

FILED

OCT - 3 2007

**NATIONAL FUTURES ASSOCIATION
BEFORE THE
BUSINESS CONDUCT COMMITTEE**

**NATIONAL FUTURES ASSOCIATION
LEGAL DOCKETING**

In the Matter of:)
)
STONEBRIDGE FINANCIAL SERVICES LLC)
(NFA ID #375711),)
)
ADAM T. BASSAGE)
(NFA ID #333510),)
)
and)
)
ANDRES RODRIGUEZ)
(NFA ID #357689),)
)
Respondents.)

NFA Case No. 07-BCC-036

COMPLAINT

Having reviewed the investigative report submitted by the Compliance Department of National Futures Association ("NFA"), and having found reason to believe that NFA Requirements are being, have been or are about to be violated and that the matter should be adjudicated, NFA's Business Conduct Committee ("BCC") issues this Complaint against Stonebridge Financial Services LLC ("Stonebridge"), Adam T. Bassage ("Bassage") and Andres Rodriguez ("Rodriguez").

ALLEGATIONS

JURISDICTION

1. At all times relevant to this Complaint, Stonebridge was an independent introducing broker ("IB") Member of National Futures Association ("NFA") located in Delray Beach, Florida.

2. At all times relevant to this Complaint, Rodriguez was president and an associated person ("AP") of Stonebridge and an NFA Associate.
3. At all times relevant to this Complaint, Bassage was an AP of Stonebridge and an NFA Associate.

BACKGROUND

4. Stonebridge has been an NFA Member since December 2006. Julio Jalil is the firm's sole owner and chief executive officer. Julio Jalil has no prior registration history.
5. Julio Jalil's brother, Jimi Jalil, has been previously registered at a number of firms, all of which have been disciplined for sales practice violations. Those firms include First American Investment Services, Inc.; First Liberty Investment Services, Inc.; and Group One Financial Services, Inc.
6. Jimi Jalil, himself, was named in a 2005 BCC case and charged with sales practice fraud and failure to supervise in connection with his activities at FutureTech Trading Group, Inc. ("FutureTech"), where he was the president and an AP. In October 2006, Jimi Jalil agreed to settle those charges by agreeing to a six-month suspension from NFA membership.
7. After NFA issued the 2005 BCC Complaint against Jimi Jalil and FutureTech, a number of FutureTech's APs transferred to Majestic Commodity Corporation ("Majestic"), another NFA Member IB located in Florida. Later, many of these same APs left Majestic and moved to Stonebridge. Therefore, NFA decided to visit Stonebridge to review the firm's operations and ensure that Jimi Jalil was not performing any activities at Stonebridge that would violate his BCC settlement and six-month suspension from NFA membership.

8. NFA's review of Stonebridge found that Stonebridge and Rodriguez allowed Jimi Jalil to perform activities on the firm's behalf, despite his six-month suspension from NFA membership and provided false information to NFA concerning Jimi Jalil's activities at Stonebridge. In addition, NFA's review found that Stonebridge engaged in sales practice violations and that the firm and Rodriguez failed to supervise the firm's sales force to ensure compliance with NFA's Rules.

APPLICABLE RULES

9. NFA Compliance Rule 2-6 provides, in pertinent part, that no person who has been expelled or suspended or is subject to a similar sanction by NFA in a proceeding brought pursuant to Part 3 of NFA's Compliance Rules that temporarily or permanently prohibits the person from NFA membership or affiliation in any capacity with an NFA Member shall hold himself out as a Member in good standing of NFA, or as affiliated with a Member, as the case may be, during the period during which the sanction is in effect. No Member or Associate shall conduct commodity futures or forex business with such a person during the period the sanction is in effect unless authorized by the Business Conduct Committee, Hearing Committee or the Appeals Committee.
10. NFA Compliance Rule 2-2(a) provides that no Member or Associate shall cheat, defraud or deceive, or attempt to cheat, defraud or deceive, any commodity futures customer.
11. NFA Compliance Rule 2-2(f) provides that no Member or Associate shall willfully submit materially false or misleading information to NFA or its agents.
12. NFA Compliance Rule 2-29(a)(1) provides that no Member or Associate shall make any communication with the public which operates as a fraud or deceit.

13. NFA Compliance Rule 2-9 provides, in pertinent part, that each Member shall diligently supervise its employees and agents in the conduct of their commodity futures activities for or on behalf of the Member. Each Associate who has supervisory duties shall diligently exercise such duties in the conduct of that Associate's commodity futures activities on behalf of the Member.

