

**UNITED STATES DISTRICT COURT
FOR THE WESTERN DISTRICT OF NORTH CAROLINA**

U.S. COMMODITY FUTURES TRADING COMMISSION,)	
)	
Plaintiff,)	
)	CASE NO. _____
v.)	
)	
QUEEN SHOALS CONSULTANTS, LLC;)	
GARY D. MARTIN; and)	
BRENDA K. MARTIN.)	
)	
Defendants)	

**COMPLAINT FOR INJUNCTIVE RELIEF, CIVIL MONETARY
PENALTIES, AND OTHER ANCILLARY RELIEF**

Plaintiff U.S. Commodity Futures Trading Commission (“Commission” or “CFTC”) alleges as follows:

I. SUMMARY

1. Since at least June 18, 2008 to August 7, 2009 (the “relevant period”), Defendants Queen Shoals Consultants, LLC (“QSC”), Gary D. Martin (“Martin”) and Brenda K. Martin (“B. Martin”) (collectively the “Defendants”), fraudulently solicited approximately \$22,310,452 from individuals and/or entities for the purported purpose of trading off-exchange contracts of foreign currency (“forex” or “foreign currency”) on a leveraged or margined basis, among other things, via in-person solicitations, QSC’s website *www.queenshoalsconsultants.com*, and the use of third party agents the Defendants referred to as “consultants.”

2. Martin and B. Martin (collectively the “Martins”) represented to actual and prospective customers that the Defendants were financial experts that traded forex and other

financial instruments on behalf of customers, and that the Defendants had “vast experience” trading forex and other financial instruments. In reality, the Defendants had no expertise or experience in trading forex or any other commodity.

3. The Martins targeted customers at or near retirement that held individual retirement accounts (“IRAs”), and lured these prospective customers with promises of guaranteed annual returns of between 8 to 24 percent generated by trading forex and other instruments in one of the Defendants’ “60 sub accounts.” The Martins also guaranteed an “additional 1%” to customers who held IRAs and who agreed to roll-over their IRAs into the Defendants’ scheme. All of these representations were false. The Defendants had no trading accounts, no forex trading occurred, and no profits were ever realized.

4. Finally, the Martins represented to actual and prospective customers that there was “minimal risk” to customers’ funds invested with QSC. At the same time, the Martins contradicted their assurances of a “minimal risk” investment by also guaranteeing actual and prospective customers that they could not lose their principal investment. All of these representations were false.

5. Unknown to customers, the Martins simply turned over all customer funds to an undisclosed third party named Sidney S. Hanson (“Hanson”) in return for a referral fee of up to 5% of each customer’s initial and subsequent investment. The Martins were paid at least \$1.44 million by Hanson in such undisclosed “referral fees.”

6. The Martins exercised day-to-day control over the operations of QSC throughout the relevant period. They also conducted solicitations of prospective customers individually and in joint meetings with Hanson. The Martins caused the creation of the website, and controlled all

of its content. Accordingly, the Martins knew of, and personally controlled, QSC's activities giving rise to the above-described fraudulent activities.

7. By virtue of this conduct and the further conduct described herein, the Martins have engaged, are engaging, or are about to engage in acts and practices in violation of Section 4b(a)(2)(A) and (C) of the Commodity Exchange Act (the "Act"), as amended by the Food, Conservation, and Energy Act of 2008, Pub. L. No. 110-246, Title XIII (the CFTC Reauthorization Act of 2008 ("CRA")), §§ 13101-13204, 122 Stat. 1651 (enacted June 18, 2008), to be codified at 7 U.S.C. § 6b(a)(2)(A) and (C).

8. The Martins, and other agents of QSC, committed the acts and omissions described herein within the course and scope of their respective employment at or agency with QSC; therefore, QSC is liable under Section 2(a)(1)(B) of the Act, as amended by the CRA, to be codified at 7 U.S.C. § 2(a)(1)(B), and Commission Regulation 1.2, 17 C.F.R. § 1.2 (2010), for violations of the Act committed by QSC's agents.

9. The Martins were controlling persons of QSC, and failed to act in good faith or knowingly induced, directly or indirectly, the acts constituting the violations alleged herein. The Martins are therefore liable for the unlawful conduct of QSC and its violations of the Act, pursuant to Section 13(b) of the Act, as amended by the CRA, to be codified at 7 U.S.C. § 13c(b).

