

I.

INTRODUCTION

On May 2, 2002, the Commodity Futures Trading Commission ("Commission" or "CFTC") filed a Complaint in this civil action against Defendant Paul R. Grant ("Grant"), among others. The Complaint seeks injunctive and other equitable relief for violations of the antifraud provisions of the Commodity Exchange Act, as amended (the "CEA" or "Act"), 7 U.S.C. § 1 *et seq.* (2002). The Commission's Complaint contends that since at least April 1999 and continuing through May 2002, Grant fraudulently marketed and purported to buy and sell commodity futures contracts on behalf of members of the public. 4NExchange L.L.C. ("4NExchange") claimed to trade through an intermediary that in turn traded through futures commission merchants ("FCMs"). In reality, essentially no trading took place and Grant misappropriated over \$18 million in customer funds and used false representations concerning the profits earned by 4NExchange to solicit customers.

II.

CONSENTS AND AGREEMENTS

To effect settlement of the matters alleged in the Complaint without a trial on the merits or any further judicial proceedings, Grant, individually:

1. Consents to the entry of this "*Consent Order of Permanent Injunction, and Other Equitable Relief as to Defendant Paul R. Grant*" (hereinafter "Order");
2. Affirms that he has read and agrees to this Order voluntarily, and that no promise or threat has been made by the Commission or any member, officer, agent or representative thereof, or by any other person, to induce consent to this Order, other than as set forth specifically herein.

3. Acknowledges proper service of the Summons and Complaint.

4. Admits that this Court has jurisdiction over him and the subject matter of this action pursuant to Section 6c of the Act, 7 U.S.C. § 13a-1 (2002).

5. Admits that venue properly lies with this Court pursuant to Section 6c of the Act, 7 U.S.C. § 13a-1 (2002).

6. Waives: (a) all claims that he may possess under the Equal Access to Justice Act (EAJA), 5 U.S.C. § 504 (2000) and 28 U.S.C. § 2412 (2000), and/or Part 148 of the Commission's Regulations ("Regulations"), 17 C.F.R. §§ 148.1, et seq. (2008), relating to, or arising from, this action; (b) all claims that he may possess under the Small Business Regulatory Enforcement Fairness Act of 1996, Pub. L. 104-121, Subtitle B, Section 223, 110 Stat. 862-63 (March 29, 1996), as amended by P.L. 110-28, May 25, 2007, relating to, or arising from, this action; (c) any claim of Double Jeopardy based upon the institution of this proceeding or the entry in this proceeding of any order imposing a civil monetary penalty or any other relief; and (d) all rights of appeal in this action;

7. Consents to the continued jurisdiction of this Court for the purpose of enforcing the terms and conditions of this Order and for any other purposes relevant to this action.

8. Agrees that he and his agents, servants, employees, contractors and attorneys shall not take any action or make any public statement denying, directly or indirectly, any allegation in the Complaint or Findings of Fact or Conclusions of Law contained in this Order, or creating, or tending to create, the impression that the Complaint or this Order is without a factual basis; provided, however, that nothing in this provision shall affect Defendant's: (a) testimonial obligations; or (b) right to take legal positions in other proceedings to which the Commission is not a party. Grant shall take all necessary steps to ensure that all of his agents, servants,

employees, contractors and attorneys understand and comply with this agreement:

9. Neither admits nor denies the allegations of the Complaint or the Findings of Fact and Conclusions of Law contained in this Order, except as to jurisdiction and venue, which Grant admits; however, Grant agrees and intends that the allegations of the Complaint and all of the Findings of Fact and Conclusions of Law made by this Court and contained in Part III of this Order shall be taken as true and correct and be given preclusive effect, without further proof, in the course of: any current or subsequent bankruptcy proceeding filed by, on behalf of, or against Grant; any proceeding to enforce this Order; and/or any proceeding pursuant to Section 8a of the Act, 7 U.S.C. § 12a(1) and/or Part 3 of the Regulations, 17 C.F.R. § 3.

10. Grant shall provide immediate notice of any bankruptcy filed by, on behalf of, or against him in the manner required by Part VI, paragraph 44 of this Order.

11. No provision of this Order shall in any way limit or impair the ability of any person to seek any legal or equitable remedy against any of Grant or any other person in any other proceeding.

III.

