

BERNARD J. BARRETT
 JAY MILLER
 Attorneys for Plaintiff
 Commodity Futures Trading Commission
 10900 Wilshire Blvd, Suite 400
 Los Angeles, CA 90024
 310-443-4700

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 COURT, DISTRICT OF UTAH

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MARKUS B. ZIMMER, CLERK
 BY _____
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JEFFREY BUCKNER (4546)
 Assistant Attorney General
 MARK L. SHURTLEFF (4666)
 UTAH ATTORNEY GENERAL
 Attorneys for Plaintiffs
 Commercial Enforcement Division
 160 East 300 South, Fifth Floor
 P. O. Box 140872
 Salt Lake City, Utah 84114-0872
 801-366-0310

IN THE UNITED STATES DISTRICT COURT
 FOR THE DISTRICT OF UTAH, CENTRAL DIVISION

COMMODITY FUTURES TRADING
 COMMISSION, and the
 STATE OF UTAH,

Plaintiffs,

vs.

4NEXCHANGE, a Utah limited liability company,
 PAUL R. GRANT, and
 RONALD K. BASSETT

Defendants.

NO: 2 02 CV - 432

COMPLAINT FOR INJUNCTIVE AND
 OTHER EQUITABLE RELIEF UNDER
 THE COMMODITY EXCHANGE ACT
 AND UTAH CODE

I. SUMMARY

1. Beginning in or before December 21, 2000, Paul Grant and Ronald Bassett have owned and operated a Utah corporation, 4NExchange, L.L.C. which has operated an illegal, fraudulent foreign exchange futures business. Since at least April 1999, 4NExchange has falsely held itself out as trading foreign exchange for investors at a profit of 7% or more a month, before expenses, when the only investment of 4NExchange did not earn any income for the firm. 4NExchange claims to trade through an intermediary which in turn trades through futures commission merchants. These futures commission merchants trade off-exchange retail foreign exchange futures under the jurisdiction of the plaintiff Commodity Futures Trading Commission ("Commission" or "CFTC") pursuant to federal commodity laws. Since at least April 1999, Grant and Bassett have also operated 4NExchange as an unregistered investment company in violation of the registration requirements of the Utah Code. Grant and Bassett have operated 4NExchange as a classic Ponzi scheme in violation of the antifraud provisions of the Commodity Exchange Act and the securities fraud provision of the Utah Code. In so doing, they have misappropriated customer funds and used false representations concerning the profits of 4NExchange to solicit up to 100 investors.

2. From December 21, 2000 to the present, Defendants 4NExchange, LLC., Grant and Bassett have solicited and accepted funds from unsophisticated retail investors to engage in speculative trading of foreign currency futures contracts. Because these transactions are not consummated on or subject to the rules of a contract market designated by the Commission or consummated on a market registered as a derivatives transaction execution facility, Defendants have violated Section 4(e) of the Act, 7 U.S.C. § 6(a)(2001).

3. Based upon the foregoing facts, Defendants have engaged, are engaging, or are about to engage in acts and practices which violate the anti-fraud and registration sections of the

Commodity Exchange Act, as amended, 7 U.S.C. §§ 1 et seq. (2001) ("Act"). More specifically, the Defendants have engaged, are engaging, or are about to engage in acts or practices which violate Section 4b(a)(i) and (iii) of the Act, 7 U.S.C. § 6b(a)(i) and (iii), by, among other things, misappropriating customer funds; and using false solicitations to sign up investors. In addition, defendants effected illegal off-exchange foreign exchange futures trades with retail investors in violation of Section 4(a) of the Act, 7 U.S.C. § 6(a).

4. All the defendants, by this conduct, also committed securities fraud and engaged in the sale of unregistered securities in violation of the Utah Code. Moreover, Defendant Paul Grant sold securities when he was not licensed to sell securities also in violation of the Utah Code.

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

6. Accordingly, pursuant to Section 6c and Section 6d of the Act, 7 U.S.C. § 13a-1 and 7 U.S.C. § 13b, the Plaintiffs bring this action to enjoin such acts and practices, prevent the dissipation of assets and to compel compliance with the provisions of the Act. In addition, the Plaintiffs seek civil penalties, an accounting, restitution, disgorgement and such other equitable relief as the Court may deem necessary or appropriate under the circumstances.

