

FILED

NATIONAL FUTURES ASSOCIATION  
BEFORE THE  
HEARING PANEL

FEB 10 2010

NATIONAL FUTURES ASSOCIATION  
LEGAL DOCKETING

In the Matter of: )  
)  
CYNTHIA JEANNE MORRIS )  
(a/k/a CYNTHIA GOLDBERG) ) NFA Case No. 08-BCC-035  
(NFA ID #305594), )  
)  
Respondent. )

**DECISION**

On November 20, 2009, a designated Panel of the Hearing Committee held a hearing to consider the charges against Cynthia Jeanne Morris a/k/a Cynthia Goldberg (Goldberg). The Panel issues the following Decision under National Futures Association (NFA) Compliance Rule 3-10.

I

**PROCEDURAL BACKGROUND**

On December 23, 2008, NFA's Business Conduct Committee (BCC) issued a one-count Complaint against Goldberg. The Complaint alleged that Goldberg violated NFA Compliance Rules 2-2(a), 2-29(a)(1) and 2-29(a)(2) by engaging in deceptive and misleading sales solicitations. On April 27, 2009, Goldberg filed an Answer, where she denied the material allegations of the Complaint.

Although Goldberg was properly served with notice of the hearing, she did not appear at the hearing.

## II

### EVIDENCE PRESENTED AT THE HEARING

NFA presented the sworn Declarations of five customers who appeared as witnesses and introduced several documents into evidence.<sup>1</sup> Goldberg did not appear at the hearing or present any evidence. A summary of the evidence follows.

#### Caitlin Glazier

Caitlin Glazier (Glazier), a supervisor in NFA's Compliance Department, testified substantially as follows:

Goldberg is not currently an NFA Member. Goldberg was a registered associated person (AP) of Stonebridge Financial Services LLC (Stonebridge) and an NFA associate member from April 2007 through April 2008. Goldberg was also a registered AP of Global Trading Center LLC (Global) and an NFA associate member from March 2008 through December 2008. Goldberg's actual name is Cynthia Jeanne Morris. However, during her conversations with customers she used the alias Cynthia Goldberg, and that name is listed as an alias in her registration records.

Glazier worked on an NFA investigation involving Global. Goldberg was employed at Global during the time period reviewed by NFA. NFA's BCC issued a Complaint against Global based on that investigation. Although NFA's investigation of Global included a review of Goldberg's dealings with customers, Goldberg was not charged in the Global Complaint because the investigation revealed that many of the customers Goldberg dealt with at Global were also her customers when she was

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<sup>1</sup> Each of the customers appeared by telephone at the hearing and testified that the content of their Declaration was based on information the customer had provided NFA and each adopted his or her Declaration as his or her testimony.

employed at Stonebridge. As a result, NFA's BCC issued a separate Complaint against Goldberg, which covered activity that occurred during her employment at both those firms.

As part of NFA's Global investigation, NFA staff analyzed the trading performance of Global's customers during 2006 and 2007 using the customer year end IRS Form 1099. NFA selected these years because they were the two years immediately preceding the 2008 investigation. NFA's analysis of customer trading performance in these two years revealed that 96% of Global's customers lost money in 2006 and that 95% of Global's customers lost money in 2007.

### **Joey Cepeda**

NFA introduced a sworn Declaration of Joey Cepeda (Cepeda) (See NFA Exhibit 11). In the Declaration, Cepeda testified substantially as follows:

Cepeda opened a trading account at Comtrust through Stonebridge in February 2008. At that time, he had no trading experience. Cepeda invested a total of \$25,000. He incurred a total loss of \$20,860, including \$5,183 that he paid in commissions and fees.

Cepeda was initially contacted about opening an account through Stonebridge in November 2007. Cepeda then spent the next few months following the news on unleaded gas and later decided to invest \$5,000 to trade unleaded gas with Stonebridge broker Nikki Thomas (Thomas). Shortly after his initial trade, Cepeda was contacted by Goldberg, who identified herself as a "senior broker." Goldberg talked to Cepeda about investing in wheat. 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. Goldberg also told Cepeda that her clients were

making so much money and that one of her clients had made two times his investment.

