

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

U.S. COMMODITY FUTURES TRADING COMMISSION,	)	
	)	
Plaintiff,	)	
	)	CASE NO. _____
v.	)	
	)	
QUEEN SHOALS, LLC,;	)	
QUEEN SHOALS II, LLC;	)	
SELECT FUND, LLC;	)	
SIDNEY STANTON HANSON; and	)	
CHARLOTTE M. HANSON.	)	
	)	
Defendants, and	)	
	)	
SECURE WEALTH FUND, LLC;	)	
HERITAGE GROWTH FUND, LLC;	)	
DOMINION GROWTH FUND, LLC;	)	
TWO OAKS FUND, LLC;	)	
DYNASTY GROWTH FUND, LLC; and	)	
QUEEN SHOALS GROUP, LLC.	)	
	)	
Relief Defendants	)	

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

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

**I. SUMMARY**

1. Since at least June 18, 2008 to the present (the “relevant period”), defendants Queen Shoals, LLC (“Queen Shoals”), Queen Shoals II, LLC (“QS II”), Select Fund, LLC (“Select Fund”), Charlotte M. Hanson (“C. Hanson”), and Sidney Stanton Hanson (“Hanson”),

(collectively “Defendants”) have fraudulently solicited at least \$22.5 million from individuals and/or entities for the purported purpose of trading off-exchange foreign currency (“forex” or “foreign currency”), among other things, on their behalf. As alleged below, the Defendants are misappropriating customer funds, using customer funds to pay undisclosed commissions to agents for finding new customers, sustaining millions in losses that are not disclosed to customers, issuing false account statements to customers, using funds from Queen Shoals, QS II, and Select Fund (collectively “Queen Shoals Group”) customers to pay-off customers of a previous scheme operated by Hanson called the “Apollo Fund,” and operating a “Ponzi” scheme.

2. In their solicitations to customers, the Defendants claim success in trading forex and other instruments, and guarantee profits to customers. The Defendants are operating a Ponzi scheme targeting customers at or near retirement who hold individual retirement accounts (“IRA[s]”), and luring prospective customers with promises of annual returns of at least 8 to 24 percent while promising an “additional 1%” to customers who roll-over their IRAs.

3. The Defendants fail to advise customers that the Queen Shoals Group uses more than 30 agents that it identifies to customers as “consultants” to refer new customers, and that that these agents are paid an undisclosed commission of between 1% to 5% of the referred customer’s principal investment. In addition, the Defendants are using the funds of current Queen Shoals Group customers to pay-off customers of a prior scheme operated by Hanson, the “Apollo Fund.”

4. Throughout the relevant period, while providing quarterly account statements to customers representing that the Defendants are generating profits on customers’ behalf, the Defendants are sustaining millions in losses and are misappropriating customers’ funds for C.

Hanson's and Hanson's personal use, including luxury resort vacations, private plane rentals, daily living expenses, and the purchase of an 88 acre farm, among other parcels of real property. Through the issuance of the monthly and annual statements to customers, the Defendants conceal the above-described on-going fraud, losses and misappropriation of customer funds.

5. Following the execution of a criminal search warrant upon the Defendants' business premises by special agents of the North Carolina Office of the Secretary of State, Securities Division ("NC SD") on May 28, 2009, the NC SD also issued a cease and desist order upon the Defendants, ordering them to stop their unregistered securities operations within the State of North Carolina.

6. By virtue of this conduct and the further conduct described herein, Defendants have engaged, are engaging, or are about to engage in acts and practices in violation of Sections 4b(a)(2)(A)-(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")), § 13102, 122 Stat. 1651 (enacted June 18, 2008), to be codified at 7 U.S.C. §§ 6b(a)(2)(A)-(C).

7. Hanson and C. Hanson, and other agents of Queen Shoals Group, committed the acts and omissions described herein within the course and scope of their employment at or agency with Queen Shoals Group; therefore, Queen Shoals Group is liable under Section 2(a)(1)(B) of the Act, 7 U.S.C. § 2(a)(1)(B) (2006), and Commission Regulation ("Regulation") 1.2, 17 C.F.R. § 1.2 (2009), for violations of the Act and Regulations committed by them.

