

FILED by _____ D.C.
JUN 21 2004
CLARENCE MADDOX
CLERK U.S. DIST. CT.
S.D. OF FLA. - MIAMI

UNITED STATES DISTRICT COURT
FOR THE SOUTHERN DISTRICT OF FLORIDA

Case No. _____ -Civ. 04-60797

U.S. COMMODITY FUTURES TRADING
COMMISSION,)

Plaintiff,)

v.)

GLOBAL ATLANTIC MANAGEMENT, INC.,)
dba WORLDWIDE FOREX, INC. and WORLDWIDE)
COMMODITY CORP., WORLDWIDE FOREX, INC.,)
STEVEN LABELL,)

Defendants.)

CIV-JORDAN

MAGISTRATE JUDGE

COMPLAINT FOR INJUNCTIVE AND OTHER EQUITABLE
RELIEF UNDER THE COMMODITY EXCHANGE ACT,
AS AMENDED 7 U.S.C. § 1, ET SEQ.

I. SUMMARY

1. Since at least April 2002 Worldwide Forex, Inc. ("WWF"), and from October 2003, Global Atlantic Management, Inc. dba Worldwide Forex and Worldwide Commodity Corp. ("Global Atlantic"), operating as a common enterprise ("WWF Common Enterprise" or the "Company"), and Steven Labell ("Labell") (collectively "Defendants") have been fraudulently soliciting customers to trade foreign currency futures contracts by knowingly misrepresenting, and failing to disclose material facts, concerning, among other things, (i) the likelihood that a customer would realize large profits from futures trading; (ii) the risk involved in trading futures; and (iii) the excessively poor performance record of WWF Common Enterprise's customers.

2. Accordingly, pursuant to Section 6c of the Commodity Exchange Act, as amended, (“the Act”), 7 U.S.C. § 13a-1 (2002), Plaintiff Commodity Futures Trading Commission (“Commission”) brings this action to enjoin Defendants’ unlawful acts and practices and to compel their compliance with the Act and Commission Regulations (“Regulations”). In addition, the Commission seeks civil monetary penalties, restitution to customers for losses proximately caused by defendants’ fraud, disgorgement of defendants’ ill-gotten gains, and such other relief as this Court may deem necessary or appropriate.

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

II. JURISDICTION AND VENUE

4. The Act establishes a comprehensive system for regulating the purchase and sale of commodity futures contracts, including retail foreign currency futures contracts like those offered by defendants. This Court has jurisdiction over this action pursuant to Section 6c of the Act, 7 U.S.C. § 13a-1, which provides that, whenever it shall appear to the Commission that any person has engaged, is engaging, or is about to engage in any act or practice constituting a violation of any provision of the Act or any rule, regulation, or order promulgated thereunder, the Commission may bring an action against such person to enjoin such practice or to enforce compliance with the Act.

5. Sections 2(c)(2)(B) and (C) of the Act, 7 U.S.C. § 2, confers on the Commission jurisdiction, including anti-fraud jurisdiction, over the transactions in foreign currency futures contracts offered and/or entered into with retail customers alleged in this Complaint.

6. Venue properly lies with this Court pursuant to Section 6c(e) of the Act, 7 U.S.C. § 13a-1(e), because defendants are found in, inhabit, or transact business in this District or the acts and practices in violation of the Act have occurred, are occurring, or are about to occur within this District, among other places. In particular, Global Atlantic and WWF are Florida corporations with their principal business address in Broward County, Florida.

III. THE PARTIES

7. Plaintiff is a federal independent regulatory agency charged with the administration and enforcement of the Act, 7 U.S.C. §§ 1 *et seq.* (2002), and the regulations promulgated thereunder.