COUNT I

VIOLATION OF NFA COMPLIANCE RULES 2-6 AND 2-2(f): CONDUCTING FUTURES BUSINESS WITH A SUSPENDED NFA ASSOCIATE AND SUBMITTING MATERIALLY MISLEADING INFORMATION TO NFA CONCERNING THE ACTIVITIES OF THE SUSPENDED ASSOCIATE.

14. The allegations contained in paragraphs 1, 2, 4 through 9 and 11 are realleged as paragraph 14.
15. In July 2005, NFA adopted an Interpretive Notice to NFA Compliance Rule 2-6, which prohibits a Member firm from allowing a person who has been expelled, suspended, or is subject to a similar sanction by NFA from acting in a capacity that requires the person to be a registered AP and NFA Associate, as well as from performing activities on behalf of and in connection with an NFA Member's futures business, regardless of whether those activities require Commodity Futures Trading Commission ("CFTC") registration or NFA membership. In addition, Member firms are prohibited from allowing such a person to act as a consultant or an unpaid volunteer or, absent extraordinary circumstances, to even be physically present in their offices.
16. When NFA arrived at Stonebridge's office on February 13, 2007, Jimi Jalil was dressed in a suit and tie, talking on the phone and sitting at a desk in the firm's

- largest semi-private office. When NFA confronted him about being at Stonebridge, he claimed he had simply stopped by to see his brother, Julio Jalil.
17. Julio Jalil and Rodriguez represented to NFA that Jimi Jalil was rarely at Stonebridge's office. However, another Stonebridge employee contradicted this claim. Specifically, Shandi M. Hechavarria ("Hechavarria"), a relatively new broker at Stonebridge, informed NFA that both Julio and Jimi Jalil were involved in her job interview and that Jimi Jalil questioned her during the interview. In addition, Hechavarria said she reports to both Julio and Jimi Jalil and that Jimi Jalil listens to and critiques her conversations with prospective clients.
 18. In addition, Hechavarria indicated Jimi Jalil is in the office daily and, together with Rodriguez, leads daily sales meetings covering both regulatory matters and trade recommendations.
 19. Another Stonebridge broker, Keith Kornegay, supported Hechavarria's statements about Jimi Jalil being at the firm regularly. Eventually, even Julio Jalil admitted that Jimi Jalil was at the firm weekly and provided "consultant-like" advice.
 20. Based on Jimi Jalil's regular and active presence at Stonebridge, including participating in sales meetings, giving "consultant-like" advice to the firm, and monitoring brokers' sales solicitations, it is apparent that Stonebridge and Rodriguez permitted Jimi Jalil to perform activities on behalf of and in connection with Stonebridge's futures business, while Jimi Jalil was suspended from NFA membership.
 21. In addition, Stonebridge and Rodriguez submitted materially misleading information to NFA concerning Jimi Jalil's activities at Stonebridge in that they misrepresented that Jimi Jalil was rarely at Stonebridge's offices, when in fact, he

was frequently at the firm's offices and performed activities on behalf of and in connection with Stonebridge's futures business.

22. By reason of the foregoing acts and omissions, Stonebridge and Rodriguez are charged with violations of NFA Compliance Rules 2-6 and 2-2(f).

COUNT II

VIOLATION OF NFA COMPLIANCE RULES 2-2(a) AND 2-29(a)(1): MAKING MISLEADING SALES SOLICITATIONS.

23. The allegations contained in paragraphs 1, 3, 10 and 12 are realleged as paragraph 23.
24. Brian Baucham ("Baucham") is 45 years old and manages a trucking business. Baucham opened a trading account through Stonebridge on March 3, 2007 and closed his account on July 2, 2007. Baucham invested a total of \$40,000 and lost \$39,140, of which over \$17,000 was in commissions and fees.
25. Baucham was initially solicited by Hechavarria, who told Baucham his investment would be risky, but they would get in and out quickly using small investments. After repeated calls from Hechavarria, Baucham opened his account in early March and invested \$5,000 with the firm in early April 2007.
26. Hechavarria originally solicited Baucham to trade unleaded gas, telling him prices would go up in the summer because of the driving season which would ensure that his account profited. Hechavarria placed the initial trades for Baucham's account on April 5, 2007. However, the following day, Hechavarria told Baucham that she was transferring his account to another Stonebridge AP, Stephen J. Shore ("Shore"). Hechavarria said Shore was the person to whom she transferred all her accounts and that he had more experience with the markets.

