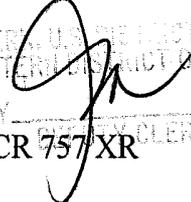


IN THE UNITED STATES DISTRICT COURT  
FOR THE WESTERN DISTRICT OF TEXAS  
SAN ANTONIO DIVISION

FILED

2009 FEB -4 PM 3:03

CLERK OF THE DISTRICT COURT  
WESTERN DISTRICT OF TEXAS

BY:  CLERK

UNITED STATES OF AMERICA

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CRIMINAL NO. SA 08 CR 757 XR

v.

BRUCE E. HAMMONDS

**SUPERSEDING INFORMATION**

The Acting United States Attorney charges:

1. During the period from in or about August 2006, through on or about October 15, 2008:
  - (a) Defendant Bruce E. Hammonds was an individual residing at 8323 Monument Oak, Boerne, Texas, and at 3423 Turtle Village, San Antonio, Texas;
  - (b) B&J Partnership was a business name used by Defendant Bruce E. Hammonds;
  - (c) Merrill Lynch, Pierce, Fenner and Smith, Inc. (Merrill Lynch) was a registered securities brokerage firm, with its primary address and clearing operations located at 4 World Financial Center, New York, New York, and a branch office located at 200 Concord Plaza, Suite 100, San Antonio, Texas; and
  - (d) Peregrine Financial Group, Inc., also known as PFGBest, was a Futures Commission Merchant, registered with the Commodities Futures Trading Commission and the National Futures Association, with its primary office and clearing operations located at 190 S. LaSalle Street, 7<sup>th</sup> Floor, Chicago, Illinois.

2. Beginning as early as August 2006, and continuing until on or about October 15, 2008, in the Western District of Texas and elsewhere, Defendant Bruce E. Hammonds, knowingly devised a scheme and artifice to defraud and to obtain money by means of false and fraudulent pretenses, representations, and promises from persons who could be and were induced to invest money and funds into securities in the form of stock, and stock funds, indexes, and futures through Defendant Bruce E. Hammonds and B&J Partnership.

3. It was part of the aforesaid scheme and artifice that from in or about August 2006, until on or about June 13, 2008, Defendant Bruce E. Hammonds, was a registered securities representative with Merrill Lynch in San Antonio, Texas, and solicited funds from persons who were clients of Merrill Lynch, (investors) to invest in B&J Partnership by knowingly misrepresenting material facts that (1) he had the authority from Merrill Lynch to trade in the B&J Partnership account for the benefit of investors; (2) B&J Partnership was an investment fund sanctioned by Merrill Lynch; and (3) he was successful in earning trading profits for investors.

4. It was further part of the aforesaid scheme and artifice that during the period that Defendant Bruce E. Hammonds solicited funds from investors at Merrill Lynch, he knowingly and intentionally omitted and failed to disclose material facts to investors, to wit: (1) he had not disclosed the true nature, ownership, and purpose of the B&J Partnership account to the compliance department or his supervisors at Merrill Lynch; (2) Merrill Lynch was unaware that he had deposited investor funds into the B&J Partnership account; (3) he had not and would not trade securities through the B&J Partnership account at Merrill Lynch; (4) he had commingled investor funds with his personal funds in the B&J Partnership account; and (5) he had and misapplied and diverted investor funds for his own benefit and the benefit of others.

5. It was further part of the aforesaid scheme and artifice that on or about June 13, 2008, the Defendant Bruce E. Hammonds was terminated from Merrill Lynch for (1) commingling investor funds with his personal funds and misappropriating investor funds, and (2) not truthfully disclosing B&J Partnership and outside financial activities to Merrill Lynch.

6. It was further part of the aforesaid scheme and artifice that beginning at least as early as June 13, 2008, and continuing until on or about October 15, 2008, Defendant Bruce E. Hammonds knowingly misrepresented material facts to investors that (1) he had been a successful trader for investors through B&J Partnership at Merrill Lynch; (2) Merrill Lynch was unhappy because they had not participated in his trading profits; and (3) he would trade new investor funds through B&J Partnership on behalf of investors.

7. It was further part of the aforesaid scheme and artifice that during this period from on or about June 13, 2008, through on or about October 15, 2008, Defendant Bruce E. Hammonds knowingly omitted and failed to disclose material facts to investors, that (1) Merrill Lynch had terminated him for misappropriating investor funds; (2) he had paid funds purported as profits to investors, which were in reality their principal funds and the principal funds of other investors; (3) he had misapplied and diverted investor funds for his own benefit and the benefit of others, and (4) he would misapply and divert new investment funds for his own benefit and the benefit of others.

8. It was further part of the aforesaid scheme and artifice that Defendant Bruce E. Hammonds misapplied and diverted investor funds for his own benefit and the benefit of others.

9. It was further part of the aforesaid scheme and artifice that Defendant Bruce E.

Hammonds used, and caused to be used, the United States mails, interstate carrier services, and interstate wire communication facilities in executing and carrying out the aforesaid scheme and artifice.

