

**RECEIVED**  
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U. S. DISTRICT COURT  
EASTERN DISTRICT OF MO  
ST. LOUIS

**UNITED STATES DISTRICT COURT  
FOR THE EASTERN DISTRICT OF MISSOURI  
EASTERN DIVISION**

**U.S. COMMODITY FUTURES TRADING,** )  
 )  
 ) **Plaintiff,** )  
 )  
 ) **v.** )  
 )  
 ) **DANIEL K. STEELE and CHAMPION** )  
 ) **MANAGEMENT INTERNATIONAL, LLC** )  
 )  
 ) **Defendants,** )  
 )  
 ) **JUDY D. STEELE,** )  
 )  
 ) **Relief Defendant.** )  
 )  
 )  
 )  
 )

**4 : 1 3 CV 001900 RWS**  
**CIVIL ACTION NO. \_\_\_\_\_**

**COMPLAINT FOR INJUNCTIVE AND OTHER EQUITABLE RELIEF AND FOR  
CIVIL MONETARY PENALTIES UNDER THE COMMODITY EXCHANGE ACT**

Plaintiffs, U.S. Commodity Futures Trading Commission (the “Commission” or “CFTC”) alleges as follows:

**I. SUMMARY**

1. From at least February 28, 2011, through the present (the “relevant period”), Daniel K. Steele (“Steele”), individually and acting as an agent for Champion Management International, LLC (“Champion Management”) (collectively, “Defendants”), solicited at least \$1.7 million from at least 24 customers (“pool participants”) to participate in at least three pooled investment vehicles: (1) Steele Management LLC, a.k.a. Steele Management Int. (“SM”);

(2) Champion Management, a.k.a. Champion Management Int. (“CM”); and (3) Oracle Forex Fund, LP (“OFF”) (collectively “the Steele Pools”), for the purpose of trading in off-exchange agreements, contracts, or transactions in foreign currency (“forex”) on a leveraged or margined basis. Defendants, however, have never been properly registered with the Commission in any capacity.

2. During the relevant period, Steele failed to properly establish two of the pools, SM and CM, as separate legal entities. He also improperly commingled pool participants’ funds with personal and business-related funds by causing pool participants’ funds to be deposited into various bank accounts held in the name of his wife, Judy D. Steele, doing business as (“d/b/a”) SM and CM, as well as accounts held in the name of OFF and Champion Management.

3. From at least February 28, 2011, through February 1, 2012, Steele also misappropriated a portion of pool participants’ funds by using the funds for personal and business-related expenses.

4. Steele, directly and by word of mouth, solicited pool participants located in Missouri and other states within the United States. Steele solicited at least some pool participants by email. Pool participants included friends, family members, and members of the general public.

5. In soliciting actual and prospective pool participants, Steele omitted the following material facts, among others: (1) that Steele, while acting as a commodity pool operator (“CPO”) of SM and CM, had unlawfully failed to register with the Commission as a CPO for either pool; (2) that Steele, while acting as an associated person (“AP”) of Champion Management, had unlawfully failed to register with the Commission as an AP of Champion Management; (3) that Steele had unlawfully commingled pool participants’ funds with personal

and business-related funds; (4) that SM and CM were not properly established as separate legal entities as required by Commission Regulations; (5) that Champion Management, while acting as a CPO, had unlawfully failed to register with the Commission as such; (6) that MIG Bank (“MIG”), the Swiss bank into which Defendants had deposited some pool participants’ funds for the purported purpose of trading forex, was not a lawful counterparty; and (7) that from at least February 28, 2011, through February 1, 2012, Steele had unlawfully misappropriated a portion of pool participants’ funds.

6. Steele’s omissions operated as a fraud or deceit upon the pool participants.

7. As a result of Defendants’ unlawful conduct, Judy D. Steele received pool participants’ funds to which she has no legitimate interest or entitlement.

8. By virtue of this conduct and the conduct further described herein, Defendants have engaged, are engaging, or are about to engage in acts and practices in violation of provisions of the Commodity Exchange Act (“Act”), 7 U.S.C. §§ 1 *et seq.* (2012), and the Commission’s Regulations (“Commission Regulations”) promulgated thereunder, 17 C.F.R. §§ 1.1 *et seq.* (2013).

9. Since at least February 2, 2012, Steele committed the acts and/or omissions alleged herein within the course and scope of his employment, agency, or office with Champion Management. Champion Management is therefore liable under Section 2(a)(1)(B) of the Act, 7 U.S.C. § 2(a)(1)(B) (2012), and Commission Regulation 1.2, 17 C.F.R. § 1.2 (2013), as a principal for Steele’s violations of the Act and/or Commission Regulations.

10. Accordingly, pursuant to Section 6c of the Act, 7 U.S.C. § 13a-1 (2012), the Commission brings this action to enjoin Defendants’ unlawful acts and practices and to compel their compliance with the Act, and Commission Regulations.

11. In addition, Plaintiffs seek civil monetary penalties for each violation of the Act and Commission Regulations, and remedial ancillary relief, including, but not limited to, trading and registration bans, restitution, disgorgement, rescission, pre- and post-judgment interest, and such other relief as the Court may deem necessary and appropriate.

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

## **II. JURISDICTION AND VENUE**

13. This Court possesses jurisdiction over this action pursuant to Section 6c of the Act, 7 U.S.C. § 13a-1 (2012), which authorizes the Commission to bring an action in proper district courts of the United States in order to seek injunctive and other 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.

14. The Commission possesses jurisdiction over the forex solicitations and transactions at issue in this case pursuant to Section 6c of the Act, 7 U.S.C. § 13a-1 (2012), and Section 2(c)(2)(C) of the Act, 7 U.S.C. § 2(c)(2)(C) (2012).

