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IN THE UNITED STATES DISTRICT COURT FOR THE EASTERN DISTRICT OF VIRGINIA Richmond Division

2007 MAR 20 P 3 45

U.S. COMMODITY FUTURES TRADING COMMISSION,)

Plaintiff,)

v.)

FOREFRONT INVESTMENTS CORP.,) d/b/a/ CFG TRADER,)

Defendant.)

CLERK US DISTRICT COURT RICHMOND, VIRGINIA

Civil No. 3:07CV152

(Under Temporary Seal pursuant to Order dated: _____)

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 Defendant is found in, inhabits, or transacts 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.

II. SUMMARY

3. Defendant Forefront Investments Corp., ("Forefront"), a registered futures commission merchant ("FCM"), solicits and accepts customer funds in the foreign currency market.

Forefront is a member of the National Futures Association ("NFA"). Forefront offers 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).

4. 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.

5. Accordingly, the Commission brings this action pursuant to Section 6c of the Act, 7 U.S.C. § 13a-1, to enjoin Defendant's unlawful acts and practices and to compel its compliance with the Act. In addition, the Commission seeks disgorgement of Defendant's ill-gotten gains, restitution to investors for damages proximately caused by Defendant's violations, civil

monetary penalties and such other relief as this Court may deem necessary and appropriate.

6. Unless restrained and enjoined by this Court, Defendant is likely to continue to engage in the acts and practices alleged in this Complaint and similar acts and practices, as more fully described below.

III. THE PARTIES

A. Plaintiff

7. 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 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. Defendant

8. 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 uses 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.

IV. FACTS

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

10. 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.

11. 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.

12. 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.

13. 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.

14. Pursuant to Commission Regulation 1.17(a)(4), 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.

15. 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.

V. VIOLATIONS OF THE COMMODITY EXCHANGE ACT

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

16. The allegations set forth in paragraphs 1 through 15 are re-alleged and incorporated herein by reference.

17. 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).

18. 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).

19. 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), 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).

COUNT TWO:

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

20. The allegations set forth in paragraphs 1 through 19 are re-alleged and incorporated herein by reference.

21. Pursuant to Section 4f(a)(1) of the Act, 7 U.S.C. § 6f(a)(1) (2001) 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.

22. 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).

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) an Order Against Transfer, Dissipation, and Disposal of Assets

requiring Defendant, its agents, servants, employees, attorneys, and persons in active concert or participation with it who receive notice of this Order to be restrained and enjoined from directly or indirectly transferring, selling, alienating, liquidating, encumbering, pledging, leasing, loaning, assigning, concealing, dissipating, converting, withdrawing, or otherwise disposing of any assets, wherever located, including assets held outside the United States, except as otherwise ordered by the Court;

b) an Order requiring Defendant to close all open customer positions, cease accepting customer orders, and to close all proprietary accounts held by it with any other foreign currency transaction entity;

c) a permanent injunction enjoining Defendant from violating Section 4f(a) and (b) of the Act, 7 U.S.C. § 6f(a) and (b) (2001); and Commission Regulations 1.17(a)(1)(C) and (4) and 1.18, 17 C.F.R. §§ 1.17(a)(1)(C) and (4) & 1.18 (2006);

d) an Order directing that Defendant 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 futures contracts;

e) an Order directing Defendant 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;

f) an Order directing Defendant 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;


g) a civil penalty against Defendant in the amount of not more than the higher of \$120,000 or triple the monetary gain to the Defendant for each violation by the Defendant of the Act or Regulations after November 2003; and

h) such other and further remedial ancillary relief as the Court may deem appropriate.

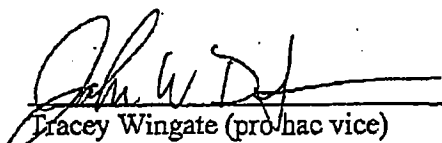
DATED this 20 day of March, 2007.

Respectfully submitted,

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