10. Accordingly, pursuant to Section 6c of the Act, as amended by the CRA, to be codified at 7 U.S.C. § 13a-1, and Section 2(c)(2) of the Act, as amended by the CRA, to be codified at 7 U.S.C. § 2(c)(2), the Commission brings this action to enjoin Defendants' unlawful acts and practices and to compel their compliance with the Act and to further enjoin Defendants

from engaging in any commodity-related activity. In addition, the Commission seeks civil monetary penalties and remedial ancillary relief, including, but not limited to, trading and registration bans, restitution, disgorgement, rescission, pre- and post-judgment interest, and such other relief as the Court may deem necessary and appropriate.

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

II. JURISDICTION AND VENUE

12. This Court has jurisdiction over this action pursuant to Section 6c(a) of the Act, as amended by the CRA, to be codified at 7 U.S.C. § 13a-1(a), which authorizes the Commission to seek injunctive relief against any person whenever it shall appear to the Commission that such person has engaged, is engaging, or is about to engage in any act or practice constituting a violation of the Act or any rule, regulation, or order promulgated thereunder.

13. The Commission has jurisdiction over this matter as alleged herein pursuant to Section 6c of the Act, as amended by the CRA, to be codified at 7 U.S.C. § 13a-1, and Section 2(c)(2) of the Act, as amended by the CRA, to be codified at 7 U.S.C. § 2(c)(2).

14. Venue properly lies with the U.S. District Court for the Western District of North Carolina pursuant to Section 6c(e) of the Act, as amended by the CRA, to be codified at 7 U.S.C. § 13a-1(e), because the Defendants transacted business in the Western District of North Carolina and certain of the transactions, acts, practices, and courses of business in violation of the Act have occurred, are occurring, and/or are about to occur within this District.

III. PARTIES

15. **Plaintiff U.S. Commodity Futures Trading Commission** is an independent federal regulatory agency that is charged by Congress with the administration and enforcement of the Act, to be codified at 7 U.S.C. §§ 1 *et seq.*, and the Regulations promulgated thereunder, 17 C.F.R. §§ 1.1 *et seq.* (2010). The Commission maintains its principal office at Three Lafayette Centre, 1155 21st Street, NW, Washington, DC 20581.

16. **Defendant Queen Shoals Consultants, LLC** is a Florida limited liability company, originally founded and formed by the Martins on December 12, 2007 pursuant to the laws of the state of North Carolina, closed by the Martins, and organized a second time on November 12, 2008 pursuant to the laws of the state of Florida. Its claimed business addresses were listed on the QSC website as 5011 Gate Parkway Building 100, Suite 320, Jacksonville, Florida 32256 and 8520 Cliff Cameron Drive, Suite 150, Charlotte, North Carolina 28269. QSC also claimed to operate from offices in Cave Creek, Arizona. QSC has never been registered with the CFTC in any capacity. QSC is not a financial institution, registered broker dealer, insurance company, financial holding company, or investment bank holding company, nor is it an associated person of such entities.

17. **Defendant Gary D. Martin** resided at 2048 Crown Drive, St. Augustine, Florida 32092. Martin held himself out as the president and managing director of QSC, and was the signatory on bank accounts held by QSC. Martin has never been registered with the CFTC in any capacity.

18. **Defendant Brenda K. Martin** resided at 2048 Crown Drive, St. Augustine, Florida 32092. B. Martin held herself out as the vice president and managing director of QSC,

and was also a signatory on bank accounts held by QSC. B. Martin has never been registered with the CFTC in any capacity.

IV. OTHER RELEVANT PERSON

19. **Sidney Stanton Hanson** formerly resided at 5919 Maple Street, Charlotte, North Carolina, 28269; he is currently in federal custody awaiting sentencing in *United States v. Sidney Stanton Hanson*, Case No. 09-CR-09CR139-RJC, filed in the U.S. District Court of the Western District of North Carolina. Hanson held himself out as the founder, owner, managing director, and manager of Queen Shoals, LLC, QS II and Select Fund, among other entities. In addition to the case above, Hanson also was named as a defendant in *CFTC v. Queen Shoals, LLC*, Case No. 09-CV-335 RJC, and *SEC v. Sidney S. Hanson*, Case No. 09-CV-336 RJC, both of which were filed in the U.S. District Court of the Western District of North Carolina. Hanson entered a guilty plea in the criminal matter *United States v. Sidney Stanton Hanson* for acts arising out of his operation of the Queen Shoals Group, among other entities, and is awaiting sentencing. Hanson has never been registered with the CFTC in any capacity, nor is he an associated person of a financial institution, registered broker dealer, insurance company, financial holding company, or investment bank holding company.