15. Venue properly lies with this Court pursuant to Section 6c(e) of the Act, 7 U.S.C. § 13a-1(e) (2012), because Defendants transact business in this District and certain transactions, acts, practices, and courses of business alleged in this Complaint occurred, are occurring, or are about to occur within this District.

### III. THE PARTIES

#### Plaintiffs

16. Plaintiff **U.S. Commodity Futures Trading Commission** is an independent federal regulatory agency that is charged by Congress with the administration and enforcement of the Act, as amended, and the Commission Regulations promulgated thereunder. The Commission maintains its principal office at Three Lafayette Centre, 1155 21st Street, N.W., Washington, D.C. 20581.

#### Defendants

17. Defendant **Daniel Keith Steele** (“Steele”) resides in Rolla, Missouri, and is the operator and authorized trader of the Steele Pools. During the relevant period, Steele has operated the Steele Pools and various related businesses from the same address located at 305 Greentree Road, Rolla, Missouri 65401. Steele has never been registered with the Commission in any capacity. Steele is not an AP of a financial institution, registered broker or dealer, insurance company, financial holding company, or investment bank holding company as defined by the Act.

18. Defendant **Champion Management International, LLC** is a Missouri Limited Liability Company organized on February 7, 2012. The business address for Champion Management is 305 Greentree Road, Rolla, Missouri 65401. Steele is the registered agent and managing member of Champion Management. Champion Management has never registered with the Commission in any capacity. Champion Management is the purported general partner and CPO of OFF. On or about February 27, 2012, Steele filed a notice of claim of exemption from registration as a CPO on behalf of Champion Management pursuant to Commission Regulation 4.13(a)(2), 17 C.F.R. § 4.13(a)(2) (2013). Champion Management is not a financial

institution, registered broker or dealer, insurance company, financial holding company, or investment bank holding company or associated person of such entities as defined by the Act.

**Relief Defendants**

19. Relief Defendant **Judy D. Steele** is married to Steele and resides in Rolla, Missouri. Upon information and belief, Judy D. Steele has received pool participants' funds that were obtained through Defendants' unlawful conduct and to which she has no legitimate interest or entitlement.

**Other Relevant Entities**

20. **Steele Management LLC, a.k.a. Steele Management Int.**, is a "fictitious" name or d/b/a for Judy D. Steele created on October 9, 2012. During the relevant period, Steele operated SM as a commodity pool. The business address for SM is 305 Greentree Road, Rolla, Missouri 65401. SM has never been registered with the Commission in any capacity. SM is not a financial institution, registered broker or dealer, insurance company, financial holding company, or investment bank holding company or associated person of such entities as defined by the Act.

21. **Champion Management, a.k.a. Champion Management Int.**, is a fictitious name or d/b/a for Judy D. Steele created on May 18, 2011. "Champion Management Int." is also a fictitious name, or d/b/a, for Judy D. Steele that was created on June 30, 2011. During the relevant period, Steele operated CM as a commodity pool. The business address for Champion Management is 305 Greentree Road, Rolla, Missouri 65401. CM has never been registered with the Commission in any capacity. On or about February 26, 2013, an exemption from registration as a CPO pursuant to Commission Regulation 4.13(a)(2) was filed on behalf of CM. Upon information and belief, CM has never solicited or accepted any pool participant funds or

otherwise operated any commodity pool. CM is not a financial institution, registered broker or dealer, insurance company, financial holding company, or investment bank holding company or associated person of such entities as defined by the Act.

22. **Oracle Forex Fund, LP**, also d/b/a Oracle Forex Fund, is a Delaware Limited Partnership organized on February 7, 2012. OFF is a fictitious name or d/b/a created on April 24, 2012, for which OFF is listed as the owner. During the relevant period, Steele, through Champion Management, operated OFF as a commodity pool. The business address for OFF is 305 Greentree Road, Rolla, Missouri 65401. OFF has never been registered with the Commission in any capacity. Champion Management is registered with the Commission as the CPO of OFF. OFF is not a financial institution, registered broker or dealer, insurance company, financial holding company, or investment bank holding company or associated person of such entities as defined by the Act.

23. **Champion Wealth Management, LLC** (“CWM”) is a Missouri Limited Liability Company organized on January 21, 2013. Steele is the registered agent and principal of CWM. CWM has been registered with the Commission as a CPO since March 14, 2013. On March 8, 2013, Steele filed an application for registration with the Commission as an AP with CWM. Steele’s application for registration as an AP of CWM has been pending since March 8, 2013. Upon information and belief, there is no evidence that CWM has ever solicited or accepted funds on behalf of any commodity pool, or that CWM operated any commodity pool.

24. **SMI Income Fund** is a purported commodity pool operated by SM. On November 14, 2011, Steele filed a notice of claim of exemption from registration as a CPO on behalf of SM pursuant to Commission Regulation 4.13(a)(1). Upon information and belief,

however, there is no evidence that SMI Income Fund has ever accepted any pool participant funds or otherwise operated as a commodity pool.

25. **MIG Bank** is a forex brokerage firm headquartered in Lausanne, Switzerland. MIG is registered as an authorized bank and securities dealer with the Swiss Financial Market Supervisory Authority (FINMA). During the relevant period, defendants transferred pool participants' funds to accounts held in the name of Steele at MIG. MIG is not a United States financial institution, registered broker or dealer, insurance company, financial holding company, or investment bank holding company or associated person of such entities as defined by the Act.

#### IV. FACTS

##### A. **Statutory and Regulatory Background**

26. On June 18, 2008, the Act was amended to incorporate new provisions pertaining to off-exchange retail forex transactions, including Section 2(c)(2)(C) of the Act, 7 U.S.C. § 2(c)(2)(C) (2012). Section 2(c)(2)(C) of the Act, 7 U.S.C. § 2(c)(2)(C) (2012), provides, in relevant part, that Section 4o of the Act, 7 U.S.C. § 6o (2012), applies to retail forex transactions.