Goldberg pressured Cepeda to do an immediate wheat trade. Cepeda told Goldberg that he was not comfortable trading wheat, but she continued to push him to make a wheat trade. Cepeda finally agreed to commit \$10,000 to do the trade. Goldberg then pressed Cepeda to send \$20,000 instead of \$10,000, telling him that 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 he confirmed the trade with Stonebridge's compliance staff. Cepeda never actually intended to send the money to Stonebridge and only agreed to the wheat trade so Goldberg would leave him alone. Cepeda did not think that Stonebridge would place the trade until it had received the money.

Cepeda later learned that on February 29, 2008, Goldberg purchased a wheat bull call spread, as well as six additional wheat puts for his account. Goldberg called Cepeda and asked him where the \$20,000 was. Cepeda told her that he had not sent the \$20,000. Goldberg threatened to prosecute Cepeda if he did not immediately wire the \$20,000 to Comtrust. Cepeda was afraid that Goldberg would take legal action against him so he pulled together \$20,000 and sent it to Comtrust.

Cepeda had a hard time reaching Goldberg after he sent the \$20,000. In April 2008, he learned that Goldberg had started to work at Global and that his account was now being serviced by Global. At that time, his account had about a \$900 debit balance.

Goldberg never discussed the characteristics of options with Cepeda or explained extrinsic and intrinsic value, or what it meant to be in the money, out of the

money or at the money. Goldberg also never discussed her trading strategy, her reason for recommending certain trades or the effect commissions would have on Cepeda's ability to make money.

### **Marlene Pittoors**

NFA introduced the sworn Declaration of Marlene Pittoors (Pittoors) (See NFA Exhibit 12). In that Declaration, Pittoors testified substantially as follows:

Pittoors and her husband opened a joint trading account at Comtrust through Global in April 2008 with an initial deposit of \$21,000. Pittoors closed the account in September 2008. The Pittoors invested approximately \$150,000. Although the account was profitable, all of the profits were consumed by the \$85,000 of commissions and fees they paid to Comtrust and Global.

Pittoors learned about Global from a friend. She contacted the firm and spoke to its president Harris Shapiro (Shapiro). Shapiro convinced her to open a joint trading account with her husband. Prior to opening the account, neither Pittoors nor her husband had any experience with futures or options on futures.

Goldberg contacted Pittoors the day after she opened the account and told Pittoors that she would be servicing the account because Shapiro was too busy running the firm. During this conversation, Goldberg told Pittoors that in her eight years of trading she had never seen a market like the present corn market. Goldberg said that the technicals and the fundamentals of the market were both at 100%, that the price of corn was going to go up, and that she had never seen this before. Goldberg also told Pittoors that the flooding, rain and cold weather in the Mississippi area had prevented corn from being planted in time to germinate and this was going to lead to

large increases in corn prices. Goldberg told Pittoors that she was calling everyone she knew to tell them to get into corn.

Goldberg also told Pittoors that if she and her husband invested \$100,000, they could double their money to \$200,000 and after they doubled the money, they could invest in something else and double it again.

Over the next several weeks, Goldberg encouraged the Pittoors to invest additional money. Between April 4 and 17, 2008, the Pittoors deposited an additional \$129,970 into their account. Some of those funds were obtained through a line of credit. Based on Goldberg's trade recommendations, the Pittoors acquired corn, Euro and crude oil options.

Goldberg frequently called Pittoors with updates on the performance of the account. Goldberg said the account was doing great. At no time did Goldberg ever discuss the risks involved in trading futures and options or the possibility of the Pittoors losing money. Goldberg also never told the Pittoors how commissions and fees affected their profit potential or that over 95% of Global's customers incurred losses in 2006 and 2007.

Pittoors never understood how to read the account activity statements. Pittoors tried on numerous occasions to schedule a time with Goldberg for her to explain the account activity statements, but Goldberg always had an excuse as to why she was unavailable.

Goldberg never discussed the characteristics of options with the Pittoors or explained extrinsic or intrinsic value, or what it meant to be in, out and at the money. Goldberg also never discussed her trading strategy or her reason for recommending certain trades.

Pittoors would not have opened an account with Global if she had known the significant impact commissions and fees had on profit potential or that nearly all of Global's customers incurred losses in 2006 and 2007.

### **Seymour Rowe**

NFA also introduced a sworn Declaration of Seymour Rowe (Rowe). (See NFA Exhibit 13). In the Declaration, Rowe testified substantially as follows:

Rowe and his wife opened a joint account at Comtrust through Stonebridge with a \$5,000 deposit in February 2008. Neither Rowe nor his wife had any prior trading experience. Rowe and his wife invested \$25,000. Although their account had net trading gains, they ended up losing \$15,000 because they paid \$32,000 in commissions and fees.

