

**COPY**

IN THE UNITED STATES DISTRICT COURT  
FOR THE SOUTHERN DISTRICT OF TEXAS  
HOUSTON DIVISION



SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

v.

PRIVATEFX GLOBAL ONE LTD., SA,  
36 HOLDINGS, LTD.  
ROBERT D. WATSON, and  
DANIEL J. PETROSKI,

Defendants.

§  
§  
§  
§  
§  
§  
§  
§  
§  
§  
§  
§  
§  
§  
§

**09-1541**

Civil Action No.:

**09-1541**

**COMPLAINT**

Plaintiff Securities and Exchange Commission (“Commission”) alleges as follows against Defendant PrivateFX Global One Ltd., SA, (“Global One”), Defendant 36 Holdings, Ltd. (“36 Holdings”), Defendant Robert D. Watson (“Watson”), and Defendant Daniel J. Petroski (“Petroski”)(collectively, “Defendants”):

**SUMMARY**

1. Since at least July 1, 2006, through the present, Watson and Petroski have raised at least \$19.5 million from more than 60 investors throughout the United States in a fraudulent offering of stock issued by Global One, a company they jointly control. According to the stock-offering materials, Global One purportedly employs the services of 36 Holdings, a so-called “deal clearing company” owned and controlled by Watson. In the offering, the Defendants have told investors that Global One would seek to earn profits using “Alpha One,” a foreign-currency trading program purportedly owned by Global One. The Defendants represented to investors

that Global One has achieved an annualized return of 23.04% from the company's inception in June 2006 through February 2009. They have further claimed that Global One has never had a losing month.

2. In reality, these historical performance claims are not supported by valid financial records. To support these claims, the Defendants have relied on fictitious bank statements and false financial records, which Watson and Petroski produced to the Commission in response to Commission investigative subpoenas. Among other things, these phony records purported to show that 36 Holdings held an account at Deutsche Bank through which 36 Holdings earned over \$2 million for Global One in 2009 by trading foreign currencies. In fact, 36 Holdings did not even have an account at Deutsche Bank.

3. Watson and Petroski also produced phony bank statements and false financial records purporting to show that, from March 2008 through March 2009, 36 Holdings had a balance ranging from approximately \$40 million to approximately \$69.3 million on deposit at LGT Bank in Switzerland. Watson and Petroski represented to the Commission staff that approximately \$11 million of these funds belonged to Global One. In reality, 36 Holdings did not have, and does not have, such funds on account at LGT Bank.

4. Watson and Petroski also have misled investors regarding the disposition of the offering proceeds. For example, they have represented that Global One would hold 80% of its foreign currency and other assets at banks in Switzerland. In fact, Global One deposited, at most, **approximately 33%** of the offering proceeds at a bank in Switzerland. And it transferred approximately \$5 million of the offering proceeds (**approximately 26%**) to two 36 Holdings accounts at a bank in Houston, Texas.

5. By engaging in the conduct described in this Complaint, the Defendants have participated in a fraudulent scheme in which they offered and sold securities and have violated, and continue to violate, the anti-fraud provisions of the federal securities laws, specifically Section 17(a) of the Securities Act of 1933 (“Securities Act”) [15 U.S.C. § 77q(a)] and Section 10(b) of the Securities Exchange Act of 1934 (“Exchange Act”) [15 U.S.C. § 78j(b)] and Rule 10b-5 [17 C.F.R. § 240.10b-5] thereunder.

### **JURISDICTION AND VENUE**

6. The investments offered and sold by Defendants are “securities” under Section 2(1) of the Securities Act [15 U.S.C. § 77b(1)] and Section 3(a)(10) of the Exchange Act [15 U.S.C. § 78c(a)(10)].

7. The Commission brings this action under the authority conferred upon it by Section 20(b) of the Securities Act [15 U.S.C. § 77t(b)] and Section 21(d) of the Exchange Act [15 U.S.C. § 78u(d)] to temporarily, preliminarily, and permanently enjoin Defendants from future violations of the federal securities laws.