8. Defendant Global Atlantic Management, Inc. is a Florida corporation with its principal place of business at 350 East Las Olas Boulevard, Suite 1240 Fort Lauderdale, Florida 33301. Global Atlantic registered with the National Futures Association, (“NFA”), an industry funded non-profit futures association with self-regulatory responsibility under the Act to regulate futures related activities of its members, as an Introducing Broker (“IB”) on November 24, 2003. When registering with the NFA, Global Atlantic identified that it was doing business as Worldwide Forex, Inc. and Worldwide Commodities Corp. (“WWC”).

9. Worldwide Forex, Inc. is a Florida corporation with its principal place of business located at 700 N. Hiatus Road, Suite 203 Pembroke Pines, Florida 33028. WWF has never independently registered with the NFA.

10. Defendant Steven Labell resides at 1251 NW 94th Avenue Plantation, Florida 33322. He is the Vice President of Global Atlantic and initial director, officer and Vice President of WWF.

IV. FACTUAL STATEMENT

A. WWF and Global Atlantic Operate a Common Enterprise, and Global Atlantic is also Liable as a Successor Corporation to WWF

11. Global Atlantic is a successor corporation of WWF. Global Atlantic constitutes a de facto merger, a mere continuation and a fraudulent effort to avoid liabilities of its predecessor, WWF. In addition, WWF and Global Atlantic are separately formed corporations engaging in a common enterprise and have since at least April 2002 through its brokers solicit members of the general public to open foreign currency futures contracts accounts through Global Atlantic and WWF.

12. WWF initially registered as a for-profit corporation with the State of Florida under the name Atlantic Global Commodities, Inc. on July 14, 2000. In the Articles of Incorporation filed with the State of Florida, Labell and Larry Kahn ("Kahn") were listed as the company's initial directors and Labell was listed as the company's registered agent. On May 2, 2002, Labell, as President, filed an amendment changing the name of the corporation to Worldwide Forex, Inc. WWF maintained its principal place of business at 700 N. Hiatus Road, Suite 203 Pembroke Pines, Florida 33026.

13. WWF operated a business offering foreign currency futures contracts to retail customers. Labell and the company employed brokers to make unsolicited sales calls urging customers to open foreign currency futures contracts accounts through WWF. WWF used radio advertisements around the country to tout foreign currency futures contracts trading. On February 23, 2004, WWF filed Articles of Dissolution voluntarily dissolving the corporation.

14. On October 1, 2003 Kahn filed Articles of Incorporation with the state of Florida for Global Atlantic Management, Inc. listing himself and Labell as initial directors. The Articles

of Incorporation stated that 700 N. Hiatus Road, Suite 203 Pembroke Pines, Florida 33026 was the corporation's principal place of business. On November 11, 2003, Global Atlantic applied for registration with the NFA. In their registration application, they indicated that they were doing business as WWF and Worldwide Commodity Corp. and stated that their principal place of business was 700 N. Hiatus Road, Suite 203, Pembroke Pines, Florida 33026.

15. Global Atlantic operates a business that includes offering foreign currency futures contracts to retail customers in a manner identical to its predecessor, WWF. Global Atlantic employs brokers to make unsolicited sales calls urging customers to open foreign currency futures contracts accounts. Global Atlantic runs advertisements that are virtually the same advertisements as those used by WWF. Global Atlantic even uses Labell in the advertisements and in the same role as the WWF advertisements. Further, Global Atlantic's radio advertisements commenced when WWF advertisements went off the air. In addition, a Global Atlantic employee represented to an existing WWF customer that only the name of the corporation changed and that everything else remains the same. The Global Atlantic employee also indicated that such corporate name changes are a common practice.

16. Thus, Global Atlantic has the same corporate directors and officers as WWF, employs the same or substantially the same workforce, engages in the same business, initially maintained the same business address, uses substantially the same advertising material, registered with the NFA, indicating that it is doing business as WWF and holding itself out to the public as a mere continuation of WWF, with only the name of the corporation being different. Global Atlantic and WWF are a common enterprise and to the extent WWF ceased operations, Global Atlantic is liable as a successor corporation

B. Defendants Have Violated the Act

1. Background

17. Since at least April 2002, WWF Common Enterprise brokers solicit members of the general public to open commodity trading accounts through the WWF Common Enterprise to trade foreign currency futures contracts.