II. JURISDICTION AND VENUE

7. Section 2(c)(2)(B)(i) and (ii) of the Commodity Exchange Act, 7 U.S.C. § 2 (2001) ("Act") grants plaintiff, the Commodity Futures Trading Commission ("Commission"), jurisdiction over certain transactions in foreign currency that are contracts for the sale of a commodity for future delivery, including the transactions alleged in this Complaint.

This Court has jurisdiction over this action pursuant to Section 6c of the Act, 7 U.S.C. § 13a-1, and Section 6d, 7 U.S.C. § 13b, which authorize the Commission and the State of Utah to seek injunctive

relief against any person whenever it shall appear to the Commission or the State 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.

8. Venue properly lies with this Court pursuant to Section 6c of the Act, 7 U.S.C. § 13a-1(e), in that the Defendants are found in, inhabit, or transact 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. Section 6d, 7 U.S.C. § 13b, specifically gives the Court jurisdiction over actions to enforce the Act by the state of Utah and all other states.

III. THE PARTIES

9. Plaintiff 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. (2001), and the Regulations promulgated thereunder, 17 C.F.R. §§ 1 et seq. (2001).

10. Plaintiff, the state of Utah is also given responsibility for enforcing the Act under Section 6d, 7 U.S.C. § 13b.

11. Defendant Paul Grant resides at Alpine, Utah. Grant has never been registered with the Commission. Grant was not licensed to sell securities in Utah.

12. Defendant Ronald Bassett resides at Lindon, Utah. Bassett has never been registered with the Commission in any capacity.

13. Defendant 4NExchange, LLC., a Utah limited liability corporation, has its main office at 4175 Alpine Cove Drive, Alpine, Utah 84604. 4NExchange lists Grant and Bassett as its members. 4NExchange has never been registered with the Commission in any capacity. 4NExchange has not been registered in any capacity with the Division of Securities of the State of Utah, does not qualify for an exemption and did not offer federal covered securities.

IV. FACTS

A. 4NExchange's Written Solicitations

14. In April 2001, the Utah Division of Securities learned that 4NExchange was soliciting investors to invest in "foreign exchange" through the firm. 4NExchange used documents which stated that, while the fund "does not in anyway guarantee losses ...or guarantee any amount of specific return ... based on the funds past performance, we feel a monthly return of five to ten percent of the amount deposited is not an unreasonable expectation."

15. 4NExchange's written materials also provide that an investment represents "money in an account for the purpose of foreign currency trading" in the "Global foreign exchange market" and involves transaction: "for speculative purposes". An accompanying description of the "foreign exchange market" describes trading examples that are "leveraged" and involve "extended credit to client." The accompanying risk disclosure also implies that some of the foreign exchange investments may be in options.

16. 4NExchange continued to use these same written solicitation materials to solicit new investors after April 2001.

B. 4NExchange Represents that It Trades Through a Foreign Exchange Intermediary and then Opens a Foreign Exchange Account with that Firm to Document its Representations to Utah.

17. On Friday, September 28, 2001, the State of Utah contacted Grant and asked for an explanation of 4NExchange's business. Grant then said that it traded in the range between \$120,000 and \$180,000 for six or seven individuals through an Internet based forex firm. According to Grant, 4NExchange merely served as a device for these individuals to invest together and distributed all profits directly to this small group. Grant was asked to provide Utah with the Internet firm's website and undertook to do so.

18. On or October 9, 2001, Grant and Bassett submitted new account documents for a 4NExchange account with an intermediary firm related to the identified internet firm. Grant and Bassett both signed the new account documents for the account at the intermediary. Bassett signed the wire transfer authorizing the transfer of \$200,000 to the intermediary firm.

19. On November 26, 2001, after a follow-up conversation with Utah, Grant sent Utah a printout of an account summary reflecting a balance of \$187,000 in an account originally opened with \$200,000 in the name of 4NExchange with the intermediary firm.

C. Business of the Intermediary Firm

20. The intermediary firm used by 4NExchange acts as a middle man for forex transactions. From September to December 2001, this intermediary firm traded through an omnibus account with a registered futures commission merchant.

