

Commodity Futures Trading Commission
CEA CASES

NAME: SECRETARY OF AGRICULTURE V. S. W. GONGOLL, S. W. GONGOLL & COMPANY, GENERAL EQUITIES, INC., FINANCIAL DISTRIBUTORS, FINANCIAL ASSOCIATES OF ILLINOIS, INC., FINANCIAL ASSOCIATES OF MINNESOTA, INC., FINANCIAL ASSOCIATES OF FLORIDA, INC., FINANCIAL ASSOCIATES OF SOUTH DAKOTA, INC., AND UNIT PLAN TRADING COMPANY

DOCKET NUMBER: 7

DATE: AUGUST 25, 1938

DOCUMENT TYPE: COMPLAINT

DEPARTMENT OF AGRICULTURE

Washington, D. C.

UNITED STATES OF AMERICA

BEFORE THE SECRETARY OF AGRICULTURE

C. E. A. DOCKET NO. 7.

Secretary of Agriculture, Complainant, v. S. W. Gongoll, S. W. Gongoll & Company, General Equities, Inc., Financial Distributors, Financial Associates of Illinois, Inc., Financial Associates of Minnesota, Inc., Financial Associates of Florida, Inc., Financial Associates of South Dakota, Inc., and Unit Plan Trading Company, Respondents.

Complaint and Notice of Hearing Under Section 6(b) of Commodity Exchange Act.

The Secretary of Agriculture has reason to believe that the respondents hereinafter named have violated and are violating the Commodity Exchange Act (7 U. S. C. and Supp. III, Secs. 1-17a) and the rules and regulations promulgated pursuant thereto, and therefore issues this complaint, alleging the following:

1.

S. W. Gongoll is an individual whose business address is Foshay Tower, Minneapolis, Minnesota.

S. W. Gongoll & Company is a corporation whose business address is 200 Foshay Tower, Minneapolis, Minnesota.

General Equities, Inc., is a corporation whose business address is 200 Foshay Tower, Minneapolis, Minnesota.

Financial Distributors, Inc., is a corporation whose business address is 200 Foshay Tower, Minneapolis, Minnesota.

Financial Associates of Illinois, Inc., is a corporation whose business address is 135 South La Salle Street, Chicago, Illinois.

Financial Associates of Minnesota, Inc., is a corporation whose business address is 200 Foshay Tower, Minneapolis, Minnesota.

Financial Associates of Florida, Inc., is a corporation whose business address is 200 Foshay Tower, Minneapolis, Minnesota.

Financial Associates of South Dakota, Inc., is a corporation whose business address is 200 Foshay Tower, Minneapolis, Minnesota.

Unit Plan Trading Company is a corporation whose business address is 200 Foshay Tower, Minneapolis, Minnesota.

2.

On or about August 2, 1937, and continuously to August 26, 1937, S. W. Gongoll, acting by and through the other respondents named herein, and by and through himself, and by accounts controlled

by himself, held and controlled open contracts in a single future of one of the commodities defined as grain in the said rules and regulations, on one contract market, totalling more than 200,000 bushels; and on January 7, 1938, acting as aforesaid, held and controlled open contracts in the May wheat future on the Board of Trade of the City of Chicago, a contract market, totalling 200,000 bushels or more, and failed to report such holdings to the Commodity Exchange Administration on form 203, as required by the rules and regulations made and promulgated pursuant to the Commodity Exchange Act.

3.

On numerous other occasions during the last five months of 1937 and during 1938, the said S. W. Gongoll, acting by and through the other respondents named herein, and by and through himself, has held and controlled open contracts in a single future of one of the commodities defined as grain in said rules and regulations, on one contract market, totalling more than 200,000 bushels, without reporting to said Commodity Exchange Administration on form 203 as required by said rules and regulations.

4.

On August 2, 1937, and on various dates thereafter, up to

and including October 7, 1937, the said S. W. Gongoll, acting by and through one or more of the other respondents named herein, held or controlled open contracts in a single future of one or more of the commodities defined as grain in said rules and regulations, on one contract market, totalling more than 200,000 bushels, and at such times filed reports with the Commodity Exchange Administration on form 203, as required by said rules and regulations, which reports did not truly and correctly show for the dates covered thereby the amount of open contracts held or controlled by him, or the amount of such grain bought and the amount sold by him individually or by or through the other respondents for future delivery, all in violation of the rules and regulations promulgated pursuant to the Commodity Exchange Act.

5.

Respondent S. W. Gongoll, through various connections with each of the other named respondents, has controlled at all times hereinbefore named, and continues to control the futures trading of each and all of the respondents herein in said commodities, and has controlled at said times and continues to control the futures positions of each and all of the respondents herein in said commodities, on all contract markets.

6.

During the last five months of 1937, and during 1938, each and every one of the respondents named herein has for part of said period or continuously engaged as futures commission merchant in soliciting orders and accepting orders for the purchase and sale of the said commodities for future delivery and involving contracts of sale of said commodities for future delivery on and subject to the rules of contract markets, accepting money, securities, and property, and extending credit, in connection with such solicitation and acceptance of orders, without having registered with the Secretary of Agriculture as such futures commission merchant, and without segregating the funds of customers as required by the Commodity Exchange Act.

7.

One of the plans under which the respondents operate consists of respondent's entering into a "joint fund agreement" with a customer, whereunder respondent adds ten percent to the sum received from the customer, opens and controls a trading account in the above-described commodities and in other commodities and securities, receives forty percent of any profits from said account, and is liable for losses to the extent of its one-eleventh contribution.

Various other plans and devices have been and are employed by

each of respondents, the exact nature of all of which is not known, but it is alleged that under each of such devices used by any respondent, such respondent is acting as a futures commission merchant and is subject to the terms of the Commodity Exchange Act and the rules and regulations thereunder. All of said plans are not known because respondents have refused to allow representatives of the Commodity Exchange Administration to examine their books and records so that the exact nature of their commodity futures business could be ascertained.

8.

On or about July 7, 1938, S. W. Gongoll and the other respondents herein failed and refused, and they continue to fail and refuse, to keep their books and records pertaining to futures transactions in said commodities open to inspection by representatives of the United States Department of Agriculture, as provided by the Commodity Exchange Act and the rules and regulations promulgated pursuant to said act.

Therefore, each of the said respondents is hereby notified to be and appear at a hearing to be held at 10 o'clock a.m. on September 14, 1938, in Room 208, United States Court House, Marquette Avenue and Third Street, Minneapolis, Minnesota, before a referee to be

designated by the Secretary of Agriculture to conduct such hearing, and then and there show cause, if any there be, why an order should not be made directing that all contract markets until further notice of the Secretary of Agriculture refuse all trading privileges to each of such respondents, respectively.

IT IS ORDERED That this complaint and notice of hearing be served on each of the named respondents, by delivery of a true copy hereof to each of them, by an employee of the Department of Agriculture or by registered mail at least three days prior to the date herein set for hearing.

(SEAL)

IN WITNESS WHEREOF, the Secretary of Agriculture has hereunto set his hand and caused the official seal of the Department of Agriculture to be affixed in the City of Washington on the 25th day of August, 1938.

/s/ H. A. Wallace

Secretary of Agriculture

LOAD-DATE: June 11, 2008