18. In telephone sales calls, WWF Common Enterprise made and continue to make fraudulent and materially misleading sales solicitations by knowingly: (1) misrepresenting the likelihood that customers will profit from the purchase of foreign currency futures contracts; (2) misrepresenting the risk of trading foreign currency futures contracts; and (3) failing to disclose, in light of the profit representations they are making, the Company's dismal performance record trading foreign currency futures contracts for customers.

2. Misrepresentations Exaggerating the Likelihood of Profit

19. WWF Common Enterprise brokers systematically highlight to customers the likelihood of enormous returns on their foreign currency futures contracts investments, usually within a short period of time, while failing to note the firm's abysmal track record trading such contracts. For example, without disclosing the firm's bad track record, WWF Common Enterprise brokers made the following statements:

(a) A WWF Common Enterprise broker told a customer that that he could earn 180% on a \$50,000 investment in a short period of time, or words to that effect;

(b) The same WWF Common Enterprise broker represented to a customer that it was a good time to invest in foreign currency futures contracts because he was

sure that the Euro was going up and that the customer could capitalize on the market move. He also said that it was the perfect time to invest in order to maximize profits, or words to that effect;

(c) The same WWF Common Enterprise broker represented to another customer that a \$15,000 investment would grow to \$50,000 in a short period of time. After investing, he urged the same customer to invest more money by falsely claiming that the customer has already doubled his investment;

(c) A WWF Common Enterprise broker told a customer that there would be a good chance to double his investment in a short period of time, or words to that effect;

(d) The same WWF Common Enterprise broker represented to another customer that he would make \$40,000 on a \$10,000 investment, or words to that effect;

(e) The same WWF Common Enterprise broker represented to at least one customer that he was sure that the market was ready to move and in order to make large sums of money on his foreign currency futures contracts investment, he had to invest more money, or words to that effect;

(f) A WWF Common Enterprise broker represented to at least one customer that it was the perfect time to invest in foreign currency futures contracts. He told the customer that a lot of people are making a lot of money in foreign currency futures contracts and that it was likely that the price of the Euro would increase resulting in large profits, or words to that effect.

- (g) The same WWF Common Enterprise broker told another customer that he could double his money within a year, or words to that effect;
- (h) The same WWF Common Enterprise broker told another customer that she could expect to earn at least 30% per transaction;
- (i) The same WWF Common Enterprise broker told another customer that he could earn \$70,000 or even \$100,000 within one year;
- (j) A WWF Common Enterprise broker represented to a customer that he could double his money, or words to that effect;
- (k) A WWF Common Enterprise broker told a customer that he would double or triple his money in a short period of time, or words to that effect;
- (l) A WWF Common Enterprise broker indicated that a \$25,000 investment would yield a \$40,000-\$50,000 return in as little as sixty days, or words to that effect;
- (m) A WWF Common Enterprise broker told a customer that he could earn \$50,000 on a \$10,000 investment, or words to that effect.

20. WWF Common Enterprise brokers told customers that certain world events such as the war with Iraq would virtually guarantee a profit for customers. For example:

- (a) A WWF Common Enterprise broker solicited a customer to invest by representing that the war is going to make the market move, or words to that effect;

- (b) The same WWF Common Enterprise broker told other customers that the pre-war situation in Iraq would increase the value of the Euro versus the U.S. dollar, or words to that effect;
- (c) A WWF Common Enterprise broker represented to a customer that he had to invest immediately because the first few days of the Iraq war were the most important because that is when the market will move, or words to that effect;
- (d) The same WWF Common Enterprise broker told customers that the war in Iraq would cause the Euro to increase in value, or words to that effect;
- (e) A WWF Common Enterprise broker represented to a customer that it was a good time to invest in foreign currency because all members of the European Union had to convert their currency to the Euro resulting in huge demands for the Euro; later, he represented that the war will make the market move and make money for the customer, or words to that effect;
- (f) A WWF Common Enterprise broker represented to a customer that he had to invest immediately before the war started in order to capitalize on the market move that will result from the war and that there is a potential to double his money after the war starts, or words to that effect;
- (g) A WWF Common Enterprise broker represented to a customer that he was sure that the war in Iraq will have an effect on the Euro and that the customer should not pass up the opportunity to invest in foreign currency futures contracts before the war, or words to that effect;

