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GENERAL COUNSEL'S OFFICE

NATIONAL FUTURES ASSOCIATION
BEFORE THE BUSINESS CONDUCT COMMITTEE

In the Matter of:

CFS CAPITAL MANAGEMENT, LLC	)	
	)	
BRIAN G. ELROD	)	
	)	
and	)	NFA Case No. 09-BCC-020
	)	
ANDREW G. ELROD	)	
	)	
Respondents.	)	
	)	

ANSWER OF ANDREW G. ELROD TO NFA COMPLAINT

NOW COMES, Andrew G. Elrod ("RESPONDENT"), by and through his attorney, Thomas F. Burke, and for his Answer to the Complaint, states as follows;

ALLEGATIONS

JURISDICTION

1. RESPONDENT admits the allegation of paragraph 1.
2. RESPONDENT admits the allegation of paragraph 2.
3. RESPONDENT admits the allegation of paragraph 3.

BACKGROUND

4. RESPONDENT admits the allegations of paragraph 4, but adds that futures trading as not incorporated into the separate trading programs until November of 2007.

5. RESPONDENT admits the allegations of paragraph 5, except that it cannot confirm the quote that "long term investors looking for principle protection and above market returns."
6. RESPONDENT admits the allegations of paragraph 6.
7. RESPONDENT admits the allegations of paragraph 7.
8. RESPONDENT denies that customers discovered that funds were debited from their accounts for no apparent reason. RESPONDENT lacks sufficient knowledge and information as to the reason NFA began an examination of RESPONDENT. RESPONDENT denies that is transferred funds to conceal the firm's failure to purchase treasury bonds in a timely matter or to cover up trading loses.
9. RESPONDENT denies the allegations of paragraph 9.
10. RESPONDENT denies the allegations of paragraph 10.
11. RESPONDENT admits the allegations of paragraph 11.
12. RESPONDENT denies the allegations of paragraph 12.
13. RESPONDENT admits the allegations of paragraph 13.
14. RESPONDENT admits that it represented to NFA that it directed the reallocation after it consulted with legal counsel. RESPONDENT lacks sufficient knowledge and information as to whether NFA spoke with CFS's legal counsel.
15. RESPONDENT lacks sufficient knowledge and information to admit or deny the allegations of paragraph 15.
16. RESPONDENT lacks sufficient knowledge and information to admit or deny the allegations of paragraph 16.
17. RESPONDENT denies the allegations of paragraph 17.
18. RESPONDENT admits to an agreement between itself and its clearing firm further stating that the agreement speaks for itself. RESPONDENT denies the remaining allegations.
19. RESPONDENT admits that it sent an October 8th, 2008 letter to customers and the letter speaks for itself. RESPONDENT denies the remaining allegations.
20. RESPONDENT denies the allegations of paragraph 20.
21. RESPONDENT admits the allegations of paragraph 21.

22. RESPONDENT lacks sufficient knowledge and information to admit or deny the allegations of paragraph 22.
23. RESPONDENT denies the allegations of paragraph 23.

APPLICABLE RULES

24. RESPONDENT admits the allegations of paragraph 24.
25. RESPONDENT admits the allegations of paragraph 25.
26. RESPONDENT admits the allegations of paragraph 26.
27. RESPONDENT admits the allegations of paragraph 27.
28. RESPONDENT admits the allegations of paragraph 28.
29. RESPONDENT admits the allegations of paragraph 29.
30. RESPONDENT admits the allegations of paragraph 30.
31. RESPONDENT admits the allegations of paragraph 31.
32. RESPONDENT admits the allegations of paragraph 32.
33. RESPONDENT admits the allegations of paragraph 33.
34. RESPONDENT admits the allegations of paragraph 34.
35. RESPONDENT admits the allegations of paragraph 35.
36. RESPONDENT admits the allegations of paragraph 36.
37. RESPONDENT admits the allegations of paragraph 37.

COUNT I

VIOLATION OF NFA COMPLIANCE RULES 2-36(b)(1), (b)(6), AND (c): MISUSE OF CUSTOMER FUNDS.

38. RESPONDENT repeats and re-alleges herein its answers to paragraph 1-25, 27, and 28.
39. RESPONDENT denies the allegations of paragraph 39.
40. RESPONDENT denies the allegations of paragraph 40.
41. RESPONDENT denies the allegations of paragraph 41.
42. RESPONDENT denies the allegations of paragraph 42.
43. RESPONDENT admits that he is the person at CFS that established the weekly allocation for customer trades and denies the remaining allegations.