8. Hanson is a controlling person of Queen Shoals Group, and fails to act in good faith or knowingly induces, directly or indirectly, the acts constituting the violations. Hanson is

therefore liable for the unlawful conduct of C. Hanson and Queen Shoals Group and their violations of the Act and Regulations, pursuant to Section 13(b) of the Act, 7 U.S.C. § 13c(b) (2006).

9. Relief Defendants Secure Wealth Fund, LLC; Heritage Growth Fund, LLC; Dominion Growth Fund, LLC; Two Oaks Fund, LLC; Dynasty Growth Fund, LLC; and Queen Shoals Group, LLC (collectively, the “Relief Defendants”), who are not charged with violations of the Act and/or Regulations, each received funds and assets from Defendants to which they hold no legitimate interest or entitlement and that were derived from Defendants’ fraudulent and violative acts. The Relief Defendants therefore, must return and repay these funds.

10. Accordingly, pursuant to Section 6c of the Act, 7 U.S.C. § 13a-1 (2006), 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 Regulations 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. Section 6c(a) of the Act, 7 U.S.C. § 13a-1 (2006), 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 thereunder.

13. The Commission has jurisdiction over this matter as alleged herein pursuant to Section 6c of the Act, 7 U.S.C. § 13a-1 (2006), 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 District of Western North Carolina pursuant to Section 6c(e) of the Act, 7 U.S.C. § 13a-1(e) (2006), because the Defendants transact business in the Western District of North Carolina and certain of the transactions, acts, practices, and courses of business alleged occurred, are occurring, and/or are about to occur within that District.

## **III. PARTIES**

15. **Plaintiff U.S. Commodity Futures Trading Commission** is an independent federal regulatory agency that is charged with the administration and enforcement of the Act, 7 U.S.C. §§ 1 *et seq.* (2006), as amended by the CRA, and the Regulations promulgated thereunder, 17 C.F.R. §§ 1.1 *et seq.* (2009). The Commission maintains its principal office at Three Lafayette Centre, 1155 21<sup>st</sup> Street, NW, Washington, D.C. 20581.

16. **Defendant Queen Shoals, LLC** is a Nevada limited liability company founded and formed by C. Hanson and Hanson on August 29, 2006, with its claimed principal place of business listed as 312 West Fourth Street, Carson City, Nevada 89703. Queen Shoals does not

appear to maintain any physical offices in Nevada; rather, it operates out of offices located at 8520 Cliff Cameron Drive, Suite 150, Charlotte, North Carolina 28269. Queen Shoals has never been registered with the CFTC in any capacity. Queen Shoals 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 Queen Shoals II, LLC** is a Delaware limited liability company founded and formed by Hanson on or about March 5, 2008 with its claimed principal place of business listed as 16192 Coastal Highway, Lewes, Delaware 19958. QS II does not appear to maintain any physical offices in Delaware; rather, it operates out of offices located at 8520 Cliff Cameron Drive, Suite 150, Charlotte, North Carolina 28269. QS II has never been registered with the CFTC in any capacity. QS II 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.

18. **Defendant Select Fund, LLC** is a Delaware limited liability company founded and formed by Hanson on or about October 14, 2008 with its claimed principal place of business listed as 16192 Coastal Highway, Lewes, Delaware 19958. Select Fund does not appear to maintain any physical offices in Delaware; rather, it operates out of offices located at 8520 Cliff Cameron Drive, Suite 150, Charlotte, North Carolina 28269. Select Fund has never been registered with the CFTC in any capacity. Select Fund 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.

19. **Defendant Charlotte M. Hanson** resides at 5919 Maple Street, Charlotte, North Carolina, 28269, a property owned by Queen Shoals. C. Hanson holds herself out as a managing director of Queen Shoals and QS II, and is the signatory on bank accounts held by Queen Shoals, QS II and Select Fund. C. Hanson has never been registered with the CFTC and Shoals is not a financial institution, registered broker dealer, insurance company, financial holding company, or investment bank holding company, nor is she an associated person of such entities.