8. This Court has jurisdiction over this action, and venue is proper, under Section 22(a) of the Securities Act [15 U.S.C. § 77v(a)] and Section 27 of the Exchange Act [15 U.S.C. § 78aa].

9. The Defendants have, directly or indirectly, made use of the means or instruments of transportation and communication, and the means or instrumentalities of interstate commerce, or of the mails, in connection with the transactions, acts, practices, and courses of business alleged herein. Certain of the transactions, acts, practices, and courses of business occurred in the Southern District of Texas.

## STATEMENT OF FACTS

### *Defendants*

10. Defendant Watson, a resident of Houston, Texas, is or has been the Senior Director of Global One. He currently serves as a professor at Texas A&M University.

11. Defendant Petroski, a resident of Houston, Texas, is or has been the Managing Director of Global One. He is a lawyer, licensed in Texas since 1987, and a certified public accountant, licensed in Texas since 1984.

12. Defendant Global One purports to be a “corporation organized under the laws of the Republic of Panama” that commenced operations on or about June 30, 2006. Global One’s principal place of business is in Houston, Texas. Global One has it registered a securities offering with the Commission. Watson and Petroski jointly control Global One.

13. Defendant 36 Holdings is a Delaware corporation owned and controlled by Watson with its principal place of business in Houston, Texas.

### *The Global One Stock Offering*

14. Since at least July 1, 2006, Watson and Petroski have raised funds from investors in the United States, mostly in Texas, and in at least two foreign countries in an unregistered offering of Global One stock. Watson and Petroski—who control Global One and serve as its “Senior Director” and “Managing Director,” respectively—have solicited investors on behalf of Global One to purchase Global One stock. In the offering, Watson and Petroski have distributed a Global One private-placement memorandum (“PPM”), which purports to describe Global One and its stock offering. According to the PPM, which is dated June 23, 2006, and purports to have been revised on December 19, 2007, Global One seeks to raise \$45 million by selling 4.5 million stock shares at \$10 per share. From the offering’s inception through the present, the Defendants

have raised at least \$19.5 million from more than 60 investors, most of whom reside in the United States.

15. Using the PPM and other written statements, Watson and Petroski have enticed investors with reports of extraordinary historical investment returns obtained through foreign-currency trading. The PPM says that Global One “will speculate in the foreign currency inter-bank markets based upon a proprietary intra-day and weekly dealing model” called “Alpha One.” In a graph, the PPM contains the claim that Alpha One produced quarterly returns “in clients accounts” [sic] ranging from approximately 6% to approximately 10% from January 1, 2000, through June 30, 2006. Another graph in the PPM shows “Simple Cumulative Returns” over 180% “in clients accounts” [sic] in the same period. According to the PPM, Global One effects its Alpha One foreign-currency transactions, at least in part, through 36 Holdings, a so-called “deal clearing company” owned and controlled by Watson.

*Performance Supported by Phony Financial Records*

16. Since Global One’s inception to the present, Watson and Petroski, on behalf of Global One, have provided investors monthly and annual reports that purport to inform investors where Global One’s cash is deposited and how much income Global One has generated through foreign-currency trading. Watson and Petroski have represented to investors in monthly and annual reports that, using Alpha One from August 2006 through February 2009, Global One never had a losing month. Global One’s investor reports say that Global One’s annualized return from inception through February 2009 was 23.04%.

17. In reality, these historical performance claims are not supported by valid financial records. Rather, the Defendants have relied on false financial records and fake Deutsche Bank and LGT Bank account statements, which Watson and Petroski produced to the Commission

staff in response to Commission investigative subpoenas. The fake bank account statements—fabricated by Watson or Petroski, or both—have been made to look as though Deutsche Bank and LGT Bank issued them, when, in reality, these banks never issued such statements.

