

FILED

UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF VIRGINIA

2007 JUL 9 P 3:53

Richmond Division

U.S. DISTRICT COURT
RICHMOND, VIRGINIA

<hr/>	
U.S. COMMODITY FUTURES)
TRADING COMMISSION,)
)
Plaintiff,)
)
v.)
)
FORFERONT INVESTMENTS CORP.,)
d/b/a CFG TRADER, DONALD)
SNELLGROVE AND BARBARA)
SNELLGROVE.)
)
Defendants)
<hr/>	

CIVIL ACTION NO. 3:07-CV-00152

**FIRST AMENDED COMPLAINT FOR INJUNCTIVE AND OTHER EQUITABLE
RELIEF, AND A CIVIL MONETARY PENALTY**

I. JURISDICTION AND VENUE

1. The Commodity Exchange Act, as amended, 7 U.S.C § 1 *et seq.* (2001) (the "Act"), establishes a comprehensive system for regulating commodity futures contracts and options on commodity futures contracts and those who are registrants pursuant to the Act. This Court has jurisdiction over this action pursuant to Section 6c of the Act, 7 U.S.C. § 13a-1 (2001), which authorizes the Commodity Futures Trading Commission ("Commission") to seek injunctive relief against any person or entity whenever it shall appear to the Commission that such person or entity has engaged, is engaging, or is about to engage in any act or practice constituting a violation of any provision of the Act or any Commission rule, regulation or order.

2. Venue properly lies with the Court pursuant to Section 6c of the Act, in that the Defendants are found in, inhabit, or transact business in this district, and the acts and practices in violation of the Act occurred, are occurring, or are about to occur within this district.

3. By and for its First Amended Complaint, the Commission alleges as follows:

II. SUMMARY

4. From at least March 2006 to March 2007, Defendant Forefront Investments Corp. d/b/a CFG Trader (“Forefront”), a registered futures commission merchant (“FCM”), solicited and accepted customer funds in the foreign currency market. Forefront is a member of the National Futures Association (“NFA”) and has been since at least March 2006. Forefront offered its retail customers the opportunity to speculate on foreign currency trading. Forefront acted, or purported to act, as a counterparty to each trade entered into by its customers. As a registered FCM, Forefront is required to meet minimum capitalization requirements. *See* 17 C.F.R. 1.17(a)(1) (2006).

5. On March 15, 2006, Donald and Barbara Snellgrove (the “Snellgroves”) signed an agreement with Forefront Investments, LP, a Florida limited partnership, to buy Forefront for \$500,000 along with a continuing monthly purchase price obligation not to exceed \$5,000,000 over three years.

6. From at least March, 2006 to the present, the Snellgroves have been listed as principals of Forefront. In addition, Donald Snellgrove has been the Chief Operating Officer (“CEO”) of Forefront. The Snellgroves are liable pursuant to Section 13(b) of the Act as controlling persons because they did not act in good faith and/or because they had actual and/or constructive knowledge of Forefront’s violations of the Act and allowed the violations to continue.

7. As of January 31, 2007, and perhaps earlier, Forefront's net capitalization was below the adjusted net capital required by the Act and Commission Regulation 1.17(a). On March 9, 2007, the NFA notified Forefront that it had failed to meet its minimum net capital requirements as of January 31, 2007 and directed Forefront to submit updated financial statements to the NFA by close of business March 13, 2007. As of March 19, 2007, Forefront's adjusted net capitalization remained below the adjusted net capital required by the Act and Commission Regulation 1.17(a)(1). Specifically, as of March 19, 2007, Forefront's total liabilities were \$8,000,000 while its assets were only \$6,760,000. Since Forefront's liabilities exceed its assets, it necessarily fails to meet the minimum capitalization requirements. Moreover, Forefront has failed to maintain books and records that it is required to maintain pursuant to Commission Regulation 1.18.