20. **Defendant Sidney Stanton Hanson** resides at 5919 Maple Street, Charlotte, North Carolina, 28269, a property owned by Queen Shoals. Hanson holds himself out as the founder, owner, managing director, and manager of Queen Shoals, QS II and Select Fund. Hanson has never been registered with the CFTC and Shoals is not a financial institution, registered broker dealer, insurance company, financial holding company, or investment bank holding company, nor is he an associated person of such entities.

21. **Relief Defendant Secure Wealth Fund, LLC** is a Delaware limited liability company founded and formed by Hanson on or about October 14, 2008 with its claimed principal place of business listed as 16192 Coastal Highway, Lewes, Delaware 19958. It is not a Commission registrant and 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.

22. **Relief Defendant Heritage Growth Fund, LLC** is a Delaware limited liability company founded and formed by Hanson on or about October 14, 2008 with its claimed principal place of business listed as 16192 Coastal Highway, Lewes, Delaware 19958. It is not a Commission registrant and 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.

23. **Relief Defendant Dominion Growth Fund, LLC** is a Delaware limited liability company founded and formed by Hanson on or about October 14, 2008 with its claimed principal place of business listed as 16192 Coastal Highway, Lewes, Delaware 19958. It is not a Commission registrant and 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.

24. **Relief Defendant Two Oaks Fund, LLC** is a Delaware limited liability company founded and formed by Hanson on or about October 14, 2008 with its claimed principal place of business listed as 16192 Coastal Highway, Lewes, Delaware 19958. It is not a Commission registrant and 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.

25. **Relief Defendant Dynasty Growth Fund, LLC** is a Delaware limited liability company founded and formed by Hanson on or about September 8, 2008 with its claimed principal place of business listed as 16192 Coastal Highway, Lewes, Delaware 19958. It is not a Commission registrant and 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.

26. **Relief Defendant Queen Shoals Group, LLC** is a Delaware limited liability company founded and formed by Hanson on or about September 25, 2008 with its claimed

principal place of business listed as 16192 Coastal Highway, Lewes, Delaware 19958. It is not a Commission registrant and 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.

#### **IV. FACTS**

##### **A. The Queen Shoals Group's Operation**

27. During the relevant period, the Defendants solicit the retail public to trade forex, among other things.

28. While this scheme has been described by the Defendants to customers in different ways, it involves the solicitation of customers for three types of investment or financial vehicles: 1) a “proprietary” off-exchange foreign currency trading instruments with “guaranteed” returns, which the Defendants refer to as “non-depletion accounts”; 2) Treasury bills; and 3) precious metals such as gold and silver bullion. Hanson, C. Hanson and the Queen Shoals Group purportedly generate profits to pay returns to customers that are negotiated with each customer via promissory notes that specifically reference the three above-described vehicles.

29. In their in-person, documentary, and website solicitations at *www.queenshoals.com*, the Defendants claim success in trading forex, guarantee customers' returns and represent that there is no risk to customers' principal investment. Customers are told that they “loan” money to the Queen Shoals Group via “promissory notes” for the express purpose of allowing the Queen Shoals Group to pool the funds of all customers to trade forex, buy gold and silver bullion, and purchase Treasury bills.

30. Customers are told that some of these pooled funds are then turned over to forex traders working for the Queen Shoals Group that use “proprietary trading systems” to trade forex that are “extremely successful.”

31. Prospective customers are lured with promises of purported returns varying between 8 and 24 percent per annum. Customers are assured that the Queen Shoals Group has “100% liquidity,” and that sufficient funds are on hand to return all customers’ principal plus the guaranteed interest. The Defendants falsely represent that the use of what they term a “non-depletion” account guarantees the customer the safety of their principal and the promised annual “return.”