27. On October 18, 2010, the Commission adopted new regulations implementing certain provisions of the Act with respect to off-exchange retail forex transactions, including but not limited to, regulations requiring intermediaries such as CPOs and APs of CPOs to be registered as such.

##### *Applicability of Section 4o(1)(B) of the Act, 7 U.S.C. § 6o(1)(B) (2012), to Forex CPOs*

28. Section 2(c)(2)(C)(ii)(I) of the Act, 7 U.S.C. § 2(c)(2)(C)(ii)(I) (2012), states in relevant part that Section 4o of the Act, 7 U.S.C. § 6o (2012), applies to agreements, contracts, or transactions in forex described in Section 2(c)(2)(C)(i) of the Act, 7 U.S.C. § 2(c)(2)(C)(i) (2012).



29. Commission Regulation 5.25, 17 C.F.R. § 5.25 (2013), states in relevant part that Section 4o of the Act, 7 U.S.C. § 6o (2012), shall apply to retail forex transactions that are subject to the requirements of Part 5 of the Commission's Regulations as though Section 4o of the Act, 7 U.S.C. § 6o (2012), was set forth therein, and included specific reference to retail forex transactions and the persons defined in Commission Regulation 5.1, 17 C.F.R. § 5.1 (2013).

30. Section 4o(1)(B) of the Act, 7 U.S.C. § 6o(1)(B) (2012), makes it unlawful for any CPO, by use of the mails or any means or instrumentality of interstate commerce, directly or indirectly, to engage in any transaction, practice, or course of business which operates as a fraud or a deceit upon any actual or prospective pool participant.

*Statutory and Regulatory Requirements Regarding Registration of Forex CPOs and APs*

31. Pursuant to Section 2(c)(2)(C)(iii)(I) of the Act, 7 U.S.C. § 2(c)(2)(C)(iii)(I) (2012), a person must be registered in such capacity as the Commission by rule, regulation, or order shall determine, to operate or solicit funds for any pooled investment vehicle that is not an eligible contract participant ("ECP") as defined in Section 1a(18) of the Act, 7 U.S.C. § 1a(18) (2012), in connection with off-exchange retail forex transactions.

32. Pursuant to Commission Regulation 5.1(d)(1), 17 C.F.R. § 5.1(d)(1) (2013), a CPO, for the purpose of forex transactions, is defined as "any person who operates or solicits funds, securities, or property for a pooled investment vehicle that is not an [ECP] and that engages in retail forex transactions."

33. As of July 16, 2011, the statutory definition of a CPO set forth in Section 1a(11) of the Act was amended by the Dodd-Frank Act to include CPOs operating commodity pools by

soliciting and accepting funds for the purpose of trading forex, and to conform with the regulatory definition of a CPO set forth in Commission Regulation 5.1(d)(1), 17 C.F.R. § 5.1(d)(1) (2013).

34. Commission Regulation 5.3(a)(2)(i), 17 C.F.R. § 5.3(a)(2)(i) (2013), requires any person or entity acting as a CPO, as defined by Commission Regulation 5.1(d)(1), to be registered as such.

35. Defendants have never been registered with the Commission in any capacity.

36. Section 1a(18) of the Act, 7 U.S.C. § 1a(18) (2012), defines an ECP as a commodity pool that “(I) has total assets exceeding \$5,000,000; and (II) is formed and operated by a person subject to regulation under [the] Act...[and] shall not include a commodity pool in which any participant is not otherwise an eligible contract participant.”

37. None of the Steele Pools qualify as an ECP because they were not formed and operated by a person who was either registered as a CPO or who possessed a valid exemption from being registered as such.

38. Pursuant to Commission Regulation 5.1(d)(2), 17 C.F.R. § 5.1(d)(2) (2013), an AP of a CPO is defined as any natural person associated with a CPO, as defined in Commission Regulation 5.1(d)(1), 17 C.F.R. § 5.1(d)(1) (2013), as a partner, officer, employee, consultant or agent who solicits funds on behalf of a CPO, or who supervises any person or persons so engaged.

39. Commission Regulation 5.3(a)(2)(ii), 17 C.F.R. § 5.3(a)(2)(ii) (2013), requires any person acting as an AP, as defined by Commission Regulation 5.1(d)(2), 17 C.F.R. § 5.1(d)(2) (2013), to be registered as such.

40. Since at least February 2, 2012, Steele has acted as an AP for Champion Management while unlawfully failing to register as such.

*Regulations Requiring Retail Foreign Exchange Dealers to be Registered*

41. Commission Regulation 5.1(h)(1), 17 C.F.R. § 5.1(h)(1) (2013), defines a retail foreign exchange dealer (“RFED”), for purposes of Part 5 of the Commission’s Regulations relating to off-exchange retail forex transactions, as “any person that is, or that offers to be, the counterparty to a retail forex transaction, except for a person described in sub-paragraph (aa), (bb), (cc)(AA), or (dd) of section 2(c)(2)(B)(i)(II) of the Act.” These exceptions pertain to certain United States financial institutions, brokers, and dealers registered under the Securities Exchange Act of 1934 and associated persons thereof, futures commission merchants and affiliated persons thereof, financial holding companies, and investment bank holding companies.

42. Commission Regulation 5.3(a)(6)(i), 17 C.F.R. § 5.3(a)(6)(i) (2013), requires any person acting as an RFED, as defined by Commission Regulation 5.1(h)(1), 17 C.F.R. § 5.1(h)(1) (2013), to be registered as such.

43. MIG has never been registered with the Commission in any capacity. MIG is not a United States financial institution, registered broker or dealer, insurance company, financial holding company, or investment bank holding company or associated person of such entities as defined by the Act and accordingly does not qualify for any exception to the RFED registration requirement.

