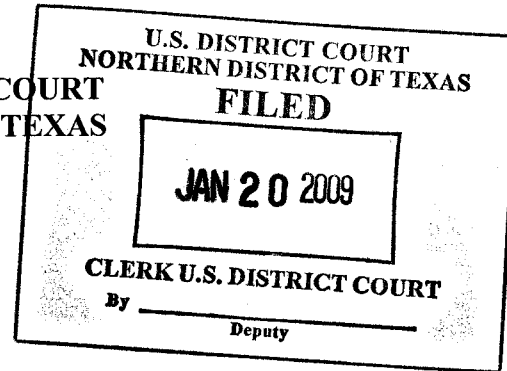


**ORIGINAL**

**IN THE UNITED STATES DISTRICT COURT  
FOR THE NORTHERN DISTRICT OF TEXAS  
LUBBOCK DIVISION**



**SECURITIES AND EXCHANGE COMMISSION,**

**Plaintiff,**

v.

**ROD CAMERON STRINGER, individually, and  
d/b/a RCS Hedge Fund,**

**Defendant.**

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Case No.:

**5-09CV0009-C**

**COMPLAINT**

Plaintiff, the United States Securities and Exchange Commission files this Complaint against Defendant Rod Cameron Stringer, individually and d/b/a RCS Hedge Fund, and would respectfully show the Court as follows:

**SUMMARY**

1. Rod Cameron Stringer is operating an ongoing fraudulent investment scheme in which he claims to operate a hedge fund worth at least \$45 million on behalf of 31 individual investors, many of whom are elderly. Stringer claims that his stock trading strategy has generated annual returns as high as 61%, and total returns in excess of 600%. Stringer's purported compensation for generating these phenomenal returns is a commission of 8 percent to 10 percent of the purported gains.

2. Stringer's claims regarding the hedge fund and the high rates of return are completely bogus. In truth, since January 2007, Stringer has used less than 20 percent of the investors' funds to engage in securities transactions, and those transactions have resulted in substantial losses, not gains, as reported to investors. Moreover, Stringer has misappropriated millions of

dollars of investor funds to support an extremely lavish lifestyle and to operate a Ponzi scheme in which he used funds from new investors to pay “returns” to earlier investors.

3. While Stringer’s fraudulent investment scheme appears to have begun in 2001, an expedited investigation by the Federal Bureau of Investigation (“FBI”) and the Commission has focused on his activities since January 2007. Since that time, Stringer has raised at least \$8.5 million from approximately 12-15 investors. Contrary to his representations to investors, only approximately \$1.5 million of this amount has made its way into three securities brokerage accounts, each of which is maintained in Stringer’s personal name. The exact disposition of the remaining funds is presently unknown, but it is clear that Stringer has used substantial amounts of investor funds to, among other things, finance a horse racing partnership, purchase a luxury boat, build a swimming pool at his office, purchase several pieces of jewelry, pay off mortgages on at least two houses, and, upon information and belief, purchase several expensive cars and trucks. Further, since January 2007, Stringer has used at least \$2.4 million of the \$8.5 million invested by his hedge fund clients to pay distributions and purported profits to other investors.

4. The Commission, in the interest of protecting the public from further such fraudulent activities and harm, brings this action seeking to permanently enjoin Stringer from further violations of the federal securities laws. The Commission further seeks orders requiring the Defendant to disgorge his ill-gotten gains, plus prejudgment interest thereon, and to pay civil monetary penalties as allowed by law.

#### **JURISDICTION**

5. The Court has jurisdiction over this action pursuant to Sections 21(d), 21(e) and 27 of the Securities Exchange Act of 1934 (the “Exchange Act”) [15 U.S.C. §§ 78u(d), 78u(e) and 78(aa)]. Venue is proper because Stringer resides in Lamesa, Texas and many of the

transactions, acts, practices and courses of business described below occurred within the jurisdiction of the Northern District of Texas, Lubbock Division.

