

**FILED**

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

**DEC 23 2008**

**NATIONAL FUTURES ASSOCIATION  
LEGAL DOCKETING**

In the Matter of:

CYNTHIA JEANNE MORRIS  
(a/k/a CYNTHIA GOLDBERG)  
(NFA ID #305594),

Respondent.

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NFA Case No. 08-BCC-035

**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 issues this Complaint against Cynthia Jeanne Morris ("Morris") a/k/a Cynthia Goldberg ("Goldberg"). (Hereinafter, Morris shall be referred to as "Goldberg," which is the name she used when soliciting customers.)

**ALLEGATIONS**

**JURISDICTION**

1. At all times relevant to this Complaint, Goldberg was an associated person of either Global Trading Center LLC ("GTC") or Stonebridge Financial Services LLC ("Stonebridge"), and an NFA Associate.

**BACKGROUND**

2. Stonebridge, as well as another firm for which Goldberg previously worked, were both Disciplined Firms, which had been sanctioned by NFA for fraudulent sales practices.

3. NFA staff interviewed several customers of Goldberg and, as alleged herein, determined that Goldberg made misleading solicitations to these customers and failed to explain to them the impact that trading out of the money options would have on profitability. In addition, Goldberg engaged in trading practices that served no economic or other purpose for these customers and often placed trades in their accounts, which resulted in overall debit balances.
4. As a consequence of Goldberg's actions, the customers whom NFA interviewed all lost money. In fact, from April 2007 through March 2008, all of Goldberg's customers lost money, with losses totaling approximately \$650,000, while generating commissions of over \$560,000.

#### **APPLICABLE RULES**

5. 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.
6. 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.
7. NFA Compliance Rule 2-29(a)(2) provides that no Member or Associate shall make any communication with the public which employs or is part of a high-pressure approach.

#### **COUNT I**

#### **VIOLATION OF NFA COMPLIANCE RULES 2-2(a), 2-29(a)(1) AND 2-29(a)(2): MAKING DECEPTIVE, MISLEADING AND HIGH-PRESSURE SALES SOLICITATIONS.**

8. The allegations contained in paragraphs 1 through 7 are realleged as paragraph 8.

9. Joey Cepeda ("Cepeda") opened his account at Stonebridge in February 2008. At that time, he was 27 years old and a self-employed technology consultant. Cepeda had no trading experience prior to opening the Stonebridge account. He invested a total of \$25,000, which included one deposit of \$5,000 and another for \$20,000. Cepeda incurred a total loss of \$20,860, including \$5,183 that he paid in commissions and fees.
10. Cepeda was initially contacted about opening an account with Stonebridge in November 2007. He spent the next few months following news on unleaded gas and later decided to invest \$5,000 to trade unleaded gas with Stonebridge broker, Nikki Thomas.
11. Shortly after his initial gas trade, Cepeda was transferred to Goldberg, who was referred to as a "senior broker." Goldberg told Cepeda that he could "make money no matter what," and that he could make money if the market went up or down and, if he lost anything, it would only be a little.
12. Goldberg pressured Cepeda to immediately place a wheat trade. Although Cepeda told Goldberg that he was not comfortable trading wheat, he relented to Goldberg's pressure and agreed to commit \$10,000 to a wheat trade. Goldberg then pressed Cepeda to send \$20,000 instead of \$10,000, telling Cepeda he could get a better price because she would combine his trade with other customers who were trading wheat. Cepeda finally agreed to send in \$20,000 for the wheat trade and confirmed the trade with Stonebridge's compliance staff. However, Cepeda did not think the trade would be placed until the firm received his money, which he never intended to send. (Cepeda only told Goldberg that he would send in the additional \$20,000 so Goldberg would leave him alone.)