**B. Defendants’ Forex Operation**

44. During the relevant period, Steele solicited approximately \$1.7 million from at least 24 pool participants located in Missouri and various other states within the United States to deposit funds in the Steele Pools for the purposes of trading forex on a leveraged or margined

basis. Steele solicited at least some pool participants via email. Defendants' forex operation occurred in two phases.

Phase I

45. During the first phase, from at least February 28, 2011, until February 1, 2012, Steele operated SM and CM as pooled investment vehicles in that he solicited and accepted funds from pool participants for the purported purpose of trading forex.

46. At no time during this period, however, did Steele trade any forex on behalf of any pool participants or open any forex trading accounts in the name of SM or CM. Furthermore, Steele has never established SM or CM as separate legal entities.

47. During this period, pool participants deposited funds into bank accounts held in the name of Judy D. Steele d/b/a SM and CM.

48. During this period, instead of trading pool participants' funds, Steele misappropriated a portion of pool participants' funds for his personal benefit and commingled the pool participants' funds with personal funds and business-related funds.

Phase II

49. During the second phase, beginning February 2, 2012, through the present, Champion Management, through Steele, operated OFF as a commodity pool vehicle by soliciting and accepting pool participants' funds for the purpose of trading forex.

50. During this second phase, pool participants deposited funds into bank accounts held in the name of OFF and Champion Management. Pool participants' funds were commingled with Steele's personal funds and business-related funds.

51. During this second phase, Steele wired approximately \$1.2 million of pool participants' funds to accounts held in his name at MIG for the purported purpose of trading

forex. At this time, the Commission is unable to verify whether Steele has traded any pool participant funds at MIG.

52. Neither Defendants, nor the counterparty to any forex transactions that were entered into by Defendants and the pool participants, were United States financial institutions, registered brokers or dealers (or their associated persons), or financial holding companies.

**C. Defendants' Material Omissions**

*Steele Failed to Disclose That He Misappropriated Pool Participants' Funds*

53. During the first phase, from least February 28, 2011, until February 1, 2012, Steele misappropriated a portion of pool participants' funds by using these funds for personal use and to pay business-related expenses for himself and his wife.

54. Specifically, during the first phase, pool participants deposited approximately \$258,800 into bank accounts held in the name of Judy D. Steele d/b/a SM and CM. Steele misappropriated approximately \$155,517 of pool participants' funds for personal use, including such expenses as: car payments, groceries, home improvement supplies, and items at Wal-Mart and Amazon.com.

55. From least February 28, 2011, until February 1, 2012, Judy D. Steele received \$29,960 of these misappropriated funds to which she had no legitimate business interest or entitlement.

56. Steele failed to disclose to actual and prospective pool participants that he had misappropriated SM and CM pool participant funds.

*Steele Failed to Establish SM and CM as Separate Legal Entities and Improperly Commingled Pool Participants' Funds*

57. Commission Regulation 4.20(a)(1), 17 C.F.R. § 4.20(a)(1) (2013), provides that a CPO “must operate its pool as an entity cognizable as a legal entity separate from that of the pool operator.”

58. During the relevant period, Steele, while acting as a CPO for SM and CM, failed to establish SM or CM as separate legal entities. Instead, Steele caused pool participants to deposit funds into bank accounts held in the name of his wife Judy D. Steele d/b/a SM and CM.

59. Commission Regulation 4.20(c), 17 C.F.R. § 4.20(c) (2013), prohibits a CPO from commingling the property of any pool that it operates with the property of any other person.

60. During the relevant period, Steele, while acting as a CPO for SM and CM, commingled pool participants' funds with the personal and business-related funds. Specifically, SM and CM pool participants' funds were deposited into personal bank accounts held in the name of Judy D. Steele d/b/a SM and CM. In addition to using these bank accounts to deposit pool participants' funds, Steele and his wife also used these bank accounts for personal and business-related purposes without disclosing this to pool participants.

*Defendants Failed to Properly Register with the Commission*

61. During the relevant period, Steele acted as a CPO for SM and CM in that he solicited and accepted funds from pool participants for the purpose of engaging in retail forex transactions on a leveraged or margined basis. Steele also acted as an AP for Champion Management in that he solicited funds as an agent for Champion Management, which is a CPO for OFF.

62. Neither Steele nor Champion Management has ever been registered with the Commission in any capacity.

63. On or about February 27, 2012, Steele filed a notice of claim of exemption from registration as a CPO on behalf of Champion Management pursuant to Commission Regulation 4.13(a)(2).

64. Commission Regulation 4.13(a)(2) allows for an exemption from registration as a CPO for a commodity pool that has less than 15 participants and that the total amount it receives for “units of participation in all of the pools it operates or that it intends to operate do not in the aggregate exceed \$400,000.” 17 C.F.R. § 4.13(a)(2) (2013). However, neither Steele nor Champion Management qualifies for this exemption because the Steele Pools’ funds exceed \$400,000.

65. Defendants also failed to amend this notice of the exemption through the NFA within 15 business days after the pool operator becomes aware of the occurrence of such event as required by Commission Regulation 4.13(b)(5), 17 C.F.R. § 4.13(b)(5) (2013).

66. Accordingly, during the relevant period, Defendants unlawfully failed to register with the Commission, failure to register with the Commission was material, and Defendants failed to disclose this material information to actual and/or prospective pool participants.

*Defendants Failed to Disclose that MIG is not a Proper Counterparty*

67. During the second phase of Defendants’ forex operation, Steele transferred or caused to be transferred approximately \$1.2 million in pool participants’ funds to three accounts held in his name at MIG for the purported purpose of trading forex.