(h) A WWF Common Enterprise broker represented to a customer that he could double his money after the war with Iraq starts, or words to that effect.

(i) A WWF Common Enterprise broker represented to a customer that the war in Iraq and the general discontent with the United States insured that the Euro would increase as compared to the U.S. Dollar.

21. In their sales solicitations, WWF Common Enterprise brokers deliberately misrepresent the urgency of the investment opportunity and try to convince customers to invest immediately so as not to miss what they indicate is a fleeting opportunity to make a lot of money. If perspective customers hesitate about investing, Defendants increase the urgency of their sales pitches, by telling customers that they must invest immediately in order to maximize their profits. For example:

(a) A WWF Common Enterprise broker represented to a customer that he needed to invest because the surge in demand for the Euro was imminent, or words to that effect;

(b) The same WWF Common Enterprise broker represented to another customer that failing to invest immediately would mean losing a great opportunity because the Euro was poised to move immediately.

(c) A WWF Common Enterprise broker represented to a customer that the longer he waited to invest, the more the customer squandered the opportunity to make money. He told the customer that had he invested previously the customer would already have realized a profit. He reiterated that any delay in investing would affect the customer's profit, or words to that effect;

(d) The same WWF Common Enterprise broker represented to a customer that she should invest immediately or else lose out on a once in a lifetime opportunity. He claimed that the Euro was ready to move and that the customer should invest immediately or lose the opportunity;

(d) A WWF Common Enterprise broker represented to at least one customer the urgency of investing quickly by telling him that had he entered into the market a week ago, he would have a substantial profit by now, or words to that effect;

(e) A WWF Common Enterprise broker told a customer to move quickly to invest before the war begins with Iraq, or words to that effect.

(f) A WWF Common Enterprise broker told a customer that a failure to invest immediately would result in a missed opportunity to earn a great profit.

3. Misrepresentations and Omissions Minimizing the Risk of Loss

22. During the course of their telephone sales solicitations, WWF Common Enterprise brokers routinely fail to disclose adequately the risk of loss inherent in trading foreign currency futures contracts, particularly in light of their abysmal track record trading such contracts. Their occasional references to risk are nullified when Defendants urge customers to invest immediately and by their misrepresentations and omissions falsely convey that, while losses trading foreign currency futures contracts are theoretically possible, trading with the WWF Common Enterprise is highly profitable and virtually risk free. For example:

(a) A WWF Common Enterprise broker represented to a customer that unless something really major happens like a nuclear war, the customer would not lose money on his investment, or words to that effect;

- (b) The same WWF Common Enterprise broker told an investor that foreign currency futures were a safer investment than the stock market, or words to that effect;
- (c) The same WWF Common Enterprise broker represented to a customer that there was minimal risk in trading foreign currency futures contracts and that he had a good chance to double his money because trading foreign currency futures contracts was more predictable than the stock market, or words to that effect;
- (d) A WWF Common Enterprise broker represented that the stock market was a riskier investment and that he had his own investments in foreign currency futures contracts, or words to that effect;
- (e) The same WWF Common Enterprise broker told a customer that that the risk of loss on a \$50,000 investment was only \$3000, or words to that effect;
- (f) The same WWF Common Enterprise broker minimized the potential risk to a customer by implying that losing money trading through the WWF Common Enterprise was as unlikely as getting hit by a bus and that he was offering a safer investment than the stock market;
- (g) A WWF Common Enterprise broker employee represented to a customer that he would not lose more than \$10,000 on his \$50,000 investment, or words to that effect.