V. FACTS

A. The Defendants Had No Expertise or Experience Trading Forex

20. During the relevant period, the Martins, both individually and as the agents of QSC, utilized in-person solicitations, written materials, and Internet solicitations primarily through the website *www.queenshoalsconsultants.com* (“website”), to solicit the retail public to trade forex, among other things. While their scheme was described in the website and by the

Martins in different, often contradictory, ways to customers, it involved the solicitation of customers for three types of purported “investments”: 1) “proprietary” off-exchange foreign currency trading instruments with “guaranteed” returns and “minimal risks,” which the Defendants referred to as “non-depletion accounts”; 2) Treasury bills; and 3) precious metals such as gold and silver bullion.

21. The website created by the Martins lured customers by claiming QSC and the Martins had a “vast background in financial services” with over 20 years experience in financial services and a staff of experts ready to assist customers. The website touted the Defendants’ investment expertise and experience in international finance.

22. The website further claimed that all of this was possible because the Defendants were “considered leaders in Professional Private Placement Retirement Planning.”

23. All of the representations concerning the Defendants’ alleged experience and expertise in trading forex were false.

24. Martin admitted in his testimony under oath as the corporate designee of QSC that, contrary to the Defendants’ in-person and website representations to prospective and actual customers, he and his wife had no training or experience in buying or selling foreign currency, commodity futures contracts, options on commodity futures contracts, or any other financial instrument.

25. Martin also admitted that no one considered the Defendants “leaders in Professional Private Placement Retirement Planning.” Aside from Martin’s limited past employment selling insurance, the Martins and QSC had no past experience in, or connection to, financial services.

26. Although the Martins represented via the QSC website that “[o]ur consultants have a vast background in financial services...,” Martin admitted that this representation was false. Of the 53 known QSC consultants, only 8 to 10 had taken a four day course to become “certified estate planners,” but even these consultants had no other background in financial services. None had any experience trading forex. Martin admitted that a number of the QSC consultants represented to customers as possessing a “vast background in financial services” were actually former high school coaches, J. C. Penney sales clerks, or insurance salesmen, among other vocations unrelated to the financial industry.

B. The Martins Guaranteed Customers Profits

27. Through the Martins’ in-person, documentary, and website solicitations, customers were told that they “loaned” money to QSC via “promissory notes” for the express purpose of allowing QSC to pool the funds of all customers to trade forex, among other things. Actual and prospective customers were lured with promises of guaranteed returns varying between 8 and 24 percent per annum. Customers were assured by the Martins and the website that their principal deposit was safe because QSC had sufficient funds on hand to return all customers’ principal plus the guaranteed interest.

28. Through the website, the Martins also represented that the use of what they termed a “non-depletion” account guaranteed the customer the safety of both their principal and the promised annual “return.” The website claimed QSC placed customer funds with traders who used “proprietary trading practices that are extremely successful” in gold, silver and forex accounts. Actual and prospective customers were advised through the website that customer funds were “leveraged” in “no less than 18 different profit centers” which allowed the creation of

the profits claimed to be achieved by the Defendants. Indeed, the website touted that all customer funds were “immediately placed into our approximate (sic) 60 sub accounts” and that the forex accounts traded by the Defendants were “profit generating.”

29. All of the representations concerning trading and guaranteed profits were false.

30. Martin admitted under oath that the Defendants never engaged in any forex trading on behalf of customers. In fact, Martin admitted that the Defendants never engaged in any type of trading or investing with customer funds. There were no forex accounts, gold accounts, silver accounts, or “60 sub accounts.”

31. All of the Martins’ representations regarding “profitable accounts” were false.

32. There was no “leveraging” on behalf of customers, no “profit centers,” and, because there was no trading, there were no profits. Instead, the Martins simply turned over customer funds to Hanson in return for a payment of approximately \$1.44 million Martin described in his testimony as a “referral” fee. When Martin was asked what Hanson did with the funds given to him by the Defendants, Martin testified: “I don’t know.” Simply put, since the funds customers gave the Defendants were never invested or traded in anything by the Defendants. Consequently, all guarantees of profits were false.

C. The Martins Claimed Trading Forex was Secure with “Minimal Risk”

33. Through the QSC website, the Martins represented to customers that their funds were subjected to “minimal risk” trading forex. The Martins also represented in the website that trading forex with QSC was “safer and ha[d] less risk” than if customers were to use their funds trading securities or other financial instruments.

34. The QSC website's representations concerning risk and security claimed that all funds were "immediately invested" in QSC's "60 sub accounts" with minimal risk. Customers were also informed that all funds not traded or invested were "FDIC insured" and placed in various bank accounts held in the name of QSC for "liquidity" purposes.