D. Futures and Options Business of Registered FCM

21. The futures commission merchant used by 4NExchange's intermediary is a forex firm that registered with Plaintiff Commission as a futures commission merchant to legally conduct its forex business. This futures commission merchant trades foreign exchange futures and options.

E. Intermediary Changes to Another Commission Regulated Dealer

22. The intermediary firm stopped trading with this first futures commission merchant in or about December 2001 and thereafter traded through another firm in this business. The current website for the intermediary refers investors to the second firm.

23. The second firm had applied to be a futures commission merchant before 4NExchange opened its account. This second firm is currently operating under the Commission's jurisdiction by virtue of a no-action letter while its futures commission application is pending.

F. 4NExchange's Recent Investor Solicitations

24. A Utah investigator contacted 4NExchange in April 2001. At that time Grant claimed that the investment averaged a return of 7-10% per month although the return had reached as high as 13%. He stated that any return over 10% per month was divided between 4NExchange and the traders as their compensation.

G. 4NExchange Has Not Invested Customer Funds Since October 2001 -- It has Operated a Ponzi Scheme

25. From Monday, October 1, 2001 through April 16, 2002, 4NExchange took in \$14.7 million from up to 100 investors. The transfer of \$200,000 to an intermediary is the only investment by 4NExchange during this time. No money was returned from the intermediary to 4NExchange over this time. The money taken in by 4NExchange was used to return investments, including purported profits reported to earlier investors, to pay the business expenses of 4NExchange, and to pay more than \$500,000 to the two principals of 4NExchange.

H. Solicitation of Illegal Retail Off-Exchange Foreign Currency Futures Transactions

26. From December 21, 2000 to the present, the Defendants have conducted business out of Defendants' Alpine, Utah office for the purpose of selling foreign currency futures contracts to the retail public.

27. The foreign currency contracts that Defendants market concern the purchase or sale of commodities for future delivery at prices or using pricing formulas that are established at the time the contracts are initiated, and may be fulfilled through offset, cancellation, cash settlement or other means to avoid delivery.

28. The Defendants market these contracts to the general public. The customers who purchase these futures contracts have no commercial need for the foreign currency. Instead, customers enter into these transactions to speculate and profit from anticipated price fluctuations in the markets for these currencies.

29. Customers do not anticipate taking -- and do not take -- delivery of the foreign currencies they purchase as a consequence of these investments. If the market moves in a favorable direction, a customer expects to liquidate his or her investment by authorizing the sale of the contract and taking the profits.

30. Customers do not negotiate individual purchase agreements with 4NExchange. The rules for margin calls and other terms and conditions of Defendant's contracts, as set by Defendants, are standardized.

31. Defendants do not conduct their 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 are any of these transactions executed or consummated by or through a member of such a contract market. Defendants do not conduct their transactions on a facility registered as a derivatives transaction execution facility.

32. Section 2(c)(2)(B)(i) and (ii) of the Act, 7 U.S.C. § 2 (2001), provides that the Commission shall have jurisdiction over an agreement, contract or transaction in foreign currency that is a sale of a commodity for future delivery, so long as the contract is "offered to, or entered into with, a person that is not an eligible contract participant" unless the counter-party, or the person offering to be the counter-party, is a regulated entity, as defined in the Commodity Futures Modernization Act of 2000.

33. Section 1a(12)(A)(xi) of the Act, 7 U.S.C. § 1 (2001), defines an eligible contract participant as an individual who has total assets in excess of: a) \$10 million; or b) \$5 million and who enters the transaction to manage the risk associated with an asset owned or a liability incurred, or reasonably likely to be owned or incurred. At least some, if not all, of the foreign currency futures transactions alleged herein were offered to or entered into with persons who were not eligible contract participants.

34. No Defendant is a proper counter-party for retail foreign currency transactions, and therefore the Commission has jurisdiction over the transactions in retail foreign currency alleged herein.

35. Grant received at least \$326,000 from 4NExchange and Bassett received at least \$216,000 from 4NExchange.

36. Bassett and Grant both had signature authority over the financial institution account used by 4NExchange. Grant signed the checks to customers.