**DEFENDANT**

6. **Rod Cameron Stringer**, age 43, of Lamesa, Texas, operates an investment scheme called "RCS Hedge Fund." It is believed that Stringer has been, among other things, a bail bondsman, used car salesman, tow-truck driver, crop dusting pilot and, now, a hedge fund manager. Neither Stringer nor his purported hedge fund has ever been registered with the Commission in any capacity, and Stringer has never held a securities license.

**STRINGER'S INVESTMENT SCHEME**

7. Stringer requires a minimum investment of between \$100,000 and \$200,000 for his purported hedge fund, and investors must agree to a lengthy investment term. Stringer claims to use investor funds to day-trade securities. Documentation prepared by Stringer reflects that the hedge fund trades in stocks, bonds, futures, options, and select currencies; and that "[a]ll money deposited will be used for trading" and "[a]ll money will be wired to accounts for the purpose of trading risk capital." Moreover, Stringer has falsely advised investors that their "earnings" are not taxable until the investor withdraws funds from the account.

8. Stringer has operated his investment scheme since at least 2001. An account statement provided to one of Stringer's elderly investors in January 2007 reflects that the investor made the first portion of a total investment of \$143,000 in May 2001. The statement reflected that the investor owned 803 shares of a "trading company" valued at \$1,299.32 per share as of January 24, 2007, and that the "total interest earned" on the principal investment was \$900,153.90, for a "total on deposit" of \$1,043,353.90. This figure represents a total rate of return of 629 percent. The account statement further stated that all of the funds were "on deposit

with Fimat Preferred in New York, New York and can be cleared with 2 days notice.” In fact, at the time, Stringer’s Fimat Preferred brokerage account had a combined equity/cash balance of only \$130,000.

**Bank records reflect Stringer’s receipt of investor funds**

9. Since at least January 2007, Stringer has deposited at least \$8.5 million of investor funds into a bank account styled “Rod Stringer dba RCS Hedge Fund” (“RCS Hedge Fund Account”). As of January 5, 2009, the RCS Hedge Fund Account had a balance of \$819,779.38.

10. Additionally, Stringer maintains a separate, personal bank account with his wife, into which investor funds appear to have been deposited. Between June 12, 2007 and June 5, 2008, checks totaling \$825,893 were deposited into this bank account. These checks contain the same notations such as: “hedge fund investment;” “Rod Stringer dba RCS Hedge Fund;” “Investment;” “Broker;” and “Investment 151 shares.” Stringer used funds from this account for personal purposes. As of December 16, 2008, this personal account had a balance of \$88,325.19.

11. Stringer maintains another bank account which is used to finance a thoroughbred racehorse partnership (“Racehorse Account”). Between May 15, 2007 and December 19, 2008, credits totaling \$190,055 were deposited into this account. Of these credits, \$61,000 came directly from Stringer’s Hedge Fund account via electronic transfers. Another \$20,054.20 appears to have been earmarked for the RCS Hedge Fund Account (based on the notations on the checks), but was instead deposited into the Racehorse Account. Thus, a total of \$81,054.40 in investor funds was deposited into the Racehorse Account. As of December 19, 2008, the balance in this account was \$10,881.45.

**Stringer’s Brokerage Account Activity**

12. Stringer recently prepared a written statement for one of his largest investors, claiming that as of December 22, 2008, the hedge fund had “31 individual investors” and had “a total amount of cash, equities, and options” of more than \$45 million. Specifically, the document identified the following brokerage firms and bank holding the following amounts:

Morgan Stanley	\$6,549,511.18
ETrade	\$2,246,987.59
Penson Financial	\$3,877,102.41
Scottrade	\$1,936,756.05
Charles Schwab	\$3,665,813.92
Goldman Sachs	\$2,793,429.37
Optionsexpress	\$2,587,939.26
Fimat Preferred Trade	\$4,135,993.26
Vanguard Capital	\$3,316,821.06
TD Ameritrade	\$3,316,821.06
Zecco	\$551,267.92
Cleartrade	\$2,557,143.70
Citco	\$1,882,612.38
State National Bank	\$963,145.32
Total	\$45,376,268.87