35. Customers were further advised that this purported "liquidity" provided them extra security because they could withdraw their funds immediately in case of emergency.

36. All of these representations were false.

37. As discussed previously, customer funds were not used to trade forex or anything else, and were never placed in "60 sub accounts" or any other account. Customer funds were not "FDIC insured." There was no "liquidity" and no funds were available for immediate withdrawals by customers. Rather, the Martins took a cut of the customer funds and funneled the remainder to Hanson.

D. The Martins were the Controlling Persons of QSC

38. Martin admitted during his testimony as the corporate designee of QSC that he and his wife, B. Martin, controlled all of the day-to-day business operations of QSC during the relevant period. Martin further admitted in his testimony that he and B. Martin were the only employees of QSC, and that they sent IRS Form 1099s to the various "consultants" of QSC.

39. The Martins personally opened the bank accounts at Bank of America in the name of QSC, and were the only signatories on the accounts. B. Martin signed the checks drawn from these bank accounts.

40. The Martins were personally responsible for causing QSC to be incorporated originally in North Carolina, and subsequently in Florida. Similarly, the Martins were responsible for the rental and operation of the offices of QSC in North Carolina and elsewhere.

41. Finally, the Martins controlled and were personally responsible for the creation and content of QSC's website.

VI. VIOLATIONS OF THE COMMODITY EXCHANGE ACT

COUNT ONE

Violations of Section 4b(a)(2)(A) and (C) of the Act, as amended by the CRA, to be codified at 7 U.S.C. § 6b(a)(2)(A) and (C); Fraud

42. The allegations set forth in paragraphs 1 through 41 are realleged and incorporated herein by reference.

43. Section 4b(a)(2)(A) and (C) of the Act, as amended by the CRA, to be codified at 7 U.S.C. § 6b(a)(2)(A) and (C), in relevant part, make it unlawful:

for any person, in or in connection with any order to make, or the making of, any contract of sale of any commodity for future delivery, or other agreement, contract, or transaction subject to paragraphs (1) and (2) of section 5a(g) [of the Act], that is made, or to be made, for or on behalf of, or with, any other person, other than on or subject to the rules of a designated contract market – (A) to cheat or defraud or attempt to cheat or defraud the other person; ... [or] (C) willfully to deceive or attempt to deceive the other person by any means whatsoever in regard to any order or contract or the disposition or execution of any order or contract, or in regard to any act of agency performed, with respect to any order or contract for or, in the case of paragraph (2), with the other person...

44. Section 4b(a)(2)(A) and (C) of the Act, as amended by the CRA, apply to Defendants' foreign currency transactions "as if" they were a contract of sale of a commodity for future delivery. *See* Section 2(c)(2)(C)(iv) of the Act, as amended by the CRA, to be codified at 7 U.S.C. § 2(c)(2)(C)(iv).

45. As set forth above, throughout the relevant period, in or in connection with forex transactions, made, or to be made, for or on behalf of, or with, other persons, the Martins cheated or defrauded or attempted to cheat or defraud customers or prospective customers, and willfully deceived or attempted to deceive customers or prospective customers by, among other things, knowingly (i) misrepresenting the expertise and experience of the Defendants; (ii) guaranteeing profits to customer; and (iii) misrepresenting the risk to customers' funds if they invested with the Defendants, all in violation of Section 4b(a)(2)(A) and (C) of the Act, as amended by the CRA, to be codified at 7 U.S.C. § 6b(a)(2)(A) and (C).

46. The Martins, acting throughout the relevant period as the agents of QSC, engaged in the acts and practices described above knowingly or with reckless disregard for the truth thereof.

47. The Martins jointly controlled QSC, directly or indirectly, and did not act in good faith or knowingly induced, directly or indirectly, QSC's conduct alleged in this Complaint; therefore, pursuant to Section 13(b) of the Act, as amended by the CRA, to be codified at 7 U.S.C. § 13c(b), Martin and B. Martin are each liable for QSC's violations of Section 4b(a)(2)(A) and (C) of the Act, as amended by the CRA, to be codified at 7 U.S.C. § 6b(a)(2)(A) and (C).

48. The foregoing acts, omissions, and failures of Martin and B. Martin, and the other agents of QSC, occurred within the scope of their respective employment, office or agency with QSC; therefore, QSC is liable for those acts, omissions, and failures pursuant to Section 2(a)(1)(B) of the Act, as amended by the CRA, to be codified at 7 U.S.C. § 2(a)(1)(B), and Commission Regulation 1.2, 17 C.F.R. § 1.2 (2010).