8. Accordingly, the Commission brings this action pursuant to Section 6c of the Act, 7 U.S.C. § 13a-1, to enjoin Defendants' unlawful acts and practices and to compel their compliance with the Act and Commission Regulations. In addition, the Commission seeks disgorgement of Defendants' ill-gotten gains, restitution to investors for damages proximately caused by Defendants' violations, civil monetary penalties and such other relief as this Court may deem necessary and appropriate.

9. Unless restrained and enjoined by this Court, Defendants are likely to continue to engage in the acts and practices alleged in this First Amended Complaint and similar acts and practices, as more fully described below.

III. THE PARTIES

A. Plaintiff

10. The **U.S. Commodity Futures Trading Commission** is an independent federal regulatory agency charged with the responsibility for administering and enforcing the provisions of the Act, 7 U.S.C. §§ 1 *et seq.* (2001), and the Commission Regulations promulgated under it, 17 C.F.R. §§ 1 *et seq.* (2006). The Commission maintains its principal office at Three Lafayette Centre, 1155 21st Street, NW, Washington, D.C. 20581.

B. Defendants

11. **Forefront Investments Corp.** is an Illinois corporation whose principal place of business is located at 200 Westgate Parkway, Suite 104, Richmond Virginia 23233. Forefront commenced operations in August 2003 and operates under the name CFG Trader. It was previously named QIX Futures Inc. On November 20, 2003, Forefront became registered as a FCM with the Commission. Forefront is also a member of the NFA.

12. **Donald and Barbara Snellgrove** reside in Glen Allen, Virginia. Donald and Barbara Snellgrove are each listed as a principal of Forefront. In addition, Donald Snellgrove is Forefront's CEO and President, and Barbara Snellgrove is Forefront's Vice President, Treasurer and Secretary.

IV. FACTS

13. Since it began operations, Forefront acted as a FCM and solicited customers to engage in foreign currency transactions ("forex"). Customers enter into open forex positions in which Forefront acts as the counterparty to the trades.

14. Pursuant to Section 4f(b) of the Act and Commission Regulation 1.17(a)(1), Forefront is required to maintain at least a minimum amount of adjusted net capital to operate as

a FCM. According to Commission Regulation 1.17(c)(1), "net capital" means the amount by which current assets exceed liabilities. Because Forefront is a member of the NFA, it must meet the minimal adjusted net capital required by the NFA. *See* 17 C.F.R. § 1.17(a)(1)(C) (2006). The NFA requires a minimum net capital of \$1,000,000.

15. On March 9, 2007, the NFA notified Forefront that it had failed to meet its minimum net capital requirements as of January 31, 2007 and directed Forefront to submit updated financial statements to the NFA by close of business March 13, 2007.

16. On March 15, 2007, the NFA obtained a balance sheet from Forefront dated March 14, 2007 that records Forefront's current assets at approximately \$6,760,000 and liabilities at approximately \$8,000,000, resulting in a deficit of approximately \$1,240,000. It appears that at least one of the reasons for the deficit is that Forefront awarded its employees significant bonuses at the end of 2006.

17. Since Forefront is carrying a deficit of \$1,240,000, and NFA's minimum adjusted net capital requirement is \$1,000,000, Forefront is currently undercapitalized by \$2,240,000. On March 15, 2007, the NFA directed Forefront to satisfy its minimum capitalization requirement by infusing at least \$3,000,000 into its operations by noon, March 16, 2007 and to provide evidence of such. As to date, Forefront has neither complied with NFA's direction nor satisfied its capitalization requirements.

18. Pursuant to Commission Regulation 1.17(a)(4), 17 C.F.R. § 1.17(a)(4) (2006), a FCM who fails to meet its adjusted net capital requirements must transfer all customer accounts, provided that such registrant may trade for liquidation purposes. Forefront has not transferred its customer accounts, nor is its trading limited to liquidation purposes.