FINDINGS OF FACT AND CONCLUSIONS OF LAW

The Court, being fully advised in the premises, finds that there is good cause for the entry of this Order and that there is no just reason for delay. The Court therefore directs the entry of Findings of Fact, Conclusions of Law and a permanent injunction and equitable relief, pursuant to Section 6c of the Act, 7 U.S.C. § 13a-1 (2002), as set forth herein.

A. The Parties

12. **Plaintiff Commodity Futures Trading Commission** is an independent federal regulatory agency that is charged with responsibility for administering and enforcing the

provisions of the Act, 7 U.S.C. §§ 1 *et seq.* (2002), and the Regulations promulgated thereunder, 17 C.F.R. §§ 1 *et seq.* (2006).

13. **Paul R. Grant**, formerly resided at Alpine, Utah, and is currently a federal inmate (inmate # 10610-081). Grant has never been registered with the Commission in any capacity.

B. The Fraudulent Scheme

14. Beginning on or about April 1999 and continuing through May 2002, Grant and co-defendant Ronald Bassett ("Bassett") owned and operated 4NExchange, a Utah limited liability corporation, which operated as a purported foreign exchange futures business but in reality operated as a massive Ponzi scheme. 4NExchange purportedly engaged in the buying and selling of foreign currency futures contracts with promised high returns. 4NExchange claimed to trade through an intermediary which in turn traded through FCMs. Grant perpetrated this fraud through false statements concerning past performance, profit expectations, and by misappropriating customers' funds. 4NExchange had 220 customers, who invested over \$30 million; of the 220 customers, 187 customers lost a total of \$18,645,121.89.

15. 4NExchange was a Utah limited liability company that Bassett and Grant formed in 1999 and through which they operated. Bassett and Grant claimed 4NExchange was a company through which customers could deposit funds that were then purportedly transferred to traders who purportedly engaged in the buying and selling of futures contracts for the benefit of customers.

16. Grant and Bassett prepared documentation that they gave to potential customers explaining the concept of foreign currency trading and how it worked. Bassett and Grant solicited investments from potential customers and conveyed investment information regarding 4NExchange to potential customers.

17. Grant gave customers a packet of information regarding the purported futures contracts to be bought and sold. The packet provided information on the foreign currency markets, the history of foreign currency trading, and an application to become a 4NExchange customer.

18. Grant advised customers that that the purported returns on their funds would come from the buying and selling of futures contracts purportedly performed by FCMs. Bassett and Grant were solely responsible for all managerial decisions concerning how customers' funds were purportedly to be traded.

19. Grant and Bassett represented to customers that no more than thirty percent of their funds would be traded at any given time; therefore, seventy percent of the principal was purportedly "safe" because it was supposedly never at risk. They further represented to customers that they would receive a return of five to ten percent each month – of the entire principal amount given to 4NExchange to be traded – even though no more than thirty percent of the investment would be invested at any given time.

20. Grant represented to customers that 4NExchange's purported "earnings" exceeded more than ten percent per month, but returns to customers were limited to ten percent per month. He also represented that 4NExchange earned its income by retaining profits in excess of ten percent, from which it paid its overhead expenses and the salaries of Bassett and Grant.

21. In the beginning of the scheme, customers received a ten percent return each month either by distributions by check sent in the mail or by a credit to the customer's account. Grant falsely represented to customers that the ten percent returns "earned" each month were coming from the buying and selling of futures contracts by the undisclosed FCMs.

22. Grant was personally aware of 4NExchange's business operations because he

was a principal of the company and personally answered questions put to him by customers concerning its operations. Grant misrepresented to customers that 4NExchange was transferring customer funds to FCMs who were investing customer funds in the foreign currency market, when in reality 4NExchange was using customer funds to pay earlier customers and for Bassett's and Grant's personal benefit. Grant failed to inform customers that their money was not being traded in any type of investment, including futures on foreign currency.

23. Grant made the following misrepresentations: that the Defendants had three or four "secret" traders buying and selling futures on foreign currencies with customer funds; 4NExchange was earning more than ten percent a month through the buying and selling of futures on foreign currencies; that 4NExchange was always earning more than ten percent each month in which customer funds were purportedly being traded

24. Grant failed to inform customers that: customer funds were never transferred to any traders, besides the relatively small amount of \$200,000; the purported "returns" on their funds were coming from the funds of subsequent customers; their funds would be used to pay the purported "returns" of prior customers; and he was using customer funds for his personal use.