18. The fake Deutsche Bank statements show that 36 Holdings was engaged in lucrative foreign-currency trading through an account numbered \*\*\*\*\*1723 held in 36 Holdings' name at Deutsche Bank. The fake statements indicate that, from January 2009 through April 2009, 36 Holdings executed various trades ranging from \$15 million to \$32 million each, almost all of which resulted in large profits. According to the fake statements, in the first four months of 2009, 36 Holdings generated \$7,465,629 in profits. According to Global One financial records, \$2,096,377 of these profits was allocated to Global One. In reality, 36 Holdings has never even had an account at Deutsche Bank. Because Global One in fact had not been allocated \$2,096,377 from 36 Holdings, as reflected in Global One's financial records, these financial records are false.

19. In addition, the Defendants have relied on other fabricated bank records to support the validity of Global One's performance claims. In response to a Commission investigative subpoena, Watson and Petroski provided the Commission staff purported LGT Bank account statements for 36 Holdings for March 31, 2008, June 30, 2008, September 30, 2008, December 31, 2008, and March 31, 2009. The statements show the balance in the account increasing from approximately \$40 million to approximately \$69.3 million from March 2008 through March 2009. Watson and Petroski caused to be represented to the Commission staff on May 11, 2009, that more than \$60 million remains in the account and that \$11 million of those remaining funds belong to Global One.

20. In reality, the LGT Bank account statements produced by Watson and Petroski are phony. According to LGT Bank, the statements produced by Watson and Petroski are false and “never reflected the reality of the account.” As is evident by the phony Deutsche Bank and LGT Bank account statements, the Defendants have grossly misled investors as to the actual disposition of Global One’s assets.

*Misuse of Offering Proceeds*

21. The Defendants have used the offering proceeds in a manner contrary to the representations in the PPM. Bank records reflect that the Defendants raised at least \$19.5 million from more than 60 investors in the Global One offering. In the PPM, the Defendants represent that Global One’s “foreign currency and other assets will be held (80%) in Swiss Banks, and 20% in various other banks and in the custody of Brokers.” In reality, Global One has not held 80% of its foreign currency and other assets in Swiss Banks as represented. In total, the Defendants deposited approximately \$6.5 million of the offering proceeds (approximately 33%) at a bank in Switzerland. They deposited approximately \$1.5 million of the offering proceeds (approximately 8%) at a bank in London. And between August 1, 2006, and February 2009 they transferred approximately \$5 million of the offering proceeds (approximately 26%) to two 36 Holdings accounts at a bank in Houston, Texas.

22. The approximately \$5 million deposited in the 36 Holdings accounts was commingled with other funds in the accounts, apparently raised in other Watson and Petroski investment offerings. From August 2006 through March 2009, no more than \$200,000 has been transferred from the 36 Holdings accounts to any brokerage firm or foreign bank. From November 2007 through March 2009, at least \$564,000 and \$362,500 was directly or indirectly paid to Watson and Petroski, respectively, through the 36 Holdings bank accounts. The

combined balance of the 36 Holdings accounts as of March 31, 2009, was approximately \$300,000.

*Other False and Misleading Statements*

23. The Global One PPM contains other false and misleading statements regarding important information relating to Global One and its stock offering. For example, according to the PPM, an entity called Private FX, Ltd., SA serves as the “investment adviser to Global One.” The PPM says that Private FX, Ltd., SA is a corporation controlled by Watson organized under the laws of Panama and that it is “a registered investment advisor in Panama.” In fact, Private FX, Ltd., SA is not registered as an investment advisor in Panama.

**FIRST CLAIM**

**Violations of Section 17(a) of the Securities Act**

24. Plaintiff Commission re-alleges and incorporates paragraphs 1 through 23 of this Complaint by reference as if set forth *verbatim*.