68. During this period, MIG was acting as an RFED because MIG accepted pool participants’ funds that Steele had caused to be deposited with MIG, and offered to be, and/or was, the counterparty to all of Champion Management’s forex transactions. Accordingly, MIG

was either required to be registered as an RFED or required to qualify for an exemption from such registration.

69. MIG, however, has never been registered in any capacity with the Commission, nor is it one of the enumerated exempt entities including a United States financial institution, registered broker or dealer, financial holding company, or investment bank holding company or associated person of such entities as defined by the Act.

70. Defendants failed to disclose to pool participants that MIG, the purported counterparty to Champion Management's retail leveraged forex transactions, was not a proper counterparty to Champion Management's purported forex transactions. This information was material.

**VI. VIOLATIONS OF THE COMMODITY EXCHANGE ACT AND THE COMMISSION'S REGULATIONS**

**COUNT ONE**

**VIOLATION OF SECTION 4o(1)(B) OF THE ACT, 7 U.S.C. § 6o(1)(B) (2012): FAILURE TO DISCLOSE MATERIAL INFORMATION, WHICH OPERATED AS A FRAUD OR DECEIT, TO EXISTING OR PROSPECTIVE POOL PARTICIPANTS**

71. The allegations set forth in paragraphs 1 through 70 are re-alleged and incorporated herein by reference.

72. Section 4o(1)(B) of the Act, 7 U.S.C. § 6o(1)(B) (2012), in relevant part, makes it unlawful for a CPO, by use of the mails or any means or instrumentality of interstate commerce, directly or indirectly to engage in any transaction, practice, or course of business which operates as a fraud or deceit upon any participant or prospective participant.

73. Pursuant to Section 2(c)(2)(C)(ii)(I) of the Act, 7 U.S.C. § 2(c)(2)(C)(ii)(I) (2012), Section 4o(1)(B) of the Act applies to Defendants' forex transactions, agreements, or contracts and accounts and pooled investment vehicles.



74. During the relevant period, Steele acted as a CPO by operating or soliciting, accepting, and receiving funds into at least two pooled investment vehicles for the purpose of trading in retail forex as described in Section 2(c)(2)(C)(i) of the Act, 7 U.S.C. § 2(c)(2)(C)(i) (2012).

75. During the relevant period, Steele violated Section 4o(1)(B) of the Act, 7 U.S.C. § 6o(1)(B) (2012), in that he engaged in transactions, practices, or a course of business which operated as a fraud or deceit upon actual and/or prospective pool participants when he failed to disclose the following material facts, among others: (1) that Steele, while acting as a CPO for SM and CM, had unlawfully failed to register with the Commission as a CPO of either SM or CM; (2) that Steele, while acting as an AP of Champion Management, had unlawfully failed to register as an AP of Champion Management; (3) that Steele had commingled pool participants' funds with personal and business-related funds; (4) that SM and CM were not properly established as separate legal entities as required by the Commission Regulations; (5) that Champion Management, while acting as a CPO, had unlawfully failed to register with the Commission as a CPO; (6) that MIG was not a lawful counterparty to Champion Management's purported forex transactions; and (7) that from at least February 28, 2011, through February 1, 2012, Steele had misappropriated a portion of pool participants' funds.

76. Since at least February 2, 2012, Steele committed the acts alleged herein, including failing to disclose that he had not properly registered as an AP of Champion Management and that MIG was not a proper counterparty to Champion Management's purported forex transactions, within the course and scope of his employment, office, or agency with Champion Management. Champion Management is therefore liable as a principal for Steele's

violations of the Act and/or Commission Regulations pursuant to Section 2(a)(1)(B) of the Act, 7 U.S.C. § 2(a)(1)(B) (2012), and Commission Regulation 1.2, 17 C.F.R. § 1.2 (2013).

77. Each omission of material fact by Steele during the relevant period, including but not limited to those specifically alleged herein, is alleged as a separate and distinct violation of Section 4o(1)(B) of the Act, 7 U.S.C. § 6o(1)(B) (2012).

## COUNT TWO

**VIOLATION OF SECTION 2(c)(2)(C)(iii)(I)(cc) OF THE ACT, 7 U.S.C. § 2(c)(2)(C)(iii)(I)(cc) (2012) AND COMMISSION REGULATION 5.3(a)(2)(i), 17 C.F.R. § 5.3(a)(2)(i) (2013): STEELE'S FAILURE TO REGISTER AS A CPO**

78. The allegations set forth in paragraphs 1 through 70 are realleged and incorporated herein by reference.

79. Pursuant to Section 2(c)(2)(C)(iii)(I)(cc) of the Act, 7 U.S.C. § 2(c)(2)(C)(iii)(I)(cc) (2012), any person, unless registered in such capacity as the Commission shall determine, shall not operate or solicit funds, securities, or property for any pooled investment vehicle that is not an ECP in connection with agreements, contracts, or transactions described in Section 2(c)(2)(C)(i) of the Act, 7 U.S.C. § 2(c)(2)(C)(i) (2012), entered into with or to be entered into with a person who is not described in “item (aa), (bb), (dd), (ee), or (ff)” of Section 2(c)(2)(B)(II) of the Act, 7 U.S.C. § 2(c)(2)(B)(II) (2012). Commission Regulation 5.1(d)(1), 17 C.F.R. § 5.1(d)(1) (2013), defines a CPO, for purposes of Part 5 of the Commission’s Regulations relating to off-exchange forex transactions, as any person who operates or solicits funds, securities, or property for a pooled investment vehicle that is not an ECP as defined in Section 1a of the Act, 7 U.S.C. § 1a(18) (2012), and that engages in retail forex transactions.

80. Commission Regulation 5.3(a)(2)(i), 17 C.F.R. § 5.3(a)(2)(i) (2013), requires any person or entity acting as a CPO, as defined by Commission Regulation 5.1(d)(1), to be registered as such.