25. 4NExchange never bought or sold futures on foreign currencies through any FCM or via any trading program with the over \$30 million in customer funds as represented to customers, except for the relatively miniscule amount of \$200,000 traded through Analytical Trading FX, a registered FCM. After five months, 4NExchange lost \$24,705 on the \$200,000 investment with Analytic Trading FX, and never earned any profits.

26. When the trading through Analytic Trading FX resulted in an overall loss, Grant and Bassett directed Analytic Trading FX to close 4NExchange's account and to wire the remaining balance of customer funds to 4NExchange's bank account. 4NExchange never

generated any profits from any commodity trading or other business activity.

27. At all times relevant hereto, Grant knew that little or no actual trading on behalf of customers was taking place.

C. Jurisdiction and Venue

28. This Court has jurisdiction over this action pursuant to Section 6c of the Act, 7 U.S.C. § 13a-1 (2002), which authorizes the Commission to seek injunctive relief against any person whenever it shall appear that such person 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 rule, regulation or order thereunder.

29. This Court has personal jurisdiction over Grant, who acknowledges service of the Summons and Complaint and consents to the Court's jurisdiction over him.

30. Venue properly lies with this Court pursuant to Section 6c(e) of the Act, 7 U.S.C. § 13a-1(e) (2002), in that Grant was found in, inhabited, or transacted business in this district, and the acts and practices in violation of the Act have occurred, are occurring, or are about to occur within this district, among other places.

31. By the conduct described in Part III(B) above, Grant violated Sections 4b(a)(i) and (iii) of the Act, 7 U. S. C. §§ 6b(a)(i) and (iii)(2002), in that, in or in connection with offers to enter into, or the confirmation of the execution of, commodity futures transactions, he cheated or defrauded or attempted to cheat or defraud customers or prospective customers and deceived or attempted to deceive customers or prospective customers by, among other things: misappropriating customers' funds, issuing false account statements to customers, misrepresenting the likelihood that customers will profit from the trading of commodity futures contracts and failing to disclose that no trading of customers' funds was actually taking place.

32. By the conduct described in Part III(B) above, Grant violated Section 4(a) of the Act, 7 U. S. C. § 6(a), in that Grant did not conduct his foreign currency futures transactions on or subject to the rules of a board of trade that has been designated by the Commission as a contract market, nor were any of the transactions executed or consummated by or through a member of such a contract market. Grant further violated of Section 4(a) of the Act, 7 U. S. C. § 6(a), in that he did not conduct his transactions on a facility registered as a derivatives transaction execution facility.

IV.

ORDER OF PERMANENT INJUNCTION AND ANCILLARY RELIEF

IT IS HEREBY ORDERED THAT:

33. Based upon and in connection with the foregoing conduct, pursuant to Section 6c of the Act, 7 U.S.C. § 13a-1, Grant is permanently restrained, enjoined, and prohibited from directly or indirectly:

a. Cheating or defrauding or attempting to cheat or defraud other persons and willfully deceiving or attempting to deceive other persons by making false, deceptive or misleading representations of material facts, by making false statements, by failing to disclose material facts, and by misappropriating customer funds in or in connection with orders to make, or the making of, contracts of sale of any commodities for future delivery, made or to be made for or on behalf of any other person in violation of violation of Sections 4b(a)(i) and (iii) of the Act, 7 U. S. C. §§ 6b(a)(i) and (iii); and

b. Any activity that violates Section 4(a) of the Act, 7 U. S. C. § 6(a).

34. Grant is permanently restrained, enjoined, and prohibited from directly or

indirectly engaging in any activity related to trading in any commodity, as that term is defined in Section 1a(4) of the Act, 7 U.S.C. § 1a(4) ("commodity interest"), including but not limited to, the following:

- a. Trading on or subject to the rules of any registered entity, as that term is defined in Section 1a(29) of the Act, 7 U.S.C. § 1a(29);
- b. Engaging in, controlling, or directing the trading of any commodity interest accounts for or on behalf of any other person or entity, whether by power of attorney or otherwise;
- c. Soliciting or accepting any funds from any person in connection with the purchase or sale of any commodity interest contract;
- d. Placing orders or giving advice or price quotations, or other information in connection with the purchase or sale of commodity interest contracts for himself and others;
- e. Introducing customers to any other person engaged in the business of commodity interest trading;
- f. Issuing statements or reports to others concerning commodity interest trading;
- g. Applying for registration or claiming exemption from registration with the CFTC in any capacity, and engaging in any activity requiring such registration or exemption from registration with the CFTC, except as provided for in Regulation 4.14(a)(9), 17 C.F.R. § 4.14(a)(9), or acting as a principal, agent, officer or employee of any person registered, required to be registered, or exempted from registration, except as provided for in Regulation 4.14(a)(9), 17 C.F.R. § 4.14(a)(9); and
- h. Engaging in any business activities related to commodity interest trading.

35. The injunctive provisions of this Order shall be binding upon Grant, upon any person who acts in the capacity of an agent, employee, representative, and/or assign of Grant and upon any person who receives actual notice of this Order, by personal service or otherwise, insofar as he or she is acting in active concert or participation with Grant.

V.

RESTITUTION, CIVIL MONETARY PENALTY AND OTHER EQUITABLE RELIEF

IT IS FURTHER ORDERED THAT:

36. Grant shall comply fully with the following terms, conditions and obligations relating to the payment of restitution and a civil monetary penalty. The equitable relief provisions of this Order shall be binding upon Grant and any person who is acting in the capacity of officer, agent, employee, servant, or attorney of the Grant, and any person acting in active concert or participation with Grant and those equitable relief provisions that relate to restitution shall be binding on any financial institutions listed herein or holding frozen funds or assets of Grant, who receives actual notice of this Order by personal service or otherwise.

A. RESTITUTION

37. On or about April 24, 2003 a felony information was filed upon Grant and Bassett; each then waived indictment on or about May 23, 2003 before entering guilty pleas in the U.S. District Court for the District of Utah for conspiracy to commit fraud, money laundering, wire fraud and transportation of stolen money in *United States of America v. Ronald Keith Bassett*, Case No.: 03CR 039 (D. Utah) and *United States of America v. Paul R. Grant*, Case No.: 03CR 310 (D. Utah), respectively. Grant ultimately was committed to the custody of the United States Bureau of Prisons for a term of 60 months. In addition to his term of imprisonment, he was ordered to pay victim restitution in the amount of \$18,645,121.89 (the "criminal restitution

obligation”).

38. Grant’s violations of the Act merit the award of significant restitution. However, the Court recognizes that Grant is subject to the criminal restitution obligation for the misconduct at issue in this civil action. Because the criminal court has awarded restitution to defrauded Exchange customers, the Court is not ordering civil restitution in this Order.

B. CIVIL MONETARY PENALTY

39. Good cause exists for the imposition of a civil monetary penalty (“CMP”) upon Grant pursuant to Section 6c of the Act, 7 U.S.C. § 13a-1 (2002), and Regulation 143.8(a)(1)(i), 17 C.F.R. § 143.8(a)(1)(i) (2006).

40. A proper showing having been made, Grant shall pay a CMP in the amount of \$240,000, plus post-judgment interest. Grant’s obligation to pay the CMP shall arise only after the criminal restitution ordered in *United States of America v. Paul R. Grant*, Case No.: 03CR 310 (D. Utah) is paid in full.

41. Post-judgment interest shall accrue beginning on the date of entry of this Order and shall be calculated by using the Treasury Bill rate prevailing on the date of entry of this Order pursuant to 28 U.S.C. § 1961.

42. Grant shall pay this CMP by electronic funds transfer, U.S. postal money order, certified check, bank cashier’s check, or bank money order. If payment is to be made other than by electronic funds transfer, Grant shall make the payment payable to the Commodity Futures Trading Commission, and send to the following address:

Commodity Futures Trading Commission
Division of Enforcement
ATTN: Marie Bateman, - AMZ-300
DOT/FAA/MMAC
6500 S. MacArthur Blvd.
Oklahoma City, OK 73169

Telephone: 405-954-6569

If the payment is to be made by electronic funds transfer, Grant shall contact Marie Bateman or her successor at the above address to receive payment instructions and shall fully comply with those instructions. Grant shall accompany the payment of the CMP with a cover of a letter that identifies Grant and the name and docket number of this proceeding. Grant shall simultaneously transmit copies of the cover letter and the form of payment to: (a) the Director, Division of Enforcement, Commodity Futures Trading Commission, 1155 21st Street, NW, Washington, D.C. 20581, and (b) Chief, Office of Cooperative Enforcement, Division of Enforcement, Commodity Futures Trading Commission, 1155 21st Street, NW, Washington, D.C. 20581.

