plaintiff  
Commodity Futures Trading Commission  
525 West Monroe Street, Suite 1100  
Chicago, Illinois 60606  
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**CONSENT TO RELEASE OF FINANCIAL RECORDS**

I, STEVEN SCHROEDER, do hereby direct any bank or trust company at which I have a bank account of any kind upon which I am authorized to draw, and its officers, employees and agents, to disclose all information and deliver copies of all documents of every nature in your possession or control which relate to said bank accounts to any attorney of the U.S. Commodity Futures Trading Commission, and to give evidence relevant thereto, in the case captioned Commodity Futures Trading Commission v. Steven G. Schroeder, pending in the U.S. District Court for the Western District of Michigan, Case NO. 1:06 CV 0705, and this shall be irrevocable authority for so doing. This direction is intended to also apply to the laws of countries other than the United States which restrict or prohibit the disclosure of bank information without the consent of the holder of the account, and shall be construed as consent with respect thereto, and the same shall apply to any of the bank accounts for which I may be a relevant principal.

Dated: October 5, 2006

Steven Schroeder  
Signature