13. Unbeknownst to Cepeda, Goldberg went ahead and purchased a wheat bull call spread, as well as six additional wheat puts, for Cepeda's account. Thereafter, Goldberg called Cepeda and threatened to prosecute him if he did not wire the \$20,000 immediately. Based on Goldberg's threats, Cepeda pulled together the \$20,000 and sent it to Stonebridge's carrying broker.
14. The wheat trades Goldberg placed for Cepeda created a debit balance of more than \$13,000 in Cepeda's account, which was satisfied when Stonebridge liquidated Cepeda's open wheat options on March 10, 2008. Yet, after Stonebridge received the \$20,000 from Cepeda, it acquired new wheat options for Cepeda's account which were more expensive than the original positions. On March 12, six wheat puts that had been purchased the day before were sold for a loss and Cepeda was put back into a gasoline spread similar to one that had been liquidated several days earlier. The trades caused another debit balance in Cepeda's account while generating commissions for Stonebridge and Goldberg.
15. Cepeda had a hard time reaching Goldberg once he sent in the additional \$20,000. In early April 2008, Stonebridge ceased being the introducing broker ("IB") for Cepeda's account and GTC took over as the new IB for his account. This change occurred without Cepeda's knowledge. At that time, Cepeda's account had about a \$900 debit balance and several open positions. Cepeda subsequently learned that Goldberg had transferred to GTC.
16. After GTC took over as the IB for Cepeda's account, some of his open positions had increased in value, so Cepeda sold them and was able to withdraw about \$4,100 from his account. However, the remaining positions in his account ended up expiring worthless at the end of April 2008.

17. Goldberg never discussed with Cepeda the characteristics of options, including extrinsic and intrinsic value, or what it meant for an option to be in, out, and at the money. In addition, Goldberg never discussed her trading strategy with Cepeda and failed to explain her reasons for recommending certain strike prices or the effect commissions would have on Cepeda's ability to make money.  
Furthermore, Goldberg would not answer Cepeda's calls when he needed help understanding his statements or had other questions about his account.
18. Goldberg's solicitations to Cepeda were misleading in that she exaggerated the profit potential and downplayed the risk of loss of trading options. Goldberg also failed to explain to Cepeda the characteristics of options and their effect on potential profits and commissions.
19. Seymour Rowe ("Rowe") opened a futures account through Stonebridge in February 2008 with an initial investment of \$5,000. At the time, Rowe was 61 years old, married and owned a cleaning business. Rowe traded stocks for about twenty years, but had no prior futures or options trading experience. Rowe invested a total of \$25,000 through Stonebridge and ended up losing over \$15,000, after paying over \$32,000 in commissions and fees.
20. Thomas was Rowe's original broker. However, Rowe's account was transferred to "senior broker" Goldberg shortly after it was opened. Goldberg told Rowe that he could make a lot of money the way the crude oil market was going, but only if he invested more money. When Rowe told Goldberg that his wife was not comfortable with him investing more than \$5,000, Goldberg responded by saying it would be virtually impossible for Rowe to lose with her strategy.

21. Goldberg told Rowe on multiple occasions that he could not lose any of his investment. Based on these assurances, Rowe was persuaded to invest an additional \$10,000, which he had previously held in stocks, as well as \$10,000 from a line of credit. This brought Rowe's total investment to \$25,000.
22. Goldberg recommended bull-call spreads to Rowe and these were what Rowe's account primarily traded. Yet Goldberg never discussed with Rowe the details of options trading, including spreads, the concepts of extrinsic and intrinsic value, or in the money, at the money, or out of the money options. In addition, Goldberg never discussed the effect commissions would have on Rowe's ability to make money.
23. In late March 2008, Rowe received a letter that indicated that Stonebridge was ceasing operations. Goldberg called Rowe about the same time and told him that she was now working at GTC and persuaded him to open an account through GTC.
24. After Rowe transferred to GTC, Goldberg told him that he had doubled his money. This led Rowe to believe his current account value was about \$50,000, so he asked to withdraw \$25,000. Goldberg told Rowe he was crazy to take his money out because *crude was doing so well and she recommended that Rowe invest in another crude oil trade*. At the time, the value of Rowe's account was nowhere close to \$50,000 in April 2008. In fact, about \$15,000 would have been *the largest withdrawal that he could have made at any time during the life of his account*, and the account often carried a debit balance as Goldberg placed trades in Rowe's account when the account had little or no available equity.

