

UNITED STATES OF AMERICA
Before the
COMMODITY FUTURES TRADING COMMISSION

In the Matter of)
)

SOUTH COAST COMMODITIES, INC.,)

Registrant.)
)
)

CFTC DOCKET NO. SD 07-9

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**NOTICE OF INTENT TO REVOKE REGISTRATION
PURSUANT TO SECTION 8a(2)(C) and (E) OF
THE COMMODITY EXCHANGE ACT, AS AMENDED**

I.

The Commodity Futures Trading Commission ("Commission") has received information from its staff that tends to show, and the Commission's Division of Enforcement ("Division") alleges and is prepared to prove, that:

1. South Coast Commodities, Inc. ("South Coast") is a Florida corporation with its principal place of business at 700 N. Hiatus Road, #203, Pembroke Pines, Florida, 33026.
2. Since January 31, 2005 South Coast has been registered with the Commission as an Introducing Broker ("IB") pursuant to Section 4d and in accordance with Section 4f of the Commodity Exchange Act, as amended ("Act"), 7 U.S.C. §§ 6d and 6f (2002).
3. On August 2, 2004, the Commission filed a Complaint, and on October 28, 2005 filed an Amended Complaint, alleging that, beginning in January 2003 and continuing through at least 2005, South Coast's predecessor corporation, Worldwide Commodity Corporation ("Worldwide"), fraudulently solicited prospective customers to open accounts to trade options on 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 trading

commodity options; (ii) the risk involved in trading commodity options; and (iii) Worldwide's poor trading record, in light of the profit representations made, in violation of Section 4c(b) of the Act, 7 U.S.C. § 6c(b), and Commission Regulation ("Regulation") 33.10(a) and (c), 17 C.F.R. § 33.10(a) and (c) (2004). The Commission's Amended Complaint charged, among other things, that South Coast was liable for Worldwide's illegal conduct as a successor corporation.

4. On September 19, 2006, the United States District Court for the Eastern District of Pennsylvania entered a Consent Order of Permanent Injunction and Equitable Relief against Worldwide and South Coast ("Consent Order") in the federal civil injunctive action styled *Commodity Futures Trading Commission v. Worldwide Commodity Corporation., et al.*, No. CV 2-04-cv 3461 (E.D. Pa.).

5. The Consent Order found that, beginning no later than January 2003 and continuing through January 2005, Worldwide, through its Associated Persons ("APs"), solicited members of the general public to open accounts to trade commodity options. In telephone sales calls, Worldwide's APs made uniform and consistent misrepresentations regarding the risks and rewards of trading commodity options. In particular, Worldwide's APs engaged in fraudulent sales solicitations by knowingly misrepresenting and failing to disclose material facts concerning, among other things: (i) the profit potential of commodity options; (ii) the risk involved in trading commodity options; and (iii) Worldwide's poor trading record. The Consent Order found that Worldwide's customers relied on these material misrepresentations in making their decisions to purchase commodity options.

6. The Consent Order concluded that Worldwide, through its APs, in connection with an offer to enter into, the entry into, the confirmation of the execution of, or the

maintenance of commodity options transactions, defrauded, deceived, or attempted to defraud or deceive, other persons by making false, deceptive, or misleading representations of material facts and by failing to disclose material facts necessary to make other facts disclosed not misleading to customers, all in violation of Section 4c(b) of the Act, 7 U.S.C. § 6c(b), and Regulation 33.10(a) and (c), 17 C.F.R. § 33.10(a) and (c). The Consent Order also determined that as a successor corporation to Worldwide, South Coast was liable for the fraudulent acts, misrepresentations, and omissions of Worldwide's APs, which occurred within the scope of their employment with Worldwide. Worldwide and South Coast agreed to the entry of the Consent Order that made these findings of fact and conclusions of law.