32. Contrary to the Defendants’ claims, the Queen Shoals Group’s records seized by the NC SD and the Queen Shoals Group’s bank records show little evidence of customer funds being used to trade forex offshore or via any of the following entities or their associated persons: financial institutions, registered broker dealers, insurance companies, financial holding companies, or investment bank holding companies. Rather, these records show that a small amount of customer funds are used to trade forex unsuccessfully, even less money is deposited into the Queen Shoals Group’s bank accounts from third parties, and that nearly all of the money deposited into the Queen Shoals Groups’ various bank accounts comes from deposits of IRA rollovers from new customers. New customer funds are used to pay “quarterly interest payments” to existing customers. The bank records and the other documents seized from the Defendants reveal that they are operating a Ponzi scheme that has brought in at least \$22.5 million during the relevant period.

33. Based upon the representations on the Defendants' website *www.queenshoals.com*, the documents handed out to potential customers, and the records seized by the NC SD, the focus of the purported forex trading is supposed to be conducted off-exchange, mainly in currency pairs, on a leveraged basis.

34. The Defendants' agents, in a conversation taped by an undercover NC SD special agent, also claimed that the "primary focus" of the Queen Shoals Group's investments consists of "currency futures trading in the foreign exchange markets." Contrary to this claim, there was little trading of any kind by the Defendants.

35. Rather than trade foreign currency, the Defendants transfer customer funds to bank accounts in the name of the Relief Defendants and/or use customer money to purchase real and/or personal property in the names of the respective Relief Defendants. There is no evidence that the Relief Defendants provide the Defendants with any *bona fide* goods or services in return for said payments.

#### **B. Payments to Undisclosed Agents**

36. Hanson advises customers that he is the owner, founder and manager of the Queen Shoals Group. Further, the Queen Shoals Group, through Hanson and C. Hanson, has established a network of "consultants," which are in reality agents who work for the Defendants soliciting prospective customers. These agents solicit prospective customers in their homes or area restaurants, among other places. In at least one instance, the Defendants' agents gave a presentation to residents of a retirement community in South Carolina.

37. The agents are paid a commission between 1% and 5% of the customer's principal that is invested with the Defendants; the ultimate amount paid to agents depends upon the length

of time the customer's money is "loaned" to the Defendants. Importantly, customers are not advised that the Defendants' agents are being paid a commission of between 1% and 5% of the customer's principal that is invested with the Defendants, nor do these commission payments appear on any account statements sent to customers. Based upon the records seized by the NC SD, these commission payments exceed one million dollars.

### **C. Misappropriation of Customer Funds**

38. Contrary to the Defendants' claims that they pool and then trade customer funds, they actually misappropriate some or all of customers' funds for Hanson's and C. Hanson's personal use, use Queen Shoals Group customers' funds to pay off customers of Hanson's prior schemes, and use subsequent customers' funds to pay purported profits or return principal to earlier customers. For example, the corporate bank records of QS II from Bank of America for account number xxxx xxxx 5614 demonstrate that the Defendants misappropriate customer funds to purchase, among other things:

- Private aircraft charters;
- International travel to, and shopping sprees in, Ireland;
- Resort vacations for Hanson and his wife;
- The purchase of various tracts of real estate in North Carolina and West Virginia, including an 88 acre farm in Iredell County, NC;
- Weekly dining outings;
- Rental cars;
- Lawn care;
- Furniture purchases;
- Personal medical expenses;
- Shopping sprees at numerous retail stores; and
- Contributions to religious organizations.

39. The Defendants' corporate bank accounts and other records contain very little evidence of forex trading, and what little evidence of trading that exists shows unprofitable

trading. U.S futures commission merchant records do not reflect any forex accounts in the Defendants' names or on behalf of the Defendants. The Defendants' bank records, however, do show that nearly all of the deposits into the corporate bank accounts during the relevant period come from customer funds, and most of these are sent to the Defendants from a number of self directed retirement plan services, wherein customers in or near retirement "roll over" their lifetime IRA savings to the Defendants.

40. These same records also reveal that the Defendants are operating a Ponzi scheme, where customer funds not misappropriated to finance Hanson's and C. Hanson's luxury lifestyles or pay customers of Hanson's prior Apollo Fund scheme, are sent back to other customers via checks signed by C. Hanson with notations on them such as "1<sup>st</sup> Qrt. Interest payment 2009," despite the fact that the Defendants own internal operating records - seized from the Defendants by the NC SD - clearly show that the corporate entities were operating at a net loss during the first four months of 2009.