27. Shore has been an NFA Associate of Stonebridge since December 21, 2006 and previously worked at Executive Commodity Corp. and FutureTech, both of which have been disciplined for sales practice violations.
28. Shore told Baucham to buy orange juice because they could exploit the hurricane season for trading profits since the price of orange juice goes up during that time of year. Additionally, Shore recommended that Baucham buy the Euro because China was currently buying gold, which Shore claimed would cause the price of the dollar to go down. Neither Shore nor Hechavarria ever told Baucham that the *well-known current events and seasonal trends* that they had mentioned to Baucham had already been factored into the option value.
29. Shore claimed that Baucham could make \$4,000 in three weeks based on a \$30,000 investment and could double his money and probably get his account value up to \$100,000 by the end of the year if he invested additional funds. Shore also told Baucham to invest more money since this would decrease his chances of losing. Shore urged Baucham to get into the markets immediately if he wanted to profit.
30. Shore also cited examples of profitable trades he supposedly placed for other customers and told Baucham that he, too, would have made money had he gotten into the same trades. During the first three months of 2007, Stonebridge opened 68 accounts. However, as of March 31, 2007, just five of those accounts were profitable and only by about \$1,500. In contrast, the other 63 accounts had losses of about \$540,000. Therefore, Shore's profit claims on selected trades gave Baucham a distorted and misleading view of the profit potential at Stonebridge.

31. Shore also made misleading statements concerning the risk of loss. Shore claimed that the only way Baucham could lose was if the market remained flat. Shore also told Baucham that he would profit no matter which way the market moved since he was trading spread positions. Finally, Shore told Baucham that sometimes he might lose on a trade, but he could not lose all of his money. During another conversation, Shore told Baucham that he would only occasionally lose on trades.
32. Shore's sales solicitations to Baucham were misleading in that they exaggerated the profit potential of trading options and downplayed the risk of loss. Shore's solicitations were further misleading in that they emphasized well-known current events (e.g., hurricanes) and suggested that these events would move the market in one direction or another, when this information had already been factored into the market.
33. In February 2007, NFA auditor Pat Gregory ("Gregory"), using an assumed name and posing as a prospective customer, had a conversation with Stonebridge AP Bassage.
34. Bassage informed Gregory that Stonebridge focused on options and did not recommend futures because they are too risky. Bassage told Gregory that with options he could purchase the right to 1,000 barrels of oil for approximately \$1,000 and, with every \$1 movement in his favor, he would realize a \$1,000 return.
35. Bassage also indicated to Gregory that Stonebridge was expecting oil prices to rise because of increased demand due to below average temperatures, political uncertainty in the Middle East and OPEC cuts. Bassage said the firm expected

prices to increase \$4 to \$6 and if Gregory could catch some of that price move, he could expect to make enormous profits. For example, Bassage told Gregory that a 50-cent increase on a \$20,000 investment would result in a \$10,000 profit. Bassage said that that kind of return would make Gregory a repeat customer who would refer Bassage additional business, which Bassage said was the primary way Stonebridge gets its new clients.

36. Bassage's sales solicitation to Gregory was misleading in that Bassage exaggerated the profit potential of trading options, downplayed the risk of loss, and implied that futures and options prices move in tandem, in a ratio of \$1 to \$1, when, in fact, futures and options prices do not move in tandem, especially out of the money options of the type marketed by Stonebridge.
37. By reason of the foregoing acts and omissions, Stonebridge and Bassage are charged with violations of NFA Compliance Rules 2-2(a) and 2-29(a)(1).

COUNT III

VIOLATION OF NFA COMPLIANCE RULE 2-9: FAILURE TO SUPERVISE.

38. The allegations contained in paragraphs 1, 2, 4 through 8 and 13 are realleged as paragraph 38.
39. NFA Compliance Rule 2-9 obligates NFA Members and Associates who have supervisory responsibilities to diligently supervise the Member's employees and agents. This requires Members and Associates to perform due diligence by screening APs before hiring them to solicit the public, providing effective sales practice training to APs, monitoring APs' telephone sales solicitations to detect and prevent deceptive and misleading sales tactics, and imposing appropriate discipline on APs who engage in improper sales practices. However, Stonebridge

and Rodriguez failed to fulfill their supervisory responsibilities in numerous respects, as alleged below.