7. As a result, the Consent Order:

a. Permanently enjoins South Coast from violating Section 4c(b) of the Act and Regulation 33.10(a) and (c), and specifically from engaging in any commodity sales solicitations to customers that: i) misrepresent the profit potential in commodities trading; ii) omit to state that the commodities market already factors into the price of commodities any seasonal trends and other well-known market events; iii) omit material facts necessary to make other facts disclosed not misleading to a customer; iv) omit to provide the actual track record of the broker or firm if the potential for profit is discussed; and v) omit or downplay the risks involved in commodity trading, regardless of whether the customer has signed a standard risk disclosure statement;

b. Permanently enjoins South Coast from directly or indirectly engaging in any commodities trading that is subject to the rules of a contract market or, pursuant to Section 5a of the Act, a Derivatives Transaction Execution Facility in

any account: i) that is held in the name of a defendant; ii) in which a defendant has a direct or indirect financial interest; or iii) held in the name of any other person; and

c. Orders South Coast to pay over \$5 million in restitution to defrauded customers.

8. Pursuant to Section 8a(2)(C) of the Act, 7 U.S.C. § 12a(2)(C), the Commission may revoke the registration of any person "if such person is permanently or temporarily enjoined by order, judgment, or decree of any court of competent jurisdiction, including an order entered pursuant to an agreement of settlement to which the Commission or any Federal or State agency or other governmental body is a party, from ... engaging in or continuing any activity where such activity involves ... fraud." Furthermore, under Section 8a(2)(E) of the Act, 7 U.S.C. § 12a(2)(E), the Commission may revoke the registration of any person "if such person, within ten years ... has been found in a proceeding brought by the Commission or any Federal or State agency or other governmental body, or by agreement of settlement to which the Commission or any Federal or State agency or other governmental body is a party [] to have violated any provision of this chapter ... where such violation involves ... fraud."

9. The facts set forth in paragraphs 1 through 7, above, constitute a valid basis for the Commission to disqualify South Coast from registration.

II.

Pursuant to Section 3.60(a), 17 C.F.R. § 3.60(a), South Coast is hereby notified that a public proceeding shall be conducted in accordance with the provisions of Regulation 3.60, 17 C.F.R. § 3.60, on the following questions:

10. Whether South Coast is subject to statutory disqualification from registration under Section 8a(2)(C) and (E) of the Act, as set forth in Section I, above; and

11. If the answer to question 1 in paragraph 10 above is affirmative, whether the registration of South Coast as an IB should be revoked. Such proceeding shall be held before an Administrative Law Judge, in accordance with Regulation 3.60, 17 C.F.R. § 3.60, and all post-hearing procedures shall be conducted pursuant to Regulation 3.60(i)-(j), 17 C.F.R. § 3.60(i)-(j).

12. In accordance with the provisions of Regulation 3.60(a)(3), 17 C.F.R. § 3.60(a)(3), South Coast is entitled to file a response challenging the evidentiary basis of the statutory disqualification or to show cause why, notwithstanding the accuracy of the allegations, its registration should not be suspended, revoked, or restricted. Such response must be filed with the Hearing Clerk, Office of Hearings and Appeals, Commodity Futures Trading Commission, Three Lafayette Centre, 1155 21st Street, N.W., Washington, D.C. 20581, and served upon Richard Glaser, Division of Enforcement, at the same address, within thirty (30) days after the date of service of this Notice upon South Coast, in accordance with the provisions of Regulation 3.60(b), 17 C.F.R. § 3.60(b). If South Coast fails to file a timely response to this Notice, the allegations set forth herein shall be deemed to be true and the presiding officer may issue an Order of Default in accordance with the provisions of Regulation 3.60(g), 17 C.F.R. § 3.60(g).

III.

The Hearing Clerk shall serve this Notice of Intent to Revoke Registration Pursuant to Section 8a(2)(C) and (E) of The Commodity Exchange Act, as Amended by registered or certified mail pursuant to Regulation 3.50, 17 C.F.R. § 3.50.

By the Commission.



Eileen Donovan
Acting Secretary to the Commission
Commodity Futures Trading Commission

Dated: December 7, 2006