19. In addition to failing to satisfy its net capitalization requirements and transfer its customer accounts, Forefront has failed to maintain books and records of its business transactions as required by Commission Regulation 1.18, 17 C.F.R. § 1.18 (2006). Specifically, Forefront is required to maintain current ledgers that reflect its assets, liabilities, and capital. *Id.* In violation of this provision, Forefront has not maintained current ledgers that reflect all customers' positions as both assets and as liabilities.

20. In March of 2006, the Snellgroves bought Forefront through a stock purchase agreement for \$500,000 with a continuing monthly payment obligation not to exceed \$5,000,000 over three years based on the amount of monthly forex transactions.

21. The Snellgroves hired and fired employees, including accountants, Information Technology specialists, bookkeepers, trading managers and compliance officers on behalf of Forefront.

22. Barbara Snellgrove, as the signatory of Forefront's operating bank account, signed checks on behalf of Forefront, including payments of employee salaries and bonuses.

23. The Snellgroves played a central role in the operation of Forefront including: control over the firm's employment decisions, finances and accounting decisions.

24. As controlling persons, the Snellgroves had actual or constructive knowledge that Forefront was operating below the minimum net capital requirement, in violation of the Act, and/or failed to act in good faith by continuing to operate in such a manner until the Commission instituted these proceedings.

V. VIOLATIONS OF THE ACT AND COMMISSION REGULATIONS

**COUNT ONE:
VIOLATIONS OF SECTION 4f(b) OF THE ACT
AND COMMISSION REGULATIONS 1.17(a)(1)(C) AND 1.17(a)(4):
FAILURE TO MAINTAIN REQUIRED MINIMUM ADJUSTED NET
CAPITAL AND OPERATING WHILE UNDERCAPITALIZED**

25. The allegations set forth in paragraphs 1 through 24 are re-alleged and incorporated herein by reference.

26. From at least November 2003 and perhaps as early as August 2003, Forefront has operated as a counterparty to customers trading forex. Since at least March 15, 2007, and perhaps as early as January 31, 2007, Defendant Forefront has failed to satisfy its minimum adjusted net capital requirements for FCMs registered with the Commission and members of the NFA in violation of Section 4f(b) of the Act, 7 U.S.C. § 6f(b) (2002), and Commission Regulation Section 1.17(a)(1)(C), 17 C.F.R. § 1.17(a)(1)(C) (2006).

27. Since at least March 15, 2007, and perhaps as early as January 31, 2007, Forefront operated while undercapitalized and failed to transfer all customer accounts and cease doing business as a FCM, in violation of Commission Regulation 1.17(a)(4), 17 C.F.R. § 1.17(a)(4) (2006).

28. Each day Forefront failed to satisfy its adjusted net capitalization requirements, is alleged as a separate and distinct violations of Section 4f(b) of the Act, 7 U.S.C. § 6f(b) (2002), and Commission Regulations 1.17(a)(1)(C) and 1.17 (a)(4), 17 C.F.R. §§ 1.17(a)(1)(C) and 1.17 (a)(4) (2006).

29. The Snellgroves, directly or indirectly, controlled Forefront and did not act in good faith and/or knowingly induced, directly or indirectly, the acts constituting Forefront's violations alleged in this count. The Snellgroves are thereby liable for Forefront's violations of

Section 4f(b) of the Act, 7 U.S.C. § 6f(b) (2002) and Commission Regulations 1.17(a)(1)(C) and 1.17(a)(4), 17 C.F.R. §§ 1.17(a)(1)(C) and 1.17(a)(4) (2006), pursuant to Section 13(b) of the Act, 7 U.S.C. § 13c(b) (2002).