81. During the relevant period, Steele acted as a CPO, as defined by Commission Regulation 5.1(d)(1) relating to off-exchange forex transactions, because he operated or solicited funds for at least two pooled investment vehicles, SM and CM, that were not ECPs, as defined in Section 1a(18) of the Act, 7 U.S.C. § 1a(18) (2012), and engaged in retail forex transactions. Steele, however, unlawfully failed to register with the Commission as a CPO in violation of Section 2(c)(2)(C)(iii)(I)(cc) of the Act, 7 U.S.C. § 2(c)(2)(C)(iii)(I)(cc) (2012), and Commission Regulation 5.3(a)(2)(i), 17 C.F.R. § 5.3(a)(2)(i) (2013), and did not qualify for any exemption from such requirement.

82. Each instance that Steele acted as a CPO, as defined by Commission Regulation 5.1(d)(1), 17 C.F.R. § 5.1(d)(1) (2013), relating to off-exchange forex transactions, but failed to register with the Commission as a CPO, is alleged as a separate and distinct violation of Section 2(c)(2)(C)(iii)(I)(cc) of the Act, 7 U.S.C. § 2(c)(2)(C)(iii)(I)(cc) (2012), and Commission Regulation 5.3(a)(2)(i), 17 C.F.R. § 5.3(a)(2)(i) (2013).

### **COUNT THREE**

**VIOLATION OF SECTION 2(c)(2)(C)(iii)(I)(cc) OF THE ACT, 7 U.S.C. § 2(c)(2)(C)(iii)(I)(cc) (2012) AND COMMISSION REGULATION 5.3(a)(2)(i), 17 C.F.R. § 5.3(a)(2)(i) (2013): CHAMPION MANAGEMENT'S FAILURE TO REGISTER AS A CPO**

83. The allegations set forth in paragraphs 1 through 70 are realleged and incorporated herein by reference.

84. Pursuant to Section 2(c)(2)(C)(iii)(I)(cc) of the Act, 7 U.S.C. § 2(c)(2)(C)(iii)(I)(cc) (2012), any person, unless registered in such capacity as the Commission

shall determine, shall not operate or solicit funds, securities, or property for any pooled investment vehicle that is not an ECP in connection with agreements, contracts or transactions described in Section 2(c)(2)(C)(i) of the Act, 7 U.S.C. § 2(c)(2)(C)(i) (2012), entered into with or to be entered into with a person who is not described in “item (aa), (bb), (dd), (ee), or (ff)” of Section 2(c)(2)(B)(II) of the Act, 7 U.S.C. § 2(c)(2)(B)(II) (2012). Commission Regulation 5.1(d)(1), 17 C.F.R. § 5.1(d)(1) (2013), defines a CPO, for purposes of Part 5 of the Commission’s Regulations relating to off-exchange forex transactions, as any person who operates or solicits funds, securities, or property for a pooled investment vehicle that is not an ECP as defined in Section 1a of the Act, 7 U.S.C. § 1a(18) (2012), and that engages in retail forex transactions.

85. Commission Regulation 5.3(a)(2)(i), 17 C.F.R. § 5.3(a)(2)(i) (2013), requires any person or entity acting as a CPO, as defined by Commission Regulation 5.1(d)(1), to be registered as such.

86. Since at least February 2, 2012, Champion Management, through its agent Steele, acted as a CPO, as defined by Commission Regulation 5.1(d)(1) relating to off-exchange forex transactions, because it operated or solicited funds for at least one pooled investment vehicle, OFF, that was not an ECP, as defined in Section 1a(18) of the Act, 7 U.S.C. § 1a(18) (2012), and engaged in retail forex transactions. Champion Management, however, failed to register with the Commission as a CPO in violation of Section 2(c)(2)(C)(iii)(I)(cc) of the Act, 7 U.S.C. § 2(c)(2)(C)(iii)(I)(cc) (2012), and Commission Regulation 5.3(a)(2)(i), 17 C.F.R. § 5.3(a)(2)(i) (2013), and did not qualify for any exemption from such requirement.

87. Each instance that Champion Management acted as a CPO, as defined by Commission Regulation 5.1(d)(1), 17 C.F.R. § 5.1(d)(1) (2013), relating to off-exchange forex

transactions, but failed to register with the Commission as a CPO, is alleged as a separate and distinct violation of Section 2(c)(2)(C)(iii)(I)(cc) of the Act, 7 U.S.C. § 2(c)(2)(C)(iii)(I)(cc) (2012), and Commission Regulation 5.3(a)(2)(i), 17 C.F.R. § 5.3(a)(2)(i) (2013).

#### COUNT FOUR

**VIOLATION OF SECTION 2(c)(2)(C)(iii)(I)(aa) OF THE ACT, 7 U.S.C. § 2(c)(2)(C)(iii)(I)(aa) (2012) AND COMMISSION REGULATION 5.3(a)(2)(ii), 17 C.F.R. § 5.3(a)(2)(ii) (2013): STEELE'S FAILURE TO REGISTER AS AN AP**

88. The allegations set forth in paragraphs 1 through 70 are realleged and incorporated herein by reference.

89. Pursuant to Section 2(c)(2)(C)(iii)(I)(aa) of the Act, 7 U.S.C. § 2(c)(2)(C)(iii)(I)(aa) (2012), any natural person, unless registered in such capacity as the Commission shall determine, is prohibited from soliciting or supervising any person soliciting funds, securities, or property for any pooled investment vehicle that is not an ECP in connection with agreements, contracts or transactions described in Section 2(c)(2)(C)(i) of the Act, 7 U.S.C. § 2(c)(2)(C)(i) (2012), entered into with, or to be entered into with, a person who is not described in "item (aa), (bb), (dd), (ee), or (ff)" of Section 2(c)(2)(B)(II) of the Act, 7 U.S.C. § 2(c)(2)(B)(II) (2012). Commission Regulation 5.1(d)(2), 17 C.F.R. § 5.1(d)(2) (2013), defines an AP, for purposes of Part 5 of the Commission's Regulations relating to off-exchange forex transactions, as any natural person associated with a CPO, as defined in Commission Regulation 5.1(d)(1), 17 C.F.R. § 5.1(d)(1) (2013), as a partner, officer, employee, consultant, or agent that is involved in the solicitation of funds or the supervision of any such person so engaged.