37. The statements made concerning reasonable profit expectations, the statements made concerning historical returns of 7-13% per month and the statements indicating that the funds were in fact being invested were all false.

38. Grant and Bassett have been operating a Ponzi scheme. 4NExchange, Grant and Bassett have misappropriated money from these investors for themselves and to fund 4NExchange in violation of the compensation arrangement described in their solicitations.

V.

VIOLATIONS OF THE COMMODITY EXCHANGE ACT

COUNT I

**VIOLATIONS OF SECTION 4b(a)(i) and (iii) OF THE ACT:
FRAUD BY MISAPPROPRIATION OF CUSTOMER FUNDS
AND SOLICITATION FRAUD**

39. Paragraphs 1 through 38 are realleged and incorporated herein.

40. By engaging in the foregoing fraudulent scheme, from at least December 21, 2000 and continuing to the date of the filing of the original Complaint herein, Defendants in or in connection with orders to make, or the making of, contracts of sale of commodities for future delivery, made or to be made, for or on behalf of any other persons, where such contracts for future delivery were or could be used for the purposes set forth in Section 4b(a) of the Act, 7 U.S.C. § 6b(a)

(2001), have: cheated or defrauded or attempted to defraud other persons; and willfully deceived or attempted to deceive other persons, all in violation of Sections 4b(a)(i) and (iii) of the Act, 7 U.S.C. §§ 6b(a)(i) and (iii) (2001).

41. Each act of misappropriating investor funds or each misrepresentation made during the relevant time period, including but not limited to those specifically alleged herein, is alleged as a separate and distinct violation of Section 4b(a)(i) and (iii) of the Act, 7 U.S.C. § 6b(a)(i) and (iii).

COUNT II

VIOLATION OF SECTION 4(a) OF THE ACT, 7 U.S.C. § 6(a): OFFER AND SALE OF COMMODITY FUTURES CONTRACTS NOT CONDUCTED ON A BOARD OF TRADE WHICH HAS BEEN DESIGNATED AS A CONTRACT MARKET

42. Plaintiffs realleges paragraphs 1 through 38 above and incorporates these allegations herein by reference.

43. Since at least December 21, 2000, and continuing to the present, Defendants have offered to enter into, entered into, executed, confirmed the execution of, or conducted an office or business in the United States for the purpose of soliciting, accepting any order for, or otherwise dealing in transactions in, or in connection with, a contract for the purchase or sale of a commodity for future delivery when: (a) such transactions have not been conducted on or subject to the rules of a board of trade which has been designated by the Commission as a contract market for such commodity, and (b) such contracts have not been executed or consummated by or through a member of such contract market, in violation of Section 4(a) of the Act, 7 U.S.C. § 6(a) (2001).

44. Each foreign currency futures transaction not conducted on a designated contract market made during the relevant time period, including but not limited to those conducted by the Defendants as specifically alleged herein, is alleged as a separate and distinct violation of Section 4(a) of the Act, 7 U.S.C. § 6(a)(2001).

Count III

**VIOLATION OF UTAH CODE ANN. 61-1-7;
SALE OF UNREGISTERED SECURITIES**

45. Plaintiff State of Utah realleges paragraphs 1 through 38 above and incorporates these allegations herein by reference.

46. Utah Code Ann. 61-1-7 states in relevant part:

It is unlawful for any person to offer or sell any security in this state unless it is registered under this chapter, the security or transaction is exempted under Section 61-1-4, or the security is a federal covered security for which a notice filing has been made pursuant to the provisions of Section 61-1-15.5.

47. A search of the records of the Utah Securities Division indicates that 4NExchange was never registered in Utah, nor does it qualify for an exemption under Section 61-1-14, nor is it a federal covered security for which a notice filing has been made pursuant to the provisions of Section 61-1-15.5.

48. Between the dates of October 1, 2001 and April 16, 2002, Respondents sold shares of an unregistered security in the state of Utah to over 100 investors in violation of Section 61-1-7.