13. With respect to several of the brokerage accounts identified in paragraph 12 above, records obtained from the following brokerage firms reflect that Stringer’s accounts at these firms never held assets approximating Stringer’s assertion, and as of 12/31/2008, these accounts were valued as follows:

Morgan Stanley	\$827,329.49 (limited partnership investment)
ETrade	\$0
Penson Financial	\$451,681.09
Interactive Brokers	\$16,311.20
Fimat (now New Edge)	\$0

14. Upon information and belief, the account totals for the accounts held at Scotttrade, Charles Schwab, Goldman Sachs, Optionsexpress, Options House, Vanguard Capital, TD Ameritrade, Zecco, Cleartrade and Citco are also false. An analysis of Stringer's hedge fund bank account reflects no deposits from, or transfers to, any of these firms since January 2007.

15. Stringer deposited only a fraction of his investor funds into brokerage accounts, and the limited trading activity in those accounts reveals that, contrary to Stringer's representations to investors, the RCS Hedge Fund has not earned phenomenal returns; rather, it has incurred substantial losses. For example, of the \$8.5 million of investor funds deposited into Stringer's bank accounts since January 2007, Stringer transferred only \$1.53 million to three brokerage accounts. In April 2008, Stringer used approximately \$1 million from the RCS Hedge Fund Account to purchase a limited partnership interest in a Morgan Stanley account. The partnership is sponsored by Morgan Stanley and appears to invest in a series of 20 underlying funds. As of December 31, 2008, the value of Stringer's partnership interest had fallen to approximately \$825,294. Also, as of that date, the only other securities transaction in the Morgan Stanley account was the purchase of 1,000 AIG shares for \$5,000 that are currently valued at approximately \$1,500.

16. Stringer's other principal brokerage account was opened in 2000 and was held at New Edge Securities (formerly Fimat Preferred) until October 2008, when it was transferred to a

new firm, Penson Financial. Deposits totaling approximately \$805,000 were made to the two accounts, including \$500,000 since January 2007. Since inception, Stringer traded primarily options, and as of December 31, 2008, the account had cumulative losses of approximately \$60,000. The account currently holds shares purchased in five companies valued at approximately \$368,000. As of December 31, 2008, these shares had an unrealized loss of approximately \$25,000.

17. From January 1, 2007 through December 31, 2008, Stringer made limited futures trades in an online brokerage account held at Interactive Brokers. During this period, Stringer made no deposits into this account and his trades during this time added almost \$9,600 to the account. The current balance in the account is approximately \$16,000.

#### **Stringer's Misappropriation of Investor Funds**

18. Stringer has misappropriated investor funds for his personal benefit and for other undisclosed purposes unrelated to investment activities on behalf of his investors. For example, since January 2007, he has spent investor funds from the hedge fund bank account for the following:

- \$65,600 in cash withdrawals;
- \$56,115 to Randall Motors Inc.
- \$13,200 to Marlin Pools, Inc.
- \$33,130 in payments to one of his sons;
- \$61,000 in transfers to the Racehorse Account;
- \$28,600 to Pugh's Jewelry;
- \$27,028 to Spirit Chrysler Jeep;
- \$37,994 to "payoff home loan #70197;"
- \$160,388 to "payoff loan #0022851653;"
- \$135,000 to Lakelands Marine, Inc. (boat).

19. Additionally, public data bases reveal that title to the following cars and trucks, among others, are held in the names of Stringer, his wife, and sons, which upon information and belief, were purchased with investor funds:

- 2009 Cadillac XLR Roadster Convertible (base price: \$82,690);
- 2008 Cadillac Escalade EXT (base price: \$54,355);
- 2007 Cadillac Escalade Utility (base price: \$54,920);
- 2008 Chevrolet Silverado C1500 truck (base price: \$27,180);
- 2008 Ford SRW Super Duty F-250 King Ranch truck (base price: \$28,840); and
- 2008 Jeep Wrangler X (base price: \$18,660);

#### **Ponzi Payments**

20. Further, since January 2007, at least \$2.4 million of investor funds from Stringer's Hedge Fund bank account has been used to pay distributions, including purported profits, to several investors.

