

Commodity Futures Trading Commission  
CEA CASES

**NAME:** SECRETARY OF AGRICULTURE V. S. W. GONGOLL, S. W. GONGOLL & COMPANY, GENERAL EQUITIES, INC., FINANCIAL DISTRIBUTORS, INC., 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

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DEPARTMENT OF AGRICULTURE

WASHINGTON

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, Inc., 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.

Proceedings, Findings of Fact, Conclusions and Order.

PROCEEDINGS

On August 25, 1938, complaint was issued by the Secretary of Agriculture, pursuant to the provisions of the Commodity Exchange Act (7 U. S. C. and Supp. III, Secs. 1-17a), against the above-named respondents. In the complaint it was alleged that, at various times during 1937 and 1938, S. W. Gongoll held and controlled positions in commodity futures of the size required by the rules and regulations to be reported, without reporting as required; that on various occasions he filed false reports; that through various connections he controlled the trading of all

respondents in commodity futures; that each of the respondents, through various plans and devices, engaged as futures commission merchant without having registered and without segregating the funds of customers; and that all of the respondents failed and refused to keep their books and records pertaining to futures transactions open to inspection by representatives of the Department of Agriculture. Respondents were notified to appear at a hearing in Minneapolis, Minnesota, on September 14, 1938, before a referee, to show cause why an order should not be made directing all contract markets to refuse them trading privileges.

The complaint was served upon each respondent by registered mail. On motion of respondents, the hearing was postponed to November 12, 1938. Before that date, S. W. Gongoll, sole trader doing business as S. W. Gongoll and Company, was adjudged a bankrupt in the Fourth Division of the United States District Court for the District of Minnesota. In the bankruptcy proceedings, the court took jurisdiction over each of the respondents involved herein, and ordered Eloi Bauers, the receiver in bankruptcy, to take control of them and custody of all their assets. The receiver was authorized by order of the court to consent to issuance of an order denying each of the respondents trading privileges on

contract markets. Thereupon, a stipulation waiving hearing and consenting to entry of

an order herein, and admitting, for the purposes hereof, the facts alleged in the complaint, was signed by William E. G. Watson, counsel for S. W. Gongoll individually and doing business as S. W. Gongoll and Company and as Unit Plan Trading Company, and by Eloi Bauers, Receiver, on behalf of all other respondents.

In view of the waiver of respondents, no formal hearing was held.

#### FINDINGS OF FACT

1. S.W. Gongoll, whose business address is 200 Foshay Tower, Minneapolis, Minnesota, is an individual doing business as S. W. Gongoll and Company and as Unit Plan Trading Company.

2. General Equities, Incorporated, Financial Distributors, Incorporated, Financial Associates of Minnesota, Incorporated, Financial Associates of Florida, Incorporated, and Financial Associates of South Dakota, Incorporated, are corporations whose business address is 200 Foshay Tower, Minneapolis, Minnesota.

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

4. 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 rules and regulations under the Commodity Exchange Act, on one contract market, totaling 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, totaling 200,000 bushels or more, and failed to report such holdings to the Commodity Exchange Administration on form 203, as required by said rules and regulations.

5. On numerous other occasions during the last five months of 1937 and during 1938, S. W. Gongoll, acting by and through the other respondents herein, and by and through himself, hold 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, totaling more than 200,000 bushels, without reporting to the Commodity Exchange Administration on form 203 as required by said rules and regulations.

6. 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, 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, totaling more than 200,000 bushels, and at such times filed reports with the Commodity Exchange Administration on form 203, 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 said rules and regulations.

7. Respondent S. W. Gongoll, through various connections with each of the other named respondents, controlled, at all times hereinbefore named, the

futures trading of each and all of the respondents herein in said commodities, and controlled at said times the futures positions of each and all of the respondents herein in said commodities, on all contract markets.

8. During the last five months of 1937, and during 1938, each and every one of the respondents named herein, for part of said period, 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.

9. One of the plans under which the respondents operated consisted of a respondent's entering into a "joint fund agreement" with a customer, whereunder such respondent was to add ten percent to the sum received from the customer, was to open and control a trading account in the above-described commodities and in other commodities and securities, was to receive forty percent of any profits from said account, and was to be liable for losses to the extent of its one-eleventh contribution.

10. Various other plans and devices were employed by each of respondents, under each of which devices the respondent acted as a futures commission merchant and was subject to the terms of the Commodity Exchange Act and the rules and regulations thereunder.

11. On or about July 7, 1938, S. W. Gongoll and the other respondents herein failed and refused 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.

#### CONCLUSIONS

The record shows that S. W. Gongoll controlled the commodity futures trading of all of the respondents, that he violated the act and the rules and regulations by failing to report on many

occasions when the volume of trading and the position controlled by him were of the size required to be reported, and by reporting falsely on other occasions, and that each respondent violated the act by engaging as futures commission merchant without registering as such and without segregating the funds of customers, and by failing to keep books and records pertaining to commodity futures transactions open to inspection by representatives of the Department of Agriculture. There being no registration as futures commission merchant to revoke, it is deemed that the violations and disregard of the act by each respondent make it necessary to deny each of the respondents all trading privileges on contract markets.

#### ORDER

IT IS HEREBY ORDERED that all contract markets, until further notice of the Secretary of Agriculture, refuse all trading privileges thereon to S. W. Gongoll, S. W. Gongoll doing business as S. W. Gongoll and Company and as Unit Plan Trading Company, General Equities, Incorporated, Financial Distributors, Incorporated, Financial Associates of Minnesota, Incorporated, Financial Associates of Florida, Incorporated, Financial Associates of South Dakota, Incorporated, and Financial Associates of Illinois, Incorporated, and each of them.

IT IS FURTHER ORDERED that a copy hereof be sent by registered mail to each respondent, and a copy to each contract market.

(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 hereto in the City of Washington, District of Columbia, on this 3rd day of November, 1938.

/s/ Harry L. Brown

Acting Secretary of Agriculture

**LOAD-DATE:** June 11, 2008