COUNT 1

10. The allegations in the preceding paragraphs are adopted, realleged, and incorporated by reference herein.

11. Beginning at least as early as August 2006, and continuing until on or about June 13, 2008, in the Western District of Texas and elsewhere, the Defendant

BRUCE E. HAMMONDS,

knowingly and willfully in connection with the offer and sale of securities in the form of stock, S&P index funds, and hedge funds, by the use of transportation and communication in interstate commerce and by the use of the mails, directly and indirectly, employed a scheme and artifice to defraud and obtained money by means of untrue statements of material facts and omissions of material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading, and engaged in transactions, practices, and a course of business which operated as a fraud and deceit upon the purchasers, to wit: persons who purchased securities in the form of stock and stock funds, indexes, and futures purportedly sponsored by and through Merrill Lynch.

In violation of Title 15, United States Code, §§ 77q(a) and 77x.

COUNT 2

12. The allegations in paragraphs 1 through 9 are adopted, realleged, and incorporated by reference herein.

13. Beginning at least as early as June 13, 2008, and continuing until on or about October 15, 2008, in the Western District of Texas and elsewhere, the Defendant

BRUCE E. HAMMONDS,

knowingly and willfully in connection with the offer and sale of securities in the form of stock and stock futures, by the use of transportation and communication in interstate commerce and by the use of the mails, directly and indirectly, employed a scheme and artifice to defraud and obtained money by means of untrue statements of material facts and omissions of material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading, and engaged in transactions, practices, and a course of business which operated as a fraud and deceit upon the purchasers, to wit: persons who purchased securities in the form of stock and stock funds, indexes, and futures through Defendant Bruce E. Hammonds, B& J Partnership, and PFGBest.

In violation of Title 15, United States Code, §§ 77q(a) and 77x.

**NOTICE OF UNITED STATES OF AMERICA'S DEMAND FOR FORFEITURE**  
**[Title 15 U.S.C. §§ 77q(a) and 77x and Fed.R.Crim.P. 32.2]**

I.

**Forfeiture Statutes Relating to Securities Fraud**

As a result of the foregoing criminal violations as set forth in Counts One and Two, which are punishable by imprisonment for more than one year, the United States gives notice that it intends to forfeit, but is not limited to, the below listed properties from Defendant Bruce E. Hammonds. Defendant shall forfeit all right, title and interest in said properties to the United States pursuant to

Fed.R.Crim.P. 32.2 and Title 18 U.S.C. § 981(a)(1)(C), made applicable to criminal forfeiture pursuant to Title 28 U.S.C. § 2461, which states the following:

**Title 18 U.S.C. § 981.**

(a)(1) The following property is subject to forfeiture to the United States:

(C) Any property, real or personal, which constitutes or is derived from proceeds traceable to a violation . . . of this title or any offense constituting "specified unlawful activity" (as defined in section 1956(c)(7) of this title) . . .

**Title 18 U.S.C. § 1956.**

(c)(7) the term "specified unlawful activity" means --

(A) any act or activity constituting an offense listed in section 1961(1) of this title . . .

**Title 18 U.S.C. § 1961.**

(1)(D) any offense involving fraud connected with . . . fraud in the sale of securities. . .

This Notice of Demand for Forfeiture includes but is not limited to the property described below.

**II.**

**Personal Properties**

All funds, monies and instruments up to and including \$220,991.30, more or less, contained in Merrill Lynch Account Number XXXX9264, 200 Concord Plaza, Suite 100, San Antonio, Texas 78216, in the name of B&J Partnership; and

All funds, monies and instruments up to and including \$11,459.67, more or less, contained in Wachovia Account Number XXXXXXXXXX2349, 13703 West IH 10 TX6326, San Antonio, Texas 78249, in the name of B&J Partnership.

**III.**

**Substitute Assets**

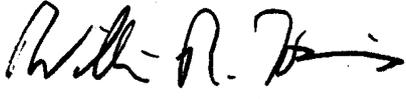
If any of the properties and/or money judgment described above, as a result of any act or omission of Defendant Bruce E. Hammonds:

- a. cannot be located upon the exercise of due diligence;
- b. has been transferred or sold to, or deposited with, a third person;
- c. has been placed beyond the jurisdiction of the Court;
- d. has been substantially diminished in value; or
- e. has been commingled with other property which cannot be subdivided without difficulty;

it is the intent of the United States of America to seek forfeiture of any other property, to include the above-described properties of said Defendant Bruce E. Hammonds, up to the value of said properties, as substitute assets pursuant to Title 18 U.S.C. § 982(b)(1), (See Title 21 U.S.C. § 853(p)) and Rule 32.2, Fed.R.Crim.P.

Respectfully submitted,

JOHN E. MURPHY  
ACTING UNITED STATES ATTORNEY

BY:   
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WILLIAM R. HARRIS  
Assistant United States Attorney