25. The Defendants, directly or indirectly, singly or in concert with others, in the offer or sale of securities, by use of the means and instrumentalities of interstate commerce and by use of the mails have: (a) employed devices, schemes, and artifices to defraud; (b) obtained money or property by means of untrue statements of a material fact and omitted to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; and (c) engaged in transactions, practices, and courses of business which operate or would operate as a fraud and deceit upon the purchasers.

26. As a part of and in furtherance of their scheme, the Defendants, directly and indirectly, prepared, disseminated, or used contracts, written offering documents, promotional materials, investor and other correspondence, and oral presentations, which contained untrue



statements of material facts and misrepresentations of material facts, and which omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading, including, but not limited to, those set forth in Paragraphs 1 through 13, above.

27. With respect to violations of Sections 17(a)(2) and (3) of the Securities Act, the Defendants were negligent in their actions regarding the representations and omissions alleged herein. With respect to violations of Section 17(a)(1) of the Securities Act, the Defendants made the above-referenced misrepresentations and omissions knowingly or with severe recklessness regarding the truth.

28. By reason of the foregoing, the Defendants have violated and, unless enjoined, will continue to violate Section 17(a) of the Securities Act [15 U.S.C. § 77q(a)].

## **SECOND CLAIM**

### **Violations of Section 10(b) of the Exchange Act and Rule 10b-5**

29. Plaintiff Commission re-alleges and incorporates paragraphs 1 through 23 of this Complaint by reference as if set forth *verbatim*.

30. The Defendants, directly or indirectly, singly or in concert with others, in connection with the purchase or sale of securities, by use of the means and instrumentalities of interstate commerce and by use of the mails have: (a) employed devices, schemes, and artifices to defraud; (b) made untrue statements of a material fact and omitted to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; and (c) engaged in acts, practices, and courses of business which operate or would operate as a fraud and deceit upon purchasers, prospective purchasers, and any other persons.

31. As a part of and in furtherance of their scheme, the Defendants, directly and indirectly, prepared, disseminated, or used contracts, written offering documents, promotional materials, investor and other correspondence, and oral presentations, which contained untrue statements of material facts and misrepresentations of material facts, and which omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading, including, but not limited to, those set forth in Paragraphs 1 through 13 above.

32. The Defendants made the above-referenced misrepresentations and omissions knowingly or with severe recklessness regarding the truth.

33. By reason of the foregoing, the Defendants violated and, unless enjoined, will continue to violate Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5].

### **RELIEF REQUESTED**

**WHEREFORE**, Plaintiff respectfully requests that this Court:

#### **I.**

Permanently enjoin Defendants from violating Section 17(a) of the Securities Act [15 U.S.C. § 77q(a)] and Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5].

**II.**

Order the Defendants to disgorge an amount equal to the funds and benefits they obtained illegally, or to which they are otherwise not entitled, as a result of the violations alleged, plus prejudgment interest on that amount.

**III.**

Order the Defendants to pay civil monetary penalties in an amount determined as appropriate by the Court pursuant to Section 20(d) of the Securities Act [15 U.S.C. § 77t(d)] and Section 21(d) of the Exchange Act [15 U.S.C. § 78u(d)] for the violations alleged herein.

**IV.**

Order such further relief as this Court may deem just and proper.

Dated: May 21, 2009

Respectfully submitted,

  
\_\_\_\_\_  
TIMOTHY S. McCOLE  
Mississippi Bar No. 10628  
SDTX Bar No. 899792  
United States Securities and  
Exchange Commission  
Fort Worth Regional Office  
801 Cherry Street, Suite 1900  
Fort Worth, Texas 76102  
(817) 978-6453  
(817) 978-4927 (facsimile)  
[mccolet@sec.gov](mailto:mccolet@sec.gov)

Of Counsel:  
JONATHAN P. SCOTT  
DC Bar No. 456930  
JASON ROSE  
Texas Bar No. 24007946  
U.S. Securities and Exchange Commission  
Burnett Plaza, Suite 1900  
801 Cherry Street, Unit #18  
Fort Worth, TX 76102-6882