#### **CLAIM**

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

21. Plaintiff Commission repeats and incorporates paragraphs 1 through 20 of this Complaint by reference as if set forth *verbatim*.

22. Defendant, directly or indirectly, singly or in concert with others, in connection with the purchase and sale of securities, by use of the means and instrumentalities of interstate commerce and by use of the mails has: (a) employed devices, schemes and artifices to defraud; (b) made untrue statements of material facts and 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; and (c) engaged in acts, practices and courses of business which operate as a fraud and deceit upon purchasers, prospective purchasers and other persons.

23. As a part of and in furtherance of their scheme, Defendant, directly and indirectly, prepared, disseminated or used, account statements, other investor 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 20 above.

24. Defendant made the above-referenced misrepresentations and omissions knowingly or with severe recklessness regarding the truth.

25. By reason of the foregoing, Defendant has violated and, unless enjoined, will continue to violate the provisions of 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**

The Commission seeks the following relief:

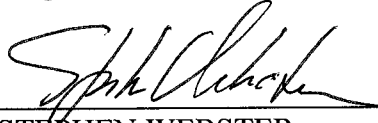
26. An order of the Court permanently enjoining the Defendant, his agents, servants, employees, attorneys and all persons in active concert or participation with him who receive actual notice of the injunction by personal service or otherwise, and each of them, from future violations of Section 10(b) of the Exchange Act, [15 U.S.C. § 78j(b)], and of Rule 10b-5 [17 C.F.R. § 240.10b-5] thereunder.

27. An order of the Court directing Defendant to disgorge an amount equal to the funds and benefits obtained illegally as a result of the violations alleged, plus prejudgment interest on that amount.

28. An order of the Court directing Defendant to pay civil monetary penalties in an amount determined as appropriate by the Court pursuant to Section 21(d) of the Exchange Act [15 U.S.C. § 78u(d)] for his violations of the federal securities laws as alleged herein.

29. All further relief as the Court may deem just and proper.

Respectfully submitted,



STEPHEN WEBSTER.

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DATED: January 20, 2009

# CIVIL COVER SHEET

The JS-44 civil cover sheet and the information contained herein neither replace nor supplement the filing and service of pleadings or other papers as required by law, except as provided by local rules of court. This form, approved by the Judicial Conference of the United States in September 1974, is required for the use of the Clerk of Court for the purpose of initiating the civil docket sheet. (SEE INSTRUCTIONS ON THE REVERSE OF THE FORM.)

### I. (a) PLAINTIFF

**SECURITIES AND EXCHANGE COMMISSION**

### DEFENDANTS

**Rod Cameron Stringer**

(b) COUNTY OF RESIDENCE OF FIRST LISTED PLAINTIFF \_\_\_\_\_  
(EXCEPT IN U.S. PLAINTIFF CASES)

County of Residence of First Listed Defendant:  
(IN U.S. PLAINTIFF CASES ONLY) **DAWSON**

NOTE: IN LAND CONDEMNATION CASES, USE THE LOCATION OF THE TRACT OF LAND INVOLVED.

### (c) ATTORNEY (FIRM NAME, ADDRESS, AND TELEPHONE NUMBER)

**STEPHEN WEBSTER**  
U.S. Securities & Exchange Commission, Burnett Plaza, Ste. 1900,  
801 Cherry Street, Unit #18, Fort Worth, TX 76102-6882  
(817) 978-6459

### ATTORNEYS (If known):

# 5-09CV0009-C

### II. BASIS OF JURISDICTION (PLACE AN "X" IN ONE BOX ONLY)

- 1 U.S. Government Plaintiff
- 2 U.S. Government Defendant
- 3 Federal Question (U.S. Government Not a Party)
- 4 Diversity (Indicate Citizenship of Parties in Item III)

### III. CITIZENSHIP OF PRINCIPAL PARTIES (For Diversity Cases Only)

(PLACE AN "X" IN ONE BOX FOR PLAINTIFF AND ONE BOX FOR DEFENDANT)

