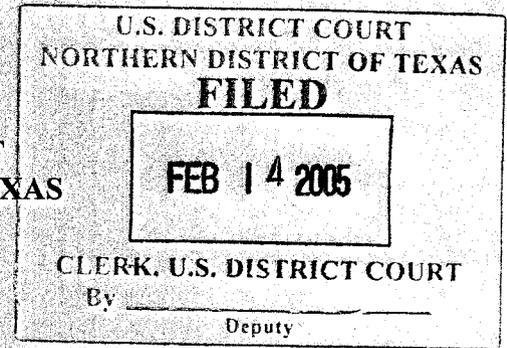


UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF TEXAS
DALLAS DIVISION



SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

v.

CRAIG SCOTT,

Defendant.

Case No.

05 CV 0302P

COMPLAINT

Plaintiff, Securities and Exchange Commission ("Commission"), for its Complaint against the Defendant, Craig Scott, alleges and states that:

SUMMARY

1. FFP Marketing, Inc. ("FFP" or "the company") is a Texas corporation, whose primary business consists of the ownership and management of convenience stores with gas stations. Craig Scott ("Scott" or "the Defendant") is the CFO and General Counsel of FFP. From May 1999 until late 2001, FFP experienced a persistent failure of internal controls in the accounts payable section of the company's accounting department, which caused the company to overstate its net income by approximately \$2.48 million for 1999, 2000 and the first three quarters of 2001. The company incorporated inaccurate financial statements for all of those periods in reports that it filed with the Commission, and it ultimately restated its financials for those periods in June 2002. After learning, in March 2002, that the company's accounting problems would prevent it from timely filing with the Commission its Form 10-K for the 12 months ending December 31, 2001, Scott prepared and signed a false and misleading Form 12b-

25 that FFP filed with the Commission. The Form 12b-25 did not disclose, as necessary, that accounting and internal controls problems were the reasons for the company's failure to file its Form 10-K on time. Moreover, the Form 12b-25 misrepresented the cause of a substantial part of the company's anticipated net loss for 2001, blaming it on market factors, when in fact it was due to a write-down of the company's credit card receivables account, necessitated by the company's accounting lapses. On May 15, 2002, Scott prepared a second false and misleading Form 12b-25 that FFP filed with the Commission when it became evident that the company would also miss the filing deadline for its Form 10-Q for the three months ending March 31, 2002.

JURISDICTION AND VENUE

2. This Court has jurisdiction over this action pursuant to Sections 21(d)(3) and 27 of the Securities Exchange Act of 1934 ("Exchange Act") [15 U.S.C. §§ 78u(d)(3) and 78aa].

3. Pursuant to Section 27 of the Exchange Act [15 U.S.C. § 78aa], venue is proper in this Court because FFP is headquartered in the Northern District of Texas, and many of the acts giving rise to the Commission's allegations occurred in the Northern District of Texas.

PARTIES

4. Plaintiff Commission is an agency of the United States of America established by Section 4(a) of the Exchange Act [15 U.S.C. § 78d(a)]. The Commission is responsible for enforcing the federal securities laws for the protection of investors.

5. Defendant Scott, age 57, is a United States citizen and resident of McKinney, Texas.

RELATED ENTITY

6. During the relevant period, FFP, headquartered in Fort Worth, Texas, operated over 400 convenience stores, truck stops and other gasoline outlets in eleven states throughout the southern, central and southwestern United States. FFP's common stock was registered with the

Commission under Section 12(g) of the Exchange Act, and traded on the American Stock Exchange from January 1998 through November 2002.

STATEMENT OF FACTS

7. In December 2001, FFP's outside auditors concluded that the balance of the company's credit card receivables account was potentially overstated, and they recommended that the company perform a detailed analysis of the account.

8. FFP's accounting personnel reviewed the credit card receivables account from mid-January 2002 until the end of February 2002, at which point FFP's controller concluded that the credit card receivables account appeared to be overstated by nearly \$2 million. In order to be able to close FFP's 2001 books, the controller provisionally wrote-down the balance of credit card receivables by \$1.964 million at the end of February, and notified Scott about that entry.

9. At the beginning of March 2002, the controller initiated a review of the accounts payable department's entries in the credit card receivables account. That review lasted from early March until mid-April, and led to the realization that faulty book keeping in the accounts payable department had resulted not only in an overstatement of the credit card receivables balance, but also in an overstatement of net income that affected 1999, 2000, and the first three quarters of 2001.

10. As Chief Financial Officer, Scott was ultimately responsible for all of FFP's filings with the Commission. In late March 2002, Scott realized that, because of the ongoing study of the credit card receivables balance, the company would not have audited financial statements in time to meet its Form 10-K filing deadline of March 31, 2002. Therefore, Scott prepared, signed and caused FFP to file with the Commission a Form 12b-25 on April 1, 2002 ("the April Form 12b-25").