25. In addition, Goldberg failed to keep Rowe up to date with what was happening in his account, and when Rowe tried calling Goldberg, he had difficulty reaching her. In May 2008, Rowe was able to reach Goldberg, at which time she told him that his account value was about \$17,000 when, in fact, the net liquidating value was less than \$15,000. Rowe asked to withdraw \$10,000 and received a check for just under \$10,000.
26. After receiving the check, Rowe repeatedly called GTC to talk to Goldberg, but he could not reach her and kept getting her voicemail. Because Rowe was unhappy with Goldberg and GTC, he decided to switch to another IB, but learned his account had a zero balance. Rowe again tried to reach Goldberg, without success.
27. Rowe eventually spoke with Goldberg's supervisor, who said Rowe lost all of his investment due to market conditions. However, this information contradicted Goldberg's constant representations to Rowe that his account was making money and that there was no way he could lose his investment. (Rowe was never able to confirm Goldberg's representations because he did not understand his account activity statements, and, when Rowe asked Goldberg to explain his statements, she responded by saying she was "too busy for stuff like that.")
28. Goldberg's solicitations to Rowe were misleading in that she exaggerated the profit potential and downplayed the risk of loss of trading options. Goldberg also made false statements to Rowe about the performance and value of Rowe's account and failed to explain to Rowe options and their effect on potential profits and commissions.

29. Kenneth Douglas ("Douglas") and his wife, Ruby, opened an account through Stonebridge in January 2008. Douglas was 44 years old at the time and owned a home remodeling business. His wife was 48 years old and employed as a registered nurse. Prior to Stonebridge, Douglas and his wife had twenty years of investment experience in stocks and bonds, but never traded futures or options. Douglas used funds from a stock sale and an income tax refund to invest with Stonebridge. Douglas deposited almost \$6,500 into his account, but lost the entire amount and paid commissions and fees of \$2,090.
30. Douglas initially traded crude oil and gasoline spreads. Shortly after initiating the crude oil and gas spreads, Douglas' account was transferred to Goldberg. Goldberg recommended that Douglas trade gold options. Goldberg claimed all the "experts" said the price of gold was going up to \$1,200 and that Douglas had the opportunity for a very lucrative investment. However, Goldberg engaged in trading practices with the gold options that were not in Douglas' best interests.
31. Goldberg told Douglas that he could enter into a spread to trade 10 gold calls and 3 gold puts. Goldberg also discussed certain strike prices for the calls and puts. However, when Douglas confirmed these trades with Stonebridge's order desk, he received a confirmation at different option values that were less favorable to him than Goldberg had originally quoted.
32. In addition, Goldberg recommended and executed the gold trades knowing that Douglas did not have sufficient funds available for the trades. In fact, the trades created a debit balance of about \$8,500 in Douglas' account just four days after he opened it. After Douglas' account went into deficit, Douglas wired additional funds of about \$2,500, and most of the open positions in Douglas' account were

liquidated, to discharge the debit balance. The positions that remained in Douglas' account expired worthless.

33. Goldberg's solicitations to Douglas were misleading in that they exaggerated the profit potential of trading options without discussing the risk of loss, failed to explain spreads, and the effect of commissions on potential profits. Goldberg also engaged in deceptive trading practices that were not in Douglas' best interests.
34. Marlene and Hugo Pittoors ("the Pittoorses"), who reside in Canada, opened a joint account through GTC in April 2008 and closed it in September 2008. The Pittoorses invested \$150,970 with GTC and had trading gains of \$86,023. However, after paying \$85,188 in commissions and fees, they incurred a net loss of \$361.
35. Friends of the Pittoorses had initially recommended that the Pittoorses open an account through Stonebridge. However, after their friends' account transferred to GTC, the Pittoorses contacted GTC and spoke with the firm's president about opening an account.
36. The day after the Pittoorses opened their account through GTC, Goldberg called the Pittoorses and spoke with Marlene Pittoors ("Pittoors"). Goldberg told Pittoors that she would be servicing the Pittoorses' account.
37. Goldberg told Pittoors that if she invested \$100,000, she could double her money to \$200,000 and, after Pittoors doubled her money, they could invest it in something else and double it again. However, Goldberg never discussed risk of loss with Pittoors or the possibility of her losing any money.