40. For example, Stonebridge made no effort to avoid hiring APs who have worked at firms previously disciplined for sales practice violations. This is illustrated by the fact that when the firm started operations in December 2006, all but two of its nearly twenty APs had previously worked at disciplined firms.
41. Furthermore, based on the employment background of its APs, Stonebridge and Rodriguez were obligated to take additional supervisory measures, such as training classes, covert monitoring, or taping of APs sales solicitations, to ensure the firm's sales force complied with NFA's sales practice rules. However, Stonebridge and Rodriguez failed to take any other steps to monitor the firm's sales force. Specifically, Rodriguez said he was the only person at the firm responsible for monitoring sales solicitations, which he claimed he did just by walking continuously around the floor during the day listening to the brokers. Moreover, Rodriguez did not monitor any of the firm's brokers differently – he treated them all the same, regardless of whether they were new employees, disciplined brokers, or brokers who had previously worked at a disciplined firm.
42. Stonebridge and Rodriguez also allowed Jimi Jalil – who was suspended from NFA membership for making deceptive and misleading sales solicitations, and failing to supervise – to perform activities on the firm's behalf, attend regular sales meetings, and act as a motivational speaker for the firm's brokers. This evidenced – along with the misleading sales solicitations described above – a serious dereliction of supervisory duties on the part of Stonebridge and Rodriguez.

43. By reason of the foregoing acts and omissions, Stonebridge and Rodriguez are charged with violations of NFA Compliance Rule 2-9.

PROCEDURAL REQUIREMENTS

ANSWER

You must file a written Answer to the Complaint with NFA within thirty days of the date of the Complaint. The Answer shall respond to each allegation in the Complaint by admitting, denying or averring that you lack sufficient knowledge or information to admit or deny the allegation. An averment of insufficient knowledge or information may only be made after a diligent effort has been made to ascertain the relevant facts and shall be deemed to be a denial of the pertinent allegation.

The place for filing an Answer shall be:

National Futures Association
200 West Madison Street
Suite 1600
Chicago, Illinois 60606-3447
Attn: Legal Department-Docketing

Failure to file an Answer as provided above shall be deemed an admission of the facts and legal conclusions contained in the Complaint. Failure to respond to any allegation shall be deemed an admission of that allegation. Failure to file an Answer as provided above shall be deemed a waiver of hearing.

POTENTIAL PENALTIES, DISQUALIFICATION AND INELIGIBILITY

At the conclusion of the proceedings conducted as a result of or in connection with the issuance of this Complaint, NFA may impose one or more of the following penalties:

- (a) expulsion or suspension for a specified period from NFA membership;

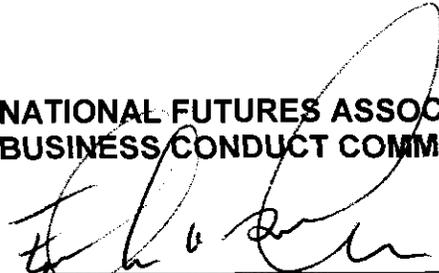
- (b) bar or suspension for a specified period from association with an NFA Member;
- (c) censure or reprimand;
- (d) a monetary fine not to exceed \$250,000 for each violation found; and
- (e) order to cease and desist or any other fitting penalty or remedial action not inconsistent with these penalties.

The allegations in this Complaint may constitute a statutory disqualification from registration under Section 8a(3)(M) of the Commodity Exchange Act. Respondents in this matter who apply for registration in any new capacity, including as an associated person with a new sponsor, may be denied registration based on the pendency of this proceeding.

Pursuant to the provisions of CFTC Regulation 1.63 penalties imposed in connection with this Complaint may temporarily or permanently render Respondents who are individuals ineligible to serve on disciplinary committees, arbitration panels and governing boards of a self-regulatory organization, as that term is defined in CFTC Regulation 1.63.

**NATIONAL FUTURES ASSOCIATION
BUSINESS CONDUCT COMMITTEE**

Dated: 10-3-07

By: 
Chairperson

/jac(Complaints)\Stonebridge_Bassage_Rodriguez)

AFFIDAVIT OF SERVICE

I, Nancy Miskovich-Paschen, on oath state that on October 3, 2007, I served copies of the attached Complaint, by sending such copies in the United States mail, first-class delivery, and by overnight mail, in envelopes addressed as follows:

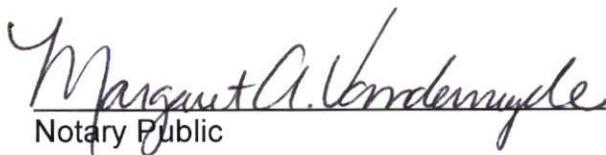
Stonebridge Financial Services LLC
55 NE 5th Avenue
Suite 300
Delray, FL 33483
Attn: Andres Rodriguez

Adam T. Bassage
2550 SW 18 Terrace
Ft. Lauderdale, FL 33315

Andres Rodriguez
1128 Mathis Street
Lake Worth, FL 33461


Nancy Miskovich-Paschen

Subscribed and sworn to before me
on this 3rd day of October 2007.


Notary Public