11. The instructions in Form 12b-25 required Scott to state "in reasonable detail the reasons why" the company could not file its Form 10-K "within the prescribed time period." In

response Scott stated in the April Form 12b-25: "Certain financial and other data required to be disclosed in the Registrant's Form 10-K could not be obtained by Registrant prior to the required filing date for the report."

12. In the April Form 12b-25, Scott did not mention the ongoing review of the credit card receivables balance, or the fact that the outside auditors were unable to supply an unqualified audit report because the company's credit card receivables balance appeared to be overstated by more than \$1.9 million. Neither did Scott attach to the April Form 12b-25 a statement from the outside auditors as to the reason for their inability to supply an unqualified audit report by the company's filing deadline, although Exchange Act Rule 12b-25(c) required FFP to attach such a statement.

13. The instructions in Form 12b-25 also asked whether the company "anticipated that any significant change in results of operations from the corresponding period for the last fiscal year will be reflected by the earnings statements to be included in the subject report or portion thereof," and Scott responded by marking the space for "yes."

14. The form further requested "an explanation of the anticipated change, both narratively and quantitatively." In response, Scott stated:

At the present time, the company estimates that it incurred a net loss of approximately \$4,000,000 in 2001, compared to net income of \$723,000 in 2000. Principal reasons for the anticipated change in 2001, compared to 2000, include but are not limited to the following: a decrease in gross margin on retail sales of motor fuels (primarily from increased competition and an inability of the Company to pass on increased fuel costs at its retail locations), a decrease in gross margin on sales of merchandise and a decrease in direct store expense at Company-operated stores (primarily resulting from the sale/conversion of Company-operated convenience stores to gas-only stores, and increase in general

and administrative costs (primarily from additional payroll costs and legal expenses), and an increase in depreciation and amortization expense (primarily from additional amortization of loan costs).

15. The April Form 12b-25 did not mention that approximately \$1.9 million of the expected \$4 million loss was due to the write-down of credit card receivables that the controller had recorded at the end of February 2002. Scott was aware of the \$1.9 million write-down when he filed the April Form 12b-25, and he knew that it accounted for \$1.9 million of the anticipated \$4 million loss.

16. Scott prepared, signed and caused FFP to file another Form 12b-25 on May 15, 2002, when the company missed the deadline for filing its Form 10-Q with the Commission for the quarter ended March 31, 2002. At that time, Scott was aware that the company would restate its financial statements, not only for the first three quarters of 2001, but also for the two prior years. Scott failed, however, to disclose any of those facts in the May Form 12b-25.

FIRST CLAIM

Violations of Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 [17 C.F.R. § 240.10b-5] Thereunder

17. Plaintiff Commission repeats and incorporates paragraphs 1 through 16 of this *Complaint* by reference as if set forth *verbatim*.

18. Defendant, by engaging in the conduct described above, directly and indirectly, in connection with the purchase and sale of securities, and by use of the means and instrumentalities of interstate commerce and of the mails, has 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; and

19. Defendant intentionally, knowingly or recklessly made the omissions described above. By reason of his foregoing acts and practices, Defendant violated Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5].

SECOND CLAIM

Aiding and Abetting Violations of Exchange Act Rules 12b-20 and 12b-25 [17 CFR 240.12b-20 and 17 CFR 240.12b-25]

20. Plaintiff Commission repeats and incorporates paragraphs 1 through 16 of this *Complaint* by reference as if set forth *verbatim*.

21. FFP violated Exchange Act Rules 12b-20 and 12b-25 [17 C.F.R. 240.12b-20 and 17 C.F.R. 240.12b-25], by omitting to disclose, in the April 1, 2002 and May 15, 2002 Forms 12b-25, the company's ongoing internal accounting investigation or the fact that approximately half of FFP's anticipated \$4 million loss for 2001 was due to a write-down of accounts receivable, and by failing to attach, as Rule 12b-25(c) requires, a report from FFP's outside auditors stating the specific reasons why the external audit of FFP's 2001 financials could not be completed on time.

21. Scott knowingly and substantially assisted those violations, when he prepared, signed and caused FFP to file with the Commission on April 1, 2002 and May 15, 2002, the Forms 12b-25.

23. By reason of the foregoing, Defendant Scott aided and abetted FFP's violations of Exchange Act Rules 12b-20 and 12b-25 [17 CFR 240.12b-20 and 17 CFR 240.12b-25].

PRAYER FOR RELIEF

WHEREFORE, the Commission respectfully requests that this Court:

I.

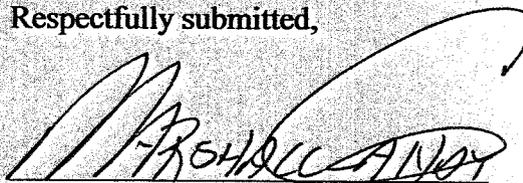
Enter a Final Judgment ordering Scott to pay a civil money penalty in the amount of \$25,000, pursuant to Section 21(d)(3) of the Exchange Act [15 U.S.C. § 78u(d)(3)]; and

II.

Grant such other relief as this Court may deem just and appropriate.

DATED: February 14, 2005

Respectfully submitted,



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