49. Each act of misrepresentation of material facts, including but not limited to those specifically alleged herein, is alleged as a separate and distinct violation of Section 4b(a)(2)(A) and (C) of the Act, as amended by the CRA, to be codified at 7 U.S.C. § 6b(a)(2)(A) and (C).

VII. RELIEF REQUESTED

WHEREFORE, the Commission respectfully requests that the Court, as authorized by Section 6c of the Act, as amended by the CRA, to be codified at 7 U.S.C. § 13a-1, and pursuant to its own equitable powers, enter:

a) An order finding that Defendants violated Section 4b(a)(2)(A) and (C) of the Act, as amended by the CRA, to be codified at 7 U.S.C. § 6b(a)(2)(A) and (C);

b) Orders of preliminary and permanent injunction prohibiting Defendants and any of their agents, servants, employees, assigns, attorneys, and persons in active concert or participation with any Defendant, including any successor thereof, from engaging, directly or indirectly:

(i) in conduct in violation of Section 4b(a)(2)(A) and (C) of the Act, as amended by the CRA, to be codified at 7 U.S.C. § 6b(a)(2)(A) and (C);

(ii) trading on or subject to the rules of any registered entity (as that term is defined in Section 1a of the Act, as amended by the CRA, to be codified at 7 U.S.C. § 1a;

(iii) entering into any transactions involving commodity futures, options on commodity futures, commodity options (as that term is defined in Commission Regulation 32.1(b)(1), 17 C.F.R. § 32.1(b)(1) (2010)) (“commodity options”), and/or foreign currency (as described in Sections 2(c)(2)(B) and 2(c)(2)(C)(i) of the Act, as amended by the CRA, to be codified at 7 U.S.C. §§ 2(c)(2)(B) and 2(c)(2)(C)(i)) (“forex

contracts”) for any personal or proprietary account or for any account in which they have a direct or indirect interest;

(iv) having any commodity futures, options on commodity futures, commodity options, and/or forex contracts traded on their behalf;

(v) controlling or directing the trading for or on behalf of any other person or entity, whether by power of attorney or otherwise, in any account involving commodity futures, options on commodity futures, commodity options, and/or forex contracts;

(vi) soliciting, receiving, or accepting any funds from any person for the purpose of purchasing or selling any commodity futures, options on commodity futures, commodity options, and/or forex contracts;

(vii) applying for registration or claiming exemption from registration with the Commission in any capacity, and engaging in any activity requiring such registration or exemption from registration with the Commission, except as provided for in Commission Regulation 4.14(a)(9), 17 C.F.R. § 4.14(a)(9) (2010); and

(viii) acting as a principal (as that term is defined in Commission Regulation 3.1(a), 17 C.F.R. § 3.1(a) (2010)), agent or any other officer or employee of any person (as that term is defined in Section 1a of the Act, as amended by the CRA, to be codified at 7 U.S.C. § 1a) registered, exempted from registration or required to be registered with the Commission, except as provided for in Commission Regulation 4.14(a)(9), 17 C.F.R. § 4.14(a)(9) (2010).

c) An order directing Defendants, and any successors thereof, to disgorge to the Commission all benefits received from the acts or practices that constitute violations of the Act

and/or Commission Regulations, as described herein, and pre- and post-judgment interest thereon from the date of such violations;

d) An order directing Defendants to make full restitution to every person or entity whose funds Defendants received or caused another person or entity to receive as a result of acts and practices that constitute violations of the Act and/or Commission Regulations, as described herein, and pre- and post-judgment interest thereon from the date of such violations;

e) An order directing Defendants, and any successors thereof, to rescind, pursuant to such procedures as the Court may order, all contracts and agreements, whether implied or express, entered into between them and any of the customers whose funds were received by them as a result of the acts and practices which constituted violations of the Act and/or Commission Regulations, as described herein;

f) An order directing each Defendant to pay a civil monetary penalty for each violation of the Act described herein, plus post-judgment interest, in the amount of the higher of \$140,000 for each violation of the Act committed on or after October 22, 2008, \$130,000 for each violation of the Act committed prior to October 22, 2008, or triple the monetary gain to each Defendant for each violation of the Act described herein, plus post-judgment interest;

g) An order requiring Defendants to pay costs and fees as permitted by 28 U.S.C. §§ 1920 and 2412(a)(2) (2006); and

h) Such other and further relief as the Court deems just and appropriate.

Dated: March 15, 2011.

Respectfully submitted by,

S/ Timothy J. Mulreany
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