- |   |                            |                            |   |                            |                            |
|---|----------------------------|----------------------------|---|----------------------------|----------------------------|
| Citizen of This State                   | <input type="checkbox"/> 1 | <input type="checkbox"/> 1 | Incorporated or Principal Place of Business In This State     | <input type="checkbox"/> 4 | <input type="checkbox"/> 4 |
| Citizen of Another State                | <input type="checkbox"/> 2 | <input type="checkbox"/> 2 | Incorporated and Principal Place of Business in Another State | <input type="checkbox"/> 5 | <input type="checkbox"/> 5 |
| Citizen or Subject of a Foreign Country | <input type="checkbox"/> 3 | <input type="checkbox"/> 3 | Foreign Nation  | <input type="checkbox"/> 6 | <input type="checkbox"/> 6 |

### IV. NATURE OF SUIT (PLACE AN "X" IN ONE BOX ONLY)

<b>CONTRACT</b> <input type="checkbox"/> 110 Insurance <input type="checkbox"/> 120 Marine <input type="checkbox"/> 130 Miller Act <input type="checkbox"/> 140 Negotiable Instrument <input type="checkbox"/> 150 Recovery of Overpayment & Enforcement of Judgment <input type="checkbox"/> 151 Medicare Act <input type="checkbox"/> 152 Recovery of Defaulted Student Loans (Excl. Veterans) <input type="checkbox"/> 153 Recovery OF Overpayment of Veteran's Benefits <input type="checkbox"/> 160 Stockholders' Suits <input type="checkbox"/> 190 Other Contract <input type="checkbox"/> 195 Contract Product Liability	<b>TORTS</b> <b>PERSONAL INJURY</b> <input type="checkbox"/> 310 Airplane <input type="checkbox"/> 315 Airplane Product Liability <input type="checkbox"/> 320 Assault, Libel & Slander <input type="checkbox"/> 330 Federal Employers' Liability <input type="checkbox"/> 340 Marine <input type="checkbox"/> 345 Marine Product Liability <input type="checkbox"/> 350 Motor Vehicle <input type="checkbox"/> 355 Motor Vehicle Product Liability <input type="checkbox"/> 360 Other Personal Injury <b>PERSONAL INJURY</b> <input type="checkbox"/> 362 Personal Injury - Med. Malpractice <input type="checkbox"/> 365 Personal Injury - Product Liability <input type="checkbox"/> 368 Asbestos Personal Injury Product Liability <b>PERSONAL PROPERTY</b> <input type="checkbox"/> 370 Other Fraud <input type="checkbox"/> 371 Truth in Lending <input type="checkbox"/> 380 Other Personal Property Damage <input type="checkbox"/> 385 Property Damage Product Liability	<b>FORFEITURE/PENALTY</b> <input type="checkbox"/> 610 Agriculture <input type="checkbox"/> 620 Other Food & Drug <input type="checkbox"/> 625 Drug Related Seizure of Property 21 USC 881 <input type="checkbox"/> 630 Liquor Laws <input type="checkbox"/> 640 R.R. & Truck <input type="checkbox"/> 650 Airline Regs. <input type="checkbox"/> 660 Occupational Safety/Health <input type="checkbox"/> 690 Other <b>LABOR</b> <input type="checkbox"/> 710 Fair Labor Standards Act <input type="checkbox"/> 720 Labor/Mgmt. Relations <input type="checkbox"/> 730 Labor/Mgmt. Reporting & Disclosure Act <input type="checkbox"/> 740 Railway Labor Act <input type="checkbox"/> 790 Other Labor Litigation <input type="checkbox"/> 791 Empl. Ret. Inc. Security Act	<b>BANKRUPTCY</b> <input type="checkbox"/> 422 Appeal 28 USC 156 <input type="checkbox"/> 423 Withdrawal 28 USC 157 <b>PROPERTY RIGHTS</b> <input type="checkbox"/> 820 Copy rights <input type="checkbox"/> 830 Patient <input type="checkbox"/> 840 Trademark <b>SOCIAL SECURITY</b> <input type="checkbox"/> 861 HIA (1395FF) <input type="checkbox"/> 862 Black Lung (923) <input type="checkbox"/> 863 DIWC/DIWW (405(g)) <input type="checkbox"/> 864 SSID Title XVI <input type="checkbox"/> 865 RSI (405(g)) <b>FEDERAL TAX SUITS</b> <input type="checkbox"/> 870 Taxes (U.S. Plaintiff or Defendant) <input type="checkbox"/> 871 IRS - Third Party 26 USC 7609	<b>OTHER STATUTES</b> <input type="checkbox"/> 400 State Reapportionment <input type="checkbox"/> 410 Antitrust <input type="checkbox"/> 430 Banks and Banking <input type="checkbox"/> 450 Commerce/ICC Rates/etc. <input type="checkbox"/> 460 Deportation <input type="checkbox"/> 470 Racketeer Influenced and Corrupt Organizations <input type="checkbox"/> 810 Selective Service <input checked="" type="checkbox"/> 850 Securities Commodities/ Exchange <input type="checkbox"/> 875 Customer Challenge 12 USC 3410 <input type="checkbox"/> 891 Agricultural Acts <input type="checkbox"/> 892 Economic Stabilization Act <input type="checkbox"/> 893 Environmental Matters <input type="checkbox"/> 894 Energy Allocation Act <input type="checkbox"/> 895 Freedom of Information Act <input type="checkbox"/> 900 Appeal of Fee Determination Under Equal Access to Justice <input type="checkbox"/> 950 Constitutionality of State Statutes <input type="checkbox"/> 890 Other Statutory Actions
<b>REAL PROPERTY</b> <input type="checkbox"/> 210 Land Condemnation <input type="checkbox"/> 220 Foreclosure <input type="checkbox"/> 230 Rent Lease & Ejectment <input type="checkbox"/> 240 Torts to Land <input type="checkbox"/> 245 Tort Product Liability <input type="checkbox"/> 290 All Other Real Property	<b>CIVIL RIGHTS</b> <input type="checkbox"/> 441 Voting <input type="checkbox"/> 442 Employment <input type="checkbox"/> 443 Housing/ Accommodations <input type="checkbox"/> 444 Welfare <input type="checkbox"/> 440 Other Civil Rights	<b>PRISONER PETITIONS</b> <input type="checkbox"/> 510 Motions to Vacate Sentence <b>Habeas Corpus:</b> <input type="checkbox"/> 530 General <input type="checkbox"/> 535 Death Penalty <input type="checkbox"/> 540 Mandamus & Other <input type="checkbox"/> 550 Civil Rights		