43. Partial Payments: Any acceptance by the Commission of partial payment of Grant's CMP obligation shall not be deemed a waiver of the respective requirement to make further payments pursuant to this Order, or a waiver of the Commission's right to seek to compel payment of any remaining balance.

VI.

MISCELLANEOUS PROVISIONS

44. Notices: All notices required to be given by any provision in this Order shall be sent certified mail, return receipt requested, as follows:

Notice to Commission:

Director of Enforcement
Commodity Futures Trading
Commission
1155 21st Street N.W.
Washington, DC 20581

Timothy J. Mulreany
Division of Enforcement
Commodity Futures Trading
Commission
1155 21st Street N.W.
Washington, DC 20581

Notice to Grant:

Rodney G. Snow, Esq.
Clyde Snow Sessions & Swenson
One Utah Center

201 S. Main Street, 13th Floor
Salt Lake City, Utah 84111
Counsel for Grant

45. Entire Agreement and Amendments: This Order incorporates all of the terms and conditions of the settlement among the parties hereto. Nothing shall serve to amend or modify this Order in any respect whatsoever, unless: (1) reduced to writing; (2) signed by all parties hereto; and (3) approved by order of this Court.

46. Invalidation: If any provision of this Order or the application of any provisions or circumstances is held invalid, the remainder of the Order and the application of the provision to any other person or circumstance shall not be affected by the holding.

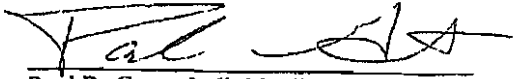
47. Waiver: The failure of any party hereto or of any customer at any time or times to require performance of any provision hereof shall in no manner affect the right of such party at a later time to enforce the same or any other provision of this Order. No waiver in one or more instances of the breach of any provision contained in this Order shall be deemed to be or construed as a further or continuing waiver of such breach or waiver of the breach of any other provision of this Order.

48. Acknowledgements: Upon being served with copies of this Order after entry by the Court, Grant shall sign acknowledgments of such service and serve such acknowledgments on the Court and the Commission within seven (7) calendar days.

49. Continuing Jurisdiction of this Court: This Court shall retain jurisdiction of this cause to assure compliance with this Order and for all other purposes related to this action.

There being no just reason for delay, the Clerk of the Court is hereby directed to enter this *Consent Order of Permanent Injunction and Other Equitable Relief*.

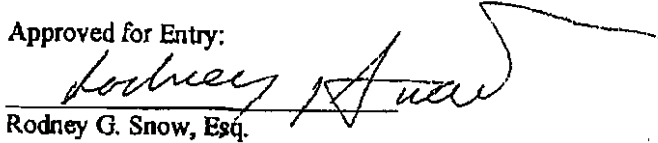
CONSENTED AND APPROVED BY:



Paul R. Grant, Individually

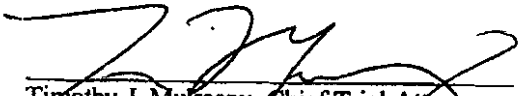
Date: 8-28-08

Approved for Entry:



Rodney G. Snow, Esq.
Clyde Snow Sessions & Swenson
One Utah Center
201 S. Main Street, 13th Floor
Salt Lake City, Utah 84111
Counsel for Defendants

Date: 9/3/08



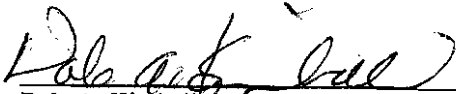
Timothy J. Mulreany, Chief Trial Attorney
Paul Hayeck, Associate Director
Counsel for Plaintiff,
Commodity Futures Trading Commission
1155 21st Street, NW
Washington, D.C. 20581
(202) 418-5306

Date: 11/10/08

ORDERED AND ADJUDGED:

DONE AND ORDERED in Chambers at Salt Lake City, Utah, this 18th day of

November, 2008.



Dale A. Kimball
United States District Judge

cc: All counsel and *pro se* parties of record