**COUNT TWO:
FAILURE TO MAINTAIN BOOKS AND RECORDS REQUIRED BY SECTION 4f(a)(1)
OF THE ACT AND COMMISSION REGULATION 1.18**

30. The allegations set forth in paragraphs 1 through 29 are re-alleged and incorporated herein by reference.

31. Pursuant to Section 4f(a)(1) of the Act, 7 U.S.C. § 6f(a)(1) (2002), and Commission Regulation 1.18, 17 C.F.R. § 1.18 (2006), Forefront is required to maintain records that currently reflect its assets, liabilities and capital. Because Forefront failed to maintain such records, it violated Section 4f(a)(1) of the Act and Commission Regulation 1.18.

32. Each day Forefront failed to comply with its recordkeeping requirements, is alleged as a separate and distinct violations of Section 4f(a) of the Act, 7 U.S.C. § 6f(a), and Commission Regulation 1.18, 17 C.F.R. § 1.18 (2006).

33. The Snellgroves, directly or indirectly, controlled Forefront and did not act in good faith and/or knowingly induced, directly or indirectly, the acts constituting Forefront's violations alleged in this count. The Snellgroves are thereby liable for Forefront's violations of Section 4f(a) of the Act, 7 U.S.C. § 6f(a), and Commission Regulation 1.18, 17 C.F.R. § 1.18 (2006), pursuant to Section 13(b) of the Act, 7 U.S.C. § 13c(b).

VI. RELIEF REQUESTED

WHEREFORE, Plaintiff respectfully requests that this Court, as authorized by Section 6c of the Act, 7 U.S.C. § 13a-1, and pursuant to its own equitable powers, enter:

- a) a permanent injunction enjoining Defendants from violating Section 4f(a) and (b) of the Act, 7 U.S.C. § 6f(a) and (b) (2002), and Commission Regulations

1.17(a)(1)(C), 1.17(a)(4) and 1.18, 17 C.F.R. §§ 1.17(a)(1)(C), 1.17(a) (4) and 1.18 (2006);

- b) an order directing that Defendants make an accounting to the court of all assets and liabilities, together with all the funds received from or sent to persons in connection with the trading of foreign currency transactions;
- c) an order directing Defendants to disgorge, pursuant to such procedure as the Court may order, all benefits received from the acts or practices which constitute violations of the Act, as described herein, and interest thereon from the date of such violations;
- d) an order directing Defendants to make full restitution to every customer whose funds were lost as a result of acts and practices which constituted violations of the Act and Regulations, described herein, and interest thereon from the date of such violations;
- e) civil penalties against each of the Defendants in the amount of not more than the higher of \$130,000 or triple the monetary gain to the Defendant for each violation by the Defendant of the Act or Commission Regulations; and
- f) such other and further remedial ancillary relief as the Court may deem appropriate.

Date: July 19, 2007

Respectfully submitted

CHUCK ROSENBERG
UNITED STATES ATTORNEY

by,



Robert P. McIntosh
Assistant U.S. Attorney
U.S. Attorney's Office
Eastern District of Virginia
Main Street Centre
600 E. Main St., Suite 1800

Richmond, VA 23219
(804) 819-5400

Tracey Wingate (*pro hac vice*)
John Dunfee (*pro hac vice*)
U.S. Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, NW
Washington, DC 20581
(202) 418-5000 telephone
(202) 418-5538 facsimile

Attorneys for Plaintiff

Date: July 19, 2007

CERTIFICATE OF SERVICE

It is hereby certified that service of the foregoing **FIRST AMENDED COMPLAINT FOR INJUNCTIVE AND OTHER EQUITABLE RELIEF, AND A CIVIL MONEYTARY PENALTY** has been made this 19 day of July, 2007, by placing a true and correct copy thereof in the United States mail, first-class postage prepaid, addressed to the following:

Charles M. Allen
Elizabeth Robertson
Goodman Allen & Filetti
4501 Highwoods Parkway, Suite 210
Glen Allen, VA 23060

Bruce Matson
Troy Savenko
LeClair Ryan, P.C.
Riverfront Plaza, East Tower
951 East Byrd Street, P.O. Box 2499
Richmond, VA 23218-2499



Robert P. McIntosh
Assistant United States Attorney