COUNT IV

**VIOLATION OF UTAH CODE SECTION 61-1-3(f)
TRANSACTION BUSINESS AS AN UNREGISTERED AGENT**

49. Plaintiffs realleges paragraphs 1 through 38 above and incorporates these allegations herein by reference

50. Section 61-1-3(1) of the Act states:

It is unlawful for person to transact business in this state as a broker-dealer or agent unless the person is licensed under this chapter.

51. Section 61-1-13(2) defines Agent as:

Any individual other than a broker-dealer who represents a broker-dealer or issuer in effecting or attempting to effect purchases or sales of securities.

52. A search of the records of the Division of Securities indicates that Paul Grant was not licensed to sell securities in Utah. Grant effected the sale of securities in Utah to over 100 investors from October 1, 2001 until April 16, 2002.

53. Accordingly, Respondent Grant violated Section 61-1-3(1) by transacting business in the state of Utah as an agent of 4NExchange, LLC., without being licensed by the Division.

Count V

**VIOLATION OF UTAH CODE ANNOTATED SECTION 61-1-1
SECURITIES THROUGH MISSAPPROPRIATION OF CUSTOMER FUNDS AND
SOLICITATION FRAUD**

54. Plaintiffs realleges paragraphs 1 through 38 above and incorporates these allegations herein by reference.

55. Utah Code Ann. 61-1-1 states in relevant part:

It is unlawful for any person, in connections with the offer, sale, or purchase of any security, directly or indirectly to: . . . (2) make any untrue statement of a material fact or to omit to state a material fact necessary in order to make the statement made, in the light of the circumstances under which they are made, not misleading.

56. At no time did Respondents disclose to investors that Grant and was not licensed to sell securities in Utah, nor did Respondents ever disclose that 4NExchange was not registered for sale in Utah or exempt from registration, nor is 4NExchange a federal covered security for which a notice filing has been made.

57. Respondents omitted to tell investors that investor funds would be used to pay the personal expenses of both Grant and Bassett.

58. Respondents omitted to tell investors that new investor funds were being used to pay

the returns of previous investors.

59. Respondents told investors that investor funds were being invested for the purpose of foreign currency trading, when in fact, funds were only sent to one trading company and on one occasion.

60. Respondents omitted to state material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading, in violation of Utah Code Ann. 61-1-1(2).

VI.

RELIEF REQUESTED

WHEREFORE, Plaintiffs Commodity Futures Trading Commission and the State of Utah respectfully request that this Court, as authorized by Section 6c of the Act, 7 U.S.C. § 13a-1(2001) and pursuant to the Court's equitable powers, enter:

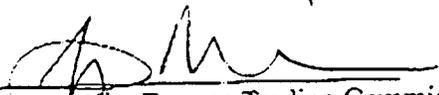
1. an order of preliminary injunction and an order of permanent injunction prohibiting Defendants 4NExchange, LLC., Paul Grant and Ronald Bassett and any other person or entity associated with them, including any successor thereof, from engaging in conduct violative of Sections 4(a) and Utah Code Section 61-1-7, Utah Code Section 61-1-3(i) and Utah Code Section 61-1-1 of the Act, 7 U.S.C. § 6(a) (2001);
2. an order directing Defendants 4NExchange, LLC., Paul Grant and Ronald Bassett and any successors thereof, to disgorge, pursuant to such procedure as the Court may order, all benefits received from the acts or practices which constituted violations of the Act and the Utah Code, as described herein, and interest thereon from the date of such violations;
3. an order directing Defendants 4NExchange, LLC., Paul Grant and Ronald Bassett to make full restitution to every customer whose funds were received by them as a result

of acts and practices which constituted violations of the Act and the Utah Code, and interest thereon from the date of such violations;

4. an order directing Defendants 4NExchange, LLC., Paul Grant and Ronald Bassett to pay a civil penalty in the amount of not more than the higher of \$120,000 for each violation or triple the monetary gain to Defendants for each violation of the Act;
5. an order requiring Defendants 4NExchange, LLC., Grant and Bassett to pay costs and fees as permitted by 28 U.S.C. §§ 1920 and 2412(a)(2); and
6. such other and further remedial ancillary relief as the Court may deem just and proper.

Dated: May 2, 2002

Respectfully Submitted,



 Commodity Futures Trading Commission



 State of Utah