41. The Defendants do not disclose to actual or prospective customers that their funds are not traded or invested, but are misappropriated and used as part of a Ponzi scheme. The Defendants also do not disclose to customers that their funds are being used to pay customers of one of Hanson's prior schemes, the "Apollo Fund."

42. Finally, the Defendants do not disclose to customers that all or a portion of their funds are being used to pay commissions to agents who brought new customers into the Defendants' scheme, and that such commissions that equal 1% to 5% of the referred customer's initial principal paid to the Defendants.

**D. Fraudulent Solicitations to Customers**

43. According to individuals who were solicited by Hanson and the Queen Shoals Group's agents, customers at or near retirement are encouraged to place their IRA funds with the Queen Shoals Group by executing a "rollover" of their IRAs, from which "loans" are made to the Queen Shoals Group through the "promissory notes," "private loan agreements," and "security agreements." To further encourage customers to invest their IRA savings, the Defendants promise in their promotional material that: "IRAs ADD 1% TO ANNUAL PERCENTAGE RATE".

44. The Defendants' solicitation materials include a DVD of Hanson discussing how Queen Shoals Group purportedly guarantees profits, and generates "high returns" with "low risk" by trading forex, among other things. These and other representations and omissions discussed above are false and are employed to fraudulently induce customers to send their retirement savings to the Defendants.

**E. False Statements and Omissions to Customers**

45. To conceal the Ponzi scheme, Queen Shoals Group distributes quarterly account statements to customers that falsely report the "returns" earned by customers over the prior quarter. The representations in the quarterly statements sent to customers are false because the statements: 1) fail to take into account the commission paid to agents from customers' principal investment; 2) fail to take into account the Defendants' misappropriation of customers' funds; 3) fail to disclose that the Defendants' are operating a Ponzi scheme; 4) fail to disclose that customer funds of the Queen Shoals Group are used to pay-off customers of a prior Hanson

scheme; and 5) fail to take into account the millions of dollars in losses sustained by the Queen Shoals Group.

46. A review of the relevant bank records shows that little or no “forex” trading purportedly made under any one of the three investment strategies takes place. Instead, the Defendants’ corporate bank account records show that customer funds are used to make the personal purchases described previously. The Defendants also fail to disclose to actual and potential customers that the Defendants have lost over \$9 million in customer funds to other frauds with which the Defendants became involved, and that ultimately were subjects of injunctive actions by the CFTC and/or the SEC; specifically Gemstar Capital Group, Inc. and CRE Capital Corporation.

47. C. Hanson is the signatory on all of the Queen Shoals Group’s bank accounts at Bank of America, and signs each check used to pay “quarterly interest payments” to customers, in addition to signing all of the checks issued to pay the Queen Shoals Group’s agents their commissions. She is also the signatory on the bank accounts of the Relief Defendants. C. Hanson also has an office in the business premises of the Queen Shoals Group, and was present when the NC SD undercover special agent was being solicited in the offices of the Defendants.

**F. Hanson is a Controlling Person of the Queen Shoals Group**

48. The documents seized by the NC SD on May 28, 2009 reveal that Hanson is in control of the day-to-day business operations of the Queen Shoals Group. Hanson signed the lease for the offices located at 8520 Cliff Cameron Drive, Suite 150, Charlotte, North Carolina 28269. Hanson is personally responsible for the content of the Queen Shoals Group’s website,

*www.queenshoals.com*. He hired the administrative employees that worked in the Charlotte office. In the DVD given to prospective customers, Hanson is shown in a video explaining how he set up the purported “proprietary trading strategies” used to trade forex, and that he is the manager of the Queen Shoals Group. Hanson also explains how customers are guaranteed profits by use of so-called “non-depletion accounts.”