23. In their sales solicitations, WWF Common Enterprise brokers also indicate that stop-loss orders are utilized to minimize risk. In doing so, they mislead investors into believing

that a stop-loss order protects a substantial portion of their investment. Some of the fraudulent representations made with respect to the use of stop-loss orders were:

- (a) A WWF Common Enterprise broker told a customer that stop-loss orders will minimize his risk of loss and that an investor would not lose his investment quickly, or words to that effect;
- (b) A WWF Common Enterprise broker told another customer that stop-loss orders insured that minimal losses in case the market moved against the customer's position;
- (c) A WWF Common Enterprise broker told a customer that stop-loss orders would minimize the risk of loss, or words to that effect;
- (d) The same WWF Common Enterprise broker told another investor that he would not lose more than \$500 in any one position because Worldwide Forex used stop-loss orders, or words to that effect;
- (e) The same WWF Common Enterprise broker told another customer that stop-loss orders would minimize the risk of loss, or words to that effect;
- (f) A WWF broker told a customer that a stop-loss order insured that he would only lose 10% of his investment, or words to that effect.

4. The WWF Common Enterprise's Losing Performance Record

24. Despite their grandiose profit claims and minimization of risk, WWF Common Enterprise brokers never disclose the actual overall losing trading record sustained by their customers. In fact, the overwhelming majority of WWF Common Enterprise's customers lost money from their investments.

25. The WWF Common Enterprise had a total of 284 customers between April 2002 and February 2004. All, but one customers, lost money investing. In fact, customers had a net loss of \$1,801,815.87.

26. At the same time virtually all of their customers lost money, the WWF Common Enterprise generated over one million dollars in commissions and fees from its customers.

27. Despite WWF Common Enterprise's abysmal trading record and the enormous losses suffered by its customers, the WWF Common Enterprise, through its brokers encouraged customer to invest claiming that they were successful traders. For example:

- (a) A WWF Common Enterprise broker repeatedly mentioned that he traded very successfully on behalf of numerous customers, or words to that effect;
- (b) Another WWF Common Enterprise broker told customers that he was a very successful trader, or words to that effect;
- (c) The same WWF Common Enterprise broker told another customer that he had over twenty years experience trading and that he made substantial profits for his investors;
- (d) A WWF Common Enterprise broker repeatedly told a customer that he had a large number of clients who made large sums of money investing in the Euro in a short period of time;
- (e) A WWF Common Enterprise broker told a customer that he had made millions of dollars investing in the futures markets, or words to that effect;

(f) A WWF Common Enterprise broker told a customer that everyone was celebrating because the firm had just made a very profitable trade, or words to that effect.

(g) A WWF Common Enterprise broker told a customer that he was a successful trader and earned substantial sums of money for himself and for individual investors. The customer was given an alleged example of a customer who made a \$30,000 profit in one week. The same WWF Common Enterprise broker told the customer that another investor made nearly \$60,000 on a small investment.

(h) A WWF Common Enterprise broker told another customer that everyone who invested with him was making money.

C. CONTROLLING PERSON LIABILITY

28. Labell directly or indirectly controlled the WWF Common Enterprise, and did not act in good faith, or knowingly induced, directly or indirectly, the violations of the Act. He therefore is liable as a controlling person pursuant to Section 13(b) of the Commodity Exchange Act, 7 U.S.C. § 13c(b) (2001). Labell is listed as a director of both Global Atlantic and WWF. He played a central role in the formation and operation of these corporations. Labell publicly claims to be President of WWF, and is listed as Vice President of both WWF and Global Atlantic. He is also a central figure in the direction and policies of both Global Atlantic and WWF, actively participating in the day-to-day business operations. Labell maintains decision making authority and discretion over the business operation, including 1) handling customer complaints and customer relations; 2) directing the WWF Common Enterprise's advertising; 3)

appearing on radio advertisements around the country touting the profit potential of foreign currency futures contracts; and 4) handling the corporate finances, such as negotiating settlements with customers who lost money trading with the WWF Common Enterprise. Further, he had actual or constructive knowledge of the core activities that constitute the violations at issue in this complaint, and allowed them to continue.