### V. ORIGIN (PLACE AN "X" IN ONE BOX ONLY)

- 1 Original Proceeding
- 2 Removed from State Court
- 3 Remanded from Appellate Court
- 4 Reinstated or Reopened

### VI. CAUSE OF ACTION (CITE THE U.S. CIVIL STATUTE UNDER WHICH YOU ARE FILING AND WRITE BRIEF STATEMENT OF CAUSE. DO NOT CITE JURISDICTIONAL STATUTES UNLESS DIVERSITY.)

Section 10(b) of the Securities Exchange Act of 1934 [15 U.S.C. § 78j(b)] and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5].

VII. REQUESTED IN COMPLAINT:  UNDER F.R.C.P. 23 DEMAND \$ \_\_\_\_\_ CHECK YES only if demanded in complaint: JURY DEMAND  YES  NO

### VIII. RELATED CASE(S) (See Instructions):

IF ANY DATE 1/20/2009 JUDGE \_\_\_\_\_ DOCKET NUMBER \_\_\_\_\_  
SIGNATURE OF ATTORNEY OF RECORD [Signature]

FOR OFFICE USE ONLY Receipt # \_\_\_\_\_ AMOUNT \_\_\_\_\_ APPLYING IFP \_\_\_\_\_ JUDGE \_\_\_\_\_ MAG. JUDGE \_\_\_\_\_