90. Commission Regulation 5.3(a)(2)(ii), 17 C.F.R. § 5.3(a)(2)(ii) (2013), requires any natural person associated with a CPO, as defined by Commission Regulation 5.1(d)(1), to be registered as an AP.

91. During the relevant period, Steele acted as an AP, as defined by Commission Regulation 5.1(d)(2) relating to off-exchange forex transactions, because he solicited funds for Champion Management, a registered CPO as defined in Section 1a of the Act. During the relevant period, Steele failed to register with the Commission as an AP in violation of Section 2(c)(2)(C)(iii)(I)(aa) of the Act, 7 U.S.C. § 2(c)(2)(C)(iii)(I)(aa) (2012), and Commission Regulation 5.3(a)(2)(ii), 17 C.F.R. § 5.3(a)(2)(ii) (2013).

92. Steele committed the acts alleged herein within the course and scope of his employment, office, or agency with Champion Management. Champion Management is therefore liable pursuant to Section 2(a)(1)(B) of the Act, 7 U.S.C. § 2(a)(1)(B) (2012), and Commission Regulation 1.2, 17 C.F.R. § 1.2 (2013), as a principal for Steele's violations of the Act and/or Commission Regulations.

93. Each instance that Steele acted as an AP, as defined by Commission Regulation 5.1(d)(1), 17 C.F.R. § 5.1(d)(1) (2013), relating to off-exchange forex transactions, but failed to register with the Commission as a CPO, is alleged as a separate and distinct violation of Section 2(c)(2)(C)(iii)(I)(aa) of the Act, 7 U.S.C. § 2(c)(2)(C)(iii)(I)(aa) (2012), and Commission Regulation 5.3(a)(2)(i), 17 C.F.R. § 5.3(a)(2)(i) (2013).

#### **COUNT FIVE**

#### **VIOLATION OF COMMISSION REGULATION 4.20(a)(1), 17 C.F.R. § 4.20(a)(1) (2013): FAILURE TO OPERATE IN THE NAME OF THE POOL**

94. The allegations set forth in paragraphs 1 through 70 are re-alleged and incorporated herein by reference.

95. Commission Regulation 4.20 (a)(1), 17 C.F.R. § 4.20(a)(1) (2013), requires a CPO to operate its pool "as an entity cognizable as a legal entity separate from that of the pool operator."

96. Steele violated Commission Regulation 4.20 (a)(1), 17 C.F.R. § 4.20(a)(1) (2013), by operating each of the pools, SM and CM, as a d/b/a for Judy D. Steele instead of legal entities separate from that of the pool operator.

97. Each instance that Steele failed to operate CM and SM as separate legal entities, including, but not limited to, those specifically alleged herein, is alleged as a separate and distinct violation of Commission Regulation 4.20 (a)(1), 17 C.F.R. § 4.20(a)(1) (2013).

#### **COUNT SIX**

#### **VIOLATION OF COMMISSION REGULATION 4.20(c), 17 C.F.R. § 4.20(c) (2013): PROHIBITION AGAINST COMMINGLING OF POOL PARTICIPANT FUNDS**

98. The allegations set forth in paragraphs 1 through 70 are re-alleged and incorporated herein by reference.

99. Commission Regulation 4.20(c), 17 C.F.R. § 4.20(c) (2013), prohibits CPOs from “commingling the property of any pool that it operates or that it intends to operate with the property of any other person.”

100. Steele violated Commission Regulation 4.20(c) by commingling pool participants’ funds with personal and business-related expenses.

101. Each instance that Steele commingled pool participants’ funds, including but not limited to those specifically alleged herein, is alleged as a separate and distinct violation of Commission Regulation 4.20 (c), 17 C.F.R. § 4.20(c) (2013).

#### **COUNT SEVEN**

#### **DISGORGEMENT OF FUNDS FROM RELIEF DEFENDANT**

102. The allegations set forth in paragraphs 1 through 70 are re-alleged and incorporated herein by reference.

103. Defendants misappropriated a portion of pool participants' funds and engaged in unlawful conduct, and omitted material information that operated as a fraud or deceit upon pool participants, as alleged herein.

104. Relief Defendant Judy D. Steele received funds as a result of Defendants' unlawful conduct and misappropriation of pool participants' funds, and she has been unjustly enriched thereby.

105. Relief Defendant Judy D. Steele has no legitimate entitlement to or interest in the funds received as a result of Defendants' unlawful conduct.

106. Relief Defendant Judy D. Steele should be required to disgorge funds up to the amount she received from Defendants' unlawful conduct, or the value of those funds that she may have subsequently transferred to third parties.