38. On one occasion, Goldberg tried to convince Pittoors to invest an additional \$200,000 in crude oil. Pittoors declined but did agree to invest an additional \$30,000, which Pittoors obtained through a line of credit.
39. Goldberg later contacted Pittoors and suggested that she sell corn calls she had purchased earlier, saying Euros would give them more profit and faster. However, Goldberg never explained to Pittoors that if she sold her corn calls she would sustain a loss and her account would go into a \$33,000 deficit.
40. Pittoors did not understand how to read her account activity statements and attempted to make appointments with Goldberg on numerous occasions to discuss her statements. However, whenever Pittoors asked for help understanding her account statements, she received various excuses such as Goldberg was in the washroom, or Goldberg was unable to go over the statements because NFA auditors were present in GTC's office and "had all of the Pittoorses' accounts."
41. After incurring significant losses, Pittoors contacted GTC in late May 2008 and expressed dissatisfaction with GTC's handling of the account. Shortly thereafter, the market moved in a favorable direction for certain of the Pittoorses' open positions. When GTC advised Pittoors of this market move, she decided to withdraw \$150,000.
42. Goldberg primarily recommended spreads to Pittoors (and this is what her and her husband's account mainly traded), including an advanced trading strategy that involved simultaneously buying a spread ratio of two bull call spreads and one bear put spread. In the Pittoorses' case, GTC recommended this advanced strategy in a corn spread right after they opened their account. This transaction

resulted in a total purchase price of more than \$48,000 and required almost a 45% move to break even. Then, about one week later, GTC recommended another complex corn spread to Pittoors, which resulted in a total purchase price of almost \$45,000 and required a move of almost 50% to break even. By placing this second spread, GTC exposed the Pittoorses to twice as much risk if the market did not move in their favor, without providing them any additional material benefits. In addition, the transaction generated a margin call of over \$44,000.

43. Goldberg's solicitations to the Pittoorses were misleading in that they exaggerated profit potential, failed to explain adequately the effects of commissions and fees on potential profits, and failed to disclose adequately the risks involved or that most of their and GTC's customers lost money. Moreover, the trading strategies that Goldberg recommended to the Pittoorses did not serve any economic or other purpose for the Pittoorses and, instead, only served to increase the amount of commissions and fees that GTC received.
44. By reason of the foregoing acts and omissions, Goldberg is charged with violations of NFA Compliance Rules 2-2(a), 2-29(a)(1) and 2-29(a)(2).

## **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  
300 South Riverside Plaza  
Suite 1800  
Chicago, Illinois 60606  
Attn: Legal Department-Docketing

E-Mail: [Docketing@nfa.futures.org](mailto:Docketing@nfa.futures.org)  
Facsimile: 312-781-1672

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:

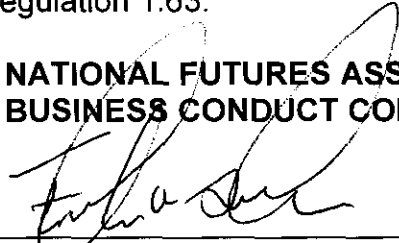
- (a) expulsion or suspension for a specified period from NFA membership;
- (b) bar or suspension for a specified period from association with an NFA Member;
- (c) censure or reprimand;
- (d) a monetary fine not to exceed \$250,000 for each violation found; and
- (e) order to cease and desist or any 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 Commodity Futures Trading Commission ("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: 12-23-08

By:   
Chairperson

/jac(Complaints\Morris(Goldberg))

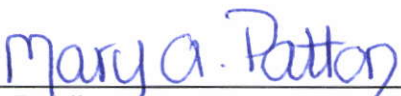
**AFFIDAVIT OF SERVICE**

I, Nancy Miskovich-Paschen, on oath state that on December 23, 2008, I served a copy of the attached Complaint, by sending such copy in the United States mail, first-class delivery, and by overnight mail, in envelopes addressed as follows:

Cynthia J. Morris  
9203 NW 38 Drive  
Apt. 5  
Coral Springs, FL 33065

  
\_\_\_\_\_  
Nancy Miskovich-Paschen

Subscribed and sworn to before me  
on this 23rd day of December 2008.

  
\_\_\_\_\_  
Notary Public