IV. VIOLATIONS OF THE COMMODITY EXCHANGE ACT

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

29. Paragraphs 1 through 28 above are re-alleged and incorporated by reference.

30. During the relevant time period, Defendants and other persons or entities under their supervision or control, or acting in combination or concert with them, violated Section 4b(a)(2)(i) and (iii) of the Act, 7 U.S.C. § 6b(a)(2)(i) and (iii) in that they (1) cheated or defrauded or attempted to cheat or defraud other persons; and (2) willfully deceived or attempted to deceive other persons by, among other things, misrepresenting the profit potential and failing to disclose the associated risks of trading foreign currency futures contracts.

31. The acts and omissions alleged in this Count were made in or in connection with orders to make, or the making of contracts for future delivery, made, or to be made for or on behalf of other persons where such contracts for future delivery were or may have been used for (a) hedging any transaction in interstate commerce in such commodity, or the products or byproducts thereof, or (b) determining the price basis of any transaction in interstate commerce in such commodity, or (c) delivering any such commodity sold, shipped, or received in interstate commerce for the fulfillment thereof.

32. Defendants are directly liable for violations of Section 4b(a)(i) and (iii) of the Act by making material misrepresentations to customers and/or prospective customers regarding profit potential and the risk associated with trading foreign currency futures contracts, as alleged in paragraphs 17-28, above in order to solicit them to invest with the WWF Common Enterprise.

33. The foregoing acts, misrepresentations, omissions and failures of the WWF Common Enterprise brokers occurred within the scope of each such person's employment or office with the WWF Common Enterprise and therefore Global Atlantic and WWF are liable for these acts pursuant to Section 2(a)(1)(B) of the Act, 7 U.S.C. § 2(a)(1)(B).

34. Labell controls or controlled the WWF Common Enterprise, directly or indirectly, and did not act in good faith or knowingly induced, directly or indirectly, the WWF Common Enterprise conduct alleged in this Count. Therefore, pursuant to Section 13(b) of the Act, 7 U.S.C. § 13c(b), Labell is liable for the WWF Common Enterprise's violations of Section 4b(a)(2)(i) and (iii) of the Act, as described in this Count. Global Atlantic and WWF are also jointly and severally liable for the acts and practices of the WWF Common Enterprise in that they collectively comprise a common enterprise. To the extent that WWF ceased operations, Global Atlantic is liable for WWF's violations of the Act, as a successor corporation to WWF.

35. Each fraudulent misrepresentation and omission, including but not limited to those specifically alleged herein at paragraphs 17 through 28, is alleged as a separate and distinct violation of Section 4b(a)(2)(i) and (iii) of the Act.

VI. RELIEF REQUESTED

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

- a) an order finding that the Defendants violated Section 4b(a)(2)(i) and (iii) of the Act;
- b) a permanent injunction prohibiting the Defendants from engaging in conduct violative of Section 4b(a)(2)(i) and (iii) of the Act and from engaging in any commodity-related activity, including soliciting new customers;
- c) an order directing the Defendants to disgorge, pursuant to such procedure as the Court may order, all benefits received from the acts or practices which constitute violations of the Act or Regulations, as described herein, and interest thereon from the date of such violations;
- d) an order directing the Defendants to make full restitution, pursuant to such procedure as the Court may order, to every customer whose funds were received by them as a result of acts and practices which constituted violations of the Act and Regulations, as described herein, and interest thereon from the date of such violations;
- e) an order directing the Defendants to pay a civil monetary penalty in the amount of not more than the higher of \$120,000 or triple the monetary gain to each defendant for each violation of the Act or Regulations; and
- f) such other and further remedial ancillary relief as the Court may deem appropriate.

Respectfully submitted,



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