

SEALED

IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF TEXAS

LUFKIN DIVISION

FILED
U.S. DISTRICT COURT
EASTERN DISTRICT OF TEXAS

JUL 21 2008

DAVID J. MALAND, CLERK
BY
DEPUTY _____

UNITED STATES OF AMERICA

§

VS.

§

CRIMINAL NO. 9:08-CR-27

GEORGE D. HUDGINS

§

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INFORMATION

THE UNITED STATES ATTORNEY CHARGES :

COUNT I

From at least 2004, until on or about April 2008, in the Eastern District of Texas and elsewhere, GEORGE D. HUDGINS, Defendant herein, knowingly devised and intended to devise a scheme and artifice to defraud and to deceive various individuals to place investment funds with HUDGINS by means of false and fraudulent pretenses and representations.

HUDGINS' scheme developed and operated as follows:

INTRODUCTION

Defendant, GEORGE D. HUDGINS represented to potential investors that HUDGINS operated an investment business in Nacogdoches, Texas, which successfully invested by trading futures and options contracts. To facilitate his business, HUDGINS created GEORGE D. HUDGINS, LLC and 3737 Financial LLP. HUDGINS made representations to numerous investors that in the past, he had achieved significant profits by trading in various commodities and futures indexes. In exchange for an investment, HUDGINS would execute a one page agreement with the investor, acknowledging receipt of the investment funds. The agreement

established that any trading profits would be split with 80% going to the investor and 20% reserved for HUDGINS. During the time period of the scheme, HUDGINS falsely claimed that, in the past, he had earned profits in the following percentages:

2000	99%
2001	55%
2002	57%
2003	46%
2004	46.79%
2005	52.33%
2006	22.5%
2007	57%

HUDGINS publicized the purported returns in prepared brochures, in newsletters known as "The Hudg-Report" and in personal presentations at investor banquets that were conducted in Nacogdoches, Texas.

THE SCHEME

The Defendant, GEORGE D. HUDGINS, was aware that the representations described above were false and fraudulent when made. For example, HUDGINS failed to tell investors that previous investments made by him with investor funds had not only not yielded a profitable return, but that he, HUDGINS, had experienced significant losses in the commodities markets. Additionally, at various times, instead of making a prudent or reasonable investment, HUDGINS used the investment funds to pay for his own personal expenses as well as for the purchase of numerous luxury items and other expenditures. HUDGINS also used investor funds to pay "profits" to other investors who had executed investment agreements with HUDGINS, thus operating a "Ponzi" scheme. Such payments were made to entice new investors into the scheme and to convince current investors to place additional funds or to maintain their positions with HUDGINS. These payments were not actual profits, but were simply monies obtained from

fellow investors. Nevertheless, HUDGINS prepared and delivered to numerous investors, fictitious IRS Forms 1099s and K-1s, which purported to show that the investor had actually earned income from their respective investment with 3737 Financial. These forms were both mailed and hand delivered to the unwitting investors HUDGINS also occasionally used investor funds to pay commissions to other individuals who introduced new investors, who then placed funds with HUDGINS. As a result of this scheme, HUDGINS received approximately \$90,000,000.00 in investment funds from over 200 investors who reside in the United States. These funds were used for the benefit of HUDGINS and others. Ultimately the various investors have lost approximately \$70,000,000.00.

On or about the 22nd day of February, 2007, in the Eastern District of Texas, GEORGE D. HUDGINS, Defendant herein, for the purpose of executing or attempting to execute the aforementioned scheme and artifice to defraud and obtain money by false and fraudulent representations, did knowingly cause to be transmitted in interstate commerce, by means of a wire communication, namely, a bank wire transfer of funds, sent from Bancorp South in Nacogdoches, Texas to Rosenthal Collins Group in Chicago, Illinois, that is \$750,000.00 in investor funds, all in violation of Title 18, United States Code, Section 1343.

COUNT II

The Introduction and Scheme paragraphs that are set out in Count I of this Information are incorporated by reference into this Count of the Information as if fully set forth herein.

1. The Commodity Exchange Act (CEA) 7 U.S.C. §§ 1, et.seq. and Commodity Futures Trade Commission (CFTC) Regulations require that individuals such as the Defendant, GEORGE D. HUDGINS, who operate commodity pools and who function as commodity pool operators, register as a commodity pool operator with the CFTC.

2. During the time period covered by this Information, HUDGINS did engage and manage an enterprise which operated for the purpose of trading commodity interests. In so operating, HUDGINS knowingly and unlawfully used or caused to be used the mails and other means of interstate commerce to conduct the business of the subject commodity pool. As such, by definition, HUDGINS was a commodity pool operator and required to register with the CFTC unless exempted from registration by statute or regulation. HUDGINS was not exempt from registration.

3. During this same time period, GEORGE D. HUDGINS, knowingly and intentionally converted to his use money and other property valued over \$100.00 which he had received from investing customers of 3737 Financial.

All in violation of Title 7 U.S.C. § 13(a)(1).

COUNT III

The Introduction and Scheme paragraphs that are set out in Count I of this Information are incorporated by reference into this Count of the Information as if fully set forth herein.

On or about the 11th day of May, 2007, in the Eastern District of Texas and elsewhere, the Defendant, GEORGE D. HUDGINS, knowingly engaged in a monetary transaction using criminally derived property, that is \$300,000.00, which had been derived from specified unlawful activities, that is wire and mail fraud. More specifically, on the date in question, HUDGINS initiated a wire transfer of \$300,000.00 in United States currency from his bank account at Bancorp South in Nacogdoches, Texas to the Hawker Beechcraft Corporation. The purpose of the wire transfer was to make a down payment for the purchase of an airplane. The funds used for the down payment were proceeds earned by HUDGINS as a result of his commission of a mail and wire fraud scheme in the Eastern District of Texas.

All in violation of Title 18, U.S.C. § 1957(a).

REBECCA A. GREGORY
UNITED STATES ATTORNEY



JOHN M. BALES
ASSISTANT UNITED STATES ATTORNEY

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NOTICE OF PENALTY

Count I

Violation: 18 U.S.C. § 1343 (Wire Fraud)

Penalty: Not more than twenty (20) years imprisonment; a fine of not more than
 \$250,000.00 or both; a term of supervised release of not more than three
 (3) years.

Special Assessment: \$100.00

Count II

Violation: 7 U.S.C. § 13(a)(1).

Penalty: Not more than five (5) years imprisonment; a fine of not more than
 \$250,000.00 or both; a term of supervised release of not more than three
 (3) years.

Special Assessment: \$100.00

Count III

Violation: 18 U.S.C. § 1957(a)

Penalty: Not more than ten (10) years imprisonment; a fine of not more than
 \$250,000.00 or both; a term of supervised release of not more than three
 (3) years.

Special Assessment: \$100.00