44. RESPONDENT admits the allegations of paragraph 44.

45. RESPONDENT acknowledges that he is charged with certain NFA violations and denies that he committed such violations.

COUNT II

VIOLATION OF NFA COMPLIANCE RULES 2-2(a) AND 2-36(b)(1): FAILING TO FOLLOW THE TERMS OF THE DISCLOSURE DOCUMENT AND MANAGEMENT AGREEMENT

46. RESPONDENT re-alleges herein his answers to paragraphs 1, 5, 6, 21-25, and 35.

47. RESPONDENT denies the allegations of paragraph 47.

48. RESPONDENT denies the allegations of paragraph 48.

49. RESPONDENT admits the allegations of paragraph 49.

50. RESPONDENT admits the allegations of paragraph 50.

51. RESPONDENT admits the allegations of paragraph 51.

52. RESPONDENT denies the allegations of paragraph 52.

53. RESPONDENT acknowledges that he is charged with certain NFA violations and denies that he committed such violations.

COUNT III

VIOLATION OF NFA COMPLIANCE RULES 2-29(b)(1), (b)(2), (b)(3), (b)(5)(i), 2-36(b)(1), AND 2-22: USING FRAUDULENT AND MISLEADING PROMOTIONAL MATERIALS

54. The answers contained in paragraphs 1, 2, 24, 25, and 30-34 are re-alleged herein.

55. RESPONDENT admits the allegations of paragraph 55.

56. RESPONDENT denies the allegations of paragraph 56.

57. RESPONDENT denies the allegations of paragraph 57.

58. RESPONDENT denies the allegations of paragraph 58.

59. RESPONDENT denies the allegations of paragraph 59.

60. RESPONDENT lacks sufficient knowledge and information to admit or deny the allegations of paragraph 60.

61. RESPONDENT denies the allegations of paragraph 61.

62. RESPONDENT denies that these were misleading statements set forth above.

63. RESPONDENT admits the allegations of paragraph 63.

64. RESPONDENT acknowledges that he is charged with certain NFA violations and denies that he committed such violations.

COUNT IV

VIOLATION OF NFA COMPLIANCE RULES 2-2(F) AND 2-36(B)(5): WILLFULLY SUBMITTING FALSE OR MISLEADING INFORMATION TO NFA

65. The Answers contained in paragraphs 1-3, 24, 26, and 36 are re-alleged as paragraph 65.

66. RESPONDENT admits the allegations of paragraph 66.

67. RESPONDENT admits the allegations of paragraph 67.

68. RESPONDENT admits the allegations of paragraph 68.

69. RESPONDENT acknowledges that he is charged with certain NFA violations and denies that he committed such violations.

COUNT V

VIOLATION OF NFA COMPLIANCE RULES 2-9(a) AND 2-36(e): FAILING TO DILIGENTLY SUPERVISE

70. The Answers contained in paragraphs 1-24, 29 and 37-69 are re-alleged as paragraph 70.

71. RESPONDENT denies the allegations of paragraph 71.

72. RESPONDENT admits that he is the person at CFS that established the weekly allocation for customer trades and denies the remaining allegations.

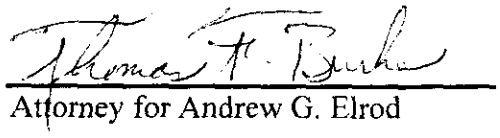
73. Respondents admit the allegations of paragraph 73.

74. Respondents admit the allegations of paragraph 74.

75. Respondents admit the allegations of paragraph 75.

76. Respondents deny the allegations of paragraph 76.

77. RESPONDENT acknowledges that he is charged with certain NFA violations and denies that he committed such violations.



Attorney for Andrew G. Elrod

Thomas F. Burke, P.C.
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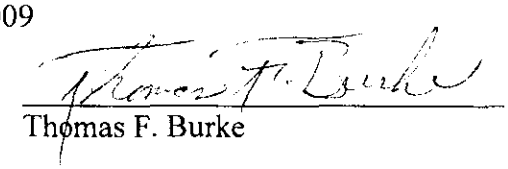
Suite 1441
Chicago, IL 60604
312/362-1300

CERTIFICATE OF SERVICE

I, Thomas F. Burke, an attorney, certify that I caused to be served a copy of the attached Answer of Andrew G. Elrod to NFA Complaint on the parties named below, by placing a copy in a properly addressed envelope with first class postage affixed, in the U.S. Mail Chute at 53 W. Jackson Blvd, Chicago, IL before 5:00 P.M. to:

National Futures Association
300 S. Riverside Plaza
Suite 1800
Chicago, IL 60606
Attn: Legal Department-Docketing

on this 22 day of July, 2009



Thomas F. Burke