## **VII. RELIEF REQUESTED**

WHEREFORE, the Commission respectfully requests that this Court, as authorized by Section 6c of the Act, 7 U.S.C. § 13a-1 (2012), and pursuant to its own equitable powers, enter:

- a) An order finding that Defendants violated Sections 4o(1)(B) and 2(c)(2)(c)(iii)(I) of the Act, 7 U.S.C. §§ 6o(1)(B) and 2(c)(2)(c)(iii)(I) (2012), and Commission Regulations 5.3(a)(2)(i) and (ii), 17 C.F.R. §§ 5.3(a)(2)(i) and (ii) (2013);
- b) An order finding that Steele violated Commission Regulation 4.20(a)(1) and (c), 17 C.F.R. § 4.20(a)(1) and (c) (2013);
- c) An order of permanent injunction prohibiting Steele and any of his agents, servants, employees, assigns, attorneys, and persons in active concert or participation with Steele, including successors thereof, from engaging, directly or indirectly, in conduct in violation of Commission Regulation 4.20(a)(1) and (c), 17 C.F.R. § 4.20(a)(1) and (c) (2013);



d) An order of permanent injunction prohibiting Champion Management and any of its agents, servants, employees, assigns, attorneys and persons in active concert or participation with Champion Management, including successors thereof, from engaging, directly or indirectly, in conduct in violation of Commission Regulations 4.20(a)(1) and (c), 17 C.F.R. §§ 4.20(a)(1) and (c) (2013);

e) An order of permanent injunction prohibiting Defendants and any of their agents, servants, employees, assigns, attorneys, and persons in active concert or participation with Defendants, including successors thereof, from directly or indirectly:

(i) engaging in conduct in violation of Sections 4o(1)(B) and 2(c)(2)(c)(iii)(I) the Act, 7 U.S.C. §§ 6o(1)(B) and 2(c)(2)(c)(iii)(I) (2012); and Commission Regulation 5.3(a)(2)(i) and (ii), 17 C.F.R. § 5.3(a)(2)(i) and (ii) (2013);

(ii) trading on or subject to the rules of any registered entity (as that term is defined in Section 1a of the Act, 7 U.S.C. § 1a (2012));

(iii) entering into any transactions involving commodity futures, options on commodity futures, commodity options (as that term is defined in Commission Regulation 1.3(hh), 17 C.F.R. § 1.3(hh) (2013) (“commodity options”)), security futures products, swaps (as that term is defined in Section 1a(47) of the Act, as amended and as will be further defined by Commission Regulation 1.3(xxx), 17 C.F.R. § 1.3(xxx)), and/or forex (as described in Sections 2(c)(2)(B) and 2(c)(2)(C)(i) of the Act, 7 U.S.C. §§ 2(c)(2)(B) and 2(c)(2)(C)(i) (2012)) (“forex contracts”), for their own personal accounts or for any account in which they have a direct or indirect interest;

(iv) possessing any commodity futures, options on commodity futures, commodity options, security futures products, swaps, and/or forex contracts traded on their behalf;

(v) controlling or directing the trading for, or on behalf of, any other person or entity, whether by power of attorney or otherwise, in any account involving commodity futures, options on commodity futures, commodity options, security futures products, swaps, and/or forex contracts;

(vi) soliciting, receiving, or accepting any funds from any person for the purpose of purchasing or selling any commodity futures, options on commodity futures, commodity options, security futures products, swaps, and/or forex contracts;

(vii) 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 with the Commission, except as provided for in Commission Regulation 4.14(a)(9), 17 C.F.R. § 4.14(a)(9) (2013);

(viii) acting as a principal (as that term is defined in Commission Regulation 3.1(a), 17 C.F.R. § 3.1(a) (2013)), agent, officer, or employee of any person registered, exempted from registration, or required to be registered with the Commission, except as provided for in Regulation 4.14(a)(9), 17 C.F.R. § 4.14(a)(9) (2013);

f) An order requiring Defendants, as well as any of their successors, to make full restitution, pursuant to such procedure as the Court may order, to every pool participant or other person or entity whose funds were received or utilized by them in violation of the provisions of the Act, Commission Regulations, as described herein, plus pre-judgment interest thereon from the date of such violations, plus post-judgment interest;

g) An order requiring Defendants, the Relief Defendants, and any third party transferee and/or successors thereof, to disgorge, pursuant to such procedure as the Court may

order, all benefits received from the acts and practices which constitute violations of the Act, as described herein, plus pre-judgment interest thereon from the date of such violations, plus post-judgment interest;

h) An order directing Defendants, Relief Defendant, and any successors thereof, to rescind, pursuant to such procedures as the Court may order, all contracts and agreements, whether implied or express, entered into between them and any of the pool participants whose funds were received by Defendants as a result of the acts and practices which constitute violations of the Act, as described herein;

i) An order directing Defendants, as well as any of their successors, to pay civil monetary penalties under the Act, to be assessed by the Court, in amounts of not more than the higher of: (1) triple the monetary gain to Defendants for each violation of the Act; or (2) \$140,000 for each violation of the Act committed on or after October 23, 2008, plus post-judgment interest;

j) An order directing Defendants, as well as any of their successors, to pay costs and fees as permitted by 28 U.S.C. §§ 1920 and 2412(a)(2) (2012); and

k) An order providing such other and further relief as this Court may deem necessary and appropriate under the circumstances.

Dated: September 24, 2013

Respectfully Submitted,

By: Eugene Smith  
Eugene Smith ([esmith@cftc.gov](mailto:esmith@cftc.gov))  
Eastern District of Missouri Bar #73058MD  
Melanie Devoe ([mdevoe@cftc.gov](mailto:mdevoe@cftc.gov))

Eastern District of Missouri Bar #499214DC  
Peter M. Haas ([phaas@cftc.gov](mailto:phaas@cftc.gov))  
Eastern District of Missouri Bar #358333DC  
Division of Enforcement  
Commodity Futures Trading Commission  
Three Lafayette Centre, 1155 21st Street, N.W.  
Washington, D.C. 20581  
(202) 418-5371 (Smith)  
(202) 428-5302 (Devoe)  
(202) 418-5371 (Haas)  
(202) 418-5124 facsimile  
ATTORNEYS FOR PLAINTIFF  
U.S. COMMODITY  
FUTURES TRADING COMMISSION