**V. VIOLATIONS OF THE COMMODITY EXCHANGE ACT AND COMMISSION REGULATIONS**

**COUNT ONE**

**Violations of Sections 4b(a)(2)(A)-(C) of the Act as amended by the CRA,  
to be codified at 7 U.S.C. §§ 6b(a)(2)(A)-(C)  
(Fraudulent Solicitation, Misappropriation and False Statements in connection with Forex)**

49. The allegations set forth in paragraphs 1 through 48 are realleged and incorporated herein by reference.

50. Sections 4b(a)(2)(A)-(C) of the Act as amended by the CRA, to be codified at 7 U.S.C. §§ 6b(a)(2)(A)-(C), 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; (B) willfully to make or cause to be made to the other person any false report or statement or willfully to enter or cause to be entered for the other person any false record; [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.

51. Sections 4b(a)(2)(A)-(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. 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).

52. 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, Defendants cheat or defraud or attempt to cheat or defraud customers or prospective customers; willfully make or cause to be made false reports or statements to another person; willfully deceive or attempt to deceive customers or prospective customers by, among other things, knowingly (i) misappropriating customer funds that purportedly were to be used to trade forex; (ii) failing to disclose that Defendants were operating a Ponzi scheme and misappropriating customer funds; (iii) guaranteeing profits to customer; and (iv) making, causing to be made, and distributing reports and statements to Queen Shoals Group's customers that contain false, material misrepresentations and omissions, all in violation of Sections 4b(a)(2)(A)-(C) of the Act as amended by the CRA, to be codified at 7 U.S.C. §§ 6b(a)(2)(A)-(C).

53. Hanson, acting throughout the relevant period as the agent of Queen Shoals Group, engages in the acts and practices described above knowingly or with reckless disregard for the truth.

54. Hanson controls Queen Shoals Group, directly or indirectly, and does not act in good faith or knowingly induces, directly or indirectly, Queen Shoals Group's conduct alleged in this Complaint; therefore, pursuant to Section 13(b) of the Act, 7 U.S.C. § 13c(b) (2006), Hanson is liable for Queen Shoals Group's violations of Sections 4b(a)(2)(A)-(C) of the Act as amended by the CRA, to be codified at 7 U.S.C. §§ 6b(a)(2)(A)-(C).

55. The foregoing acts, misrepresentations, omissions, and failures of Hanson and C. Hanson, and its other agents others, occur within the scope of their employment, office or agency with Queen Shoals Group; therefore, Queen Shoals Group is liable for these acts, misrepresentations, omissions, and failures pursuant to Section 2(a)(1)(B) of the Act, 7 U.S.C. § 2(a)(1)(B) (2006), and Regulation 1.2, 17 C.F.R. § 1.2 (2009).

56. Each act of misappropriation, misrepresentation or omission of material facts, and making or causing to be made a false report or statement, including but not limited to those specifically alleged herein, is alleged as a separate and distinct violation of Sections 4b(a)(2)(A)-(C) of the Act as amended by the CRA, to be codified at 7 U.S.C. §§ 6b(a)(2)(A)-(C).

## **COUNT TWO**

### **Disgorgement of Funds from the Relief Defendants**

57. Paragraphs 1 through 56 are re-alleged and incorporated herein.

58. Defendants have defrauded Queen Shoals Group customers.

59. Relief Defendants Secure Wealth Fund, LLC; Heritage Growth Fund, LLC; Dominion Growth Fund, LLC; Two Oaks Fund, LLC; Dynasty Growth Fund, LLC; and Queen Shoals Group, LLC receive and/or have received funds as a result of the Defendants' fraudulent conduct and have been unjustly enriched thereby.

60. Relief Defendants have no legitimate entitlement to or interest in the funds received as a result of the Defendants' fraudulent conduct.

61. Relief Defendants should be required to disgorge funds up to the amount they received from Defendants' fraudulent conduct or the value of those funds that they may have subsequently transferred to third parties.

## VI. RELIEF REQUESTED

**WHEREFORE**, the Commission respectfully requests that the Court, as authorized by Section 6c of the Act, 7 U.S.C. § 13a-1 (2006), and pursuant to its own equitable powers, enter:

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

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

(ii) 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) (2006);

(iii) entering into any transactions involving commodity futures, options on commodity futures, commodity options (as that term is defined in Regulation 32.1(b)(1)) (