Rowe's first broker was Thomas. Shortly after they opened the account, it was transferred to "senior broker" Goldberg. 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. Rowe told Goldberg that his wife was not comfortable with him investing more than \$5,000. Goldberg told Rowe that it would be virtually impossible to lose with her trading strategy. Goldberg said that her trading strategy involved using short and long positions at the same time, and placing stops on their positions.

Goldberg told Rowe on multiple occasions that he would not lose any of the investment. Goldberg's assurances persuaded Rowe to invest an additional \$20,000, \$10,000 of which he borrowed from a line of credit.

Goldberg never discussed the details of options trading with Rowe or the effect commissions would have on his ability to make money. Goldberg also did not

explain spreads, extrinsic and intrinsic value, or in the money, at the money or out of the money options.

Rowe received a letter in March 2008 indicating that Stonebridge was ceasing operations. The letter asked whether Rowe wanted to transfer his account to another firm. Goldberg called him about the same time and told him that she would manage his account if he transferred to Global. Rowe agreed to do so.

After Rowe transferred the account to Global, Goldberg told him that he had doubled his money. Rowe understood that to mean that his account value had grown to about \$50,000, so he asked to withdraw \$25,000. Goldberg told him that he was crazy to withdraw any money from his account since crude was doing so well. Goldberg recommended another crude oil trade and Rowe agreed to it.

Goldberg did not keep Rowe up to date about what was happening in his account. When he tried to call her to obtain information, he had a difficult time reaching her. In May 2008, Rowe asked Goldberg to withdraw \$10,000 and he received a check for \$9,925 on May 27, 2008.

After Rowe received the check, he was unable to reach Goldberg, although he tried repeatedly. When Rowe decided to transfer his account to a new firm, he learned that his account had a zero balance. This was contrary to Goldberg's constant representations to Rowe that the account was making money and that there was no way he could lose the investment. Rowe was never able to confirm Goldberg's representations about the performance of the account because he did not understand the account statements, and whenever he asked Goldberg to explain the statements, she would say she was "too busy for stuff like that."

## **Kenneth Douglas**

NFA introduced the sworn Declaration of Kenneth Douglas (Douglas) (See NFA Exhibit 14). In that Declaration, Douglas testified substantially as follows:

Douglas and his wife opened a joint trading account at Comtrust through Stonebridge in January 2008, with an initial deposit of \$3,000. Neither Douglas nor his wife had any prior futures or options trading experience. Douglas invested a total of \$6,500 with Stonebridge and lost the entire investment. Douglas paid \$2,090 in commissions and fees.

Douglas's initial \$3,000 deposit was used to purchase crude oil and gasoline options. Shortly after he purchased those options, the account was transferred to Goldberg, who recommended gold options. Goldberg told Douglas that all the "experts" said the price of gold was going up to \$1,200 and that he had the opportunity for a very lucrative investment.

Goldberg told Douglas that he could enter into a gold spread to trade 10 gold call and 3 gold put options. Goldberg informed Douglas that the calls would have a strike price of 970 and the puts a strike price of 860, but when he confirmed the trades with Stonebridge's order desk, he was told that the 10 gold calls had a strike price of 1090. Although Douglas did not think that was correct, he confirmed the order since Goldberg told him that gold was going up to \$1,200.

Goldberg placed the spread, which caused the account to go into deficit by about \$8,500. Goldberg told Douglas that he could have some additional time to send in the additional money for the gold spread. This occurred only four days after he opened the account.

Douglas's account remained in deficit for the next three weeks. During that time, a number of positions in the account – the oil and gas spreads and the gold puts – were liquidated, and he was finally able to wire additional funds of about \$2,500 to eliminate the deficit. The gold calls that remained in Douglas's account expired worthless.

Goldberg never discussed the effect commissions would have on his ability to make money. Goldberg also did not explain the details of options or the meaning of extrinsic and intrinsic value, or in the money, at the money or out of the money options.

### III

#### **FINDINGS, CONCLUSIONS AND PENALTY**

Goldberg was an NFA Associate and a registered AP of Stonebridge Financial Services LLC and Global Trading Center LLC during the period covered by the Complaint. Therefore, she was required to comply with NFA Requirements, and NFA has jurisdiction over her for purposes of this action.<sup>2</sup>

NFA's case was based on the Declarations of four individuals who were Goldberg's customers. Before addressing whether the content of the Declarations supports NFA's allegations, the Panel must determine whether it finds the Declarations to be reliable and, if so, the weight attributable to the Declarations. See *ABC Commodity Futures and Options, Inc. v NFA* [1990-1992 Transfer Binder] Comm. Fut. L. Rep. (CCH) ¶¶ 24, 911 at 37,306. In evaluating the reliability of the Declarations, the Panel must look at a number of factors including:

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<sup>2</sup> See NFA Bylaw 301(b) and NFA Compliance Rule 2-14.

- Whether the customer is independent of NFA and the respondent or otherwise affected by bias;
- Whether the Declarations are signed and sworn as opposed to anonymous and unsworn;
- Whether the statements are contradicted by direct testimony.

Based on this analysis, the Panel finds the Declarations to be reliable. The Declarations were submitted by customers who have nothing to gain from this proceeding. Moreover, each Declaration was signed by the customer, made under oath and each customer appeared at the hearing and adopted the content of the Declaration as their testimony. Although Goldberg's Answer contradicted the Declarations, Goldberg's Answer is not as reliable as the Declarations. Goldberg clearly has a direct interest in the outcome of this proceeding and her Answer was not provided under oath.

Turning to the Declarations, each of these customers told very similar stories with regard to their dealings with Goldberg. Goldberg spoke to each customer about the great likelihood of making profits. In particular, she told Cepeda that he would make money no matter what and she told Rowe that he could make a lot of money trading crude oil and that it would be virtually impossible for him to lose money. Similarly, Goldberg told Douglas that he had an opportunity for a very lucrative investment and told Pittoors that she could double a \$100,000 investment and then invest in something else and double it again. Although each of the customers paid significant commissions and fees, Goldberg never discussed the effect that commissions and fees would have on the customer's ability to make a profit. Pittoors' Declaration also specifically stated that Goldberg never discussed the risks involved in trading futures and options and never disclosed that in 2006 and 2007 almost all of Global's customers had lost money trading. Goldberg's solicitation to each of the

customers was deceptive and misleading because it overemphasized and exaggerated the likelihood of profits and failed to adequately explain the effect of commissions and fees on potential profits. The Panel also finds that Goldberg made these misrepresentations to the customers with reckless disregard for the truth.

For these reasons, the Panel finds that Goldberg violated NFA Compliance Rules 2-2(a) and 2-29(a)(1). This conduct is inconsistent with just and equitable principles of trade. NFA did not prove that Goldberg engaged in high-pressure sales solicitation. Therefore the allegation that Goldberg violated NFA Compliance Rule 2-29(a)(2) is dismissed with prejudice.

A number of factors must be considered when determining the appropriate sanctions for this violation. One of the more important factors is the nature of the violation. The evidence at the hearing clearly established that Goldberg engaged in repeated deceptive and misleading sales solicitations. Moreover, Goldberg's refusal to participate in this disciplinary matter underscores her disdain for the regulatory process. Based on these considerations, the Panel believes that the only fitting sanction is a permanent bar from NFA membership, associate membership and from acting as a principal of an NFA Member. Therefore, the Panel orders that Goldberg be permanently barred from NFA membership, associate membership and from acting as a principal of an NFA Member.

#### IV

#### APPEAL

Goldberg may appeal the Panel's Decision to the Appeals Committee of NFA by filing a written Notice of Appeal with NFA within fifteen days of the date of this Decision. Pursuant to NFA Compliance Rule 3-13(a), the Notice must describe those

aspects of the disciplinary action to which exception is taken and must include any request to present written or oral arguments. The Decision shall be final after the expiration of the time for appeal or review unless it is appealed or reviewed.

V

**INELIGIBILITY**

Pursuant to the provisions of Commodity Futures Trading Commission (CFTC) Regulation 1.63, this Decision and the sanctions imposed by it renders Goldberg permanently ineligible to serve on a governing board, disciplinary committee, oversight panel, or arbitration panel of any self-regulatory organization, as the term is defined in CFTC regulation 1.63.

**NATIONAL FUTURES ASSOCIATION  
HEARING PANEL**

Dated: 2/8/10

By: Susan M. Schultz  
Susan M. Schultz  
Chairperson

(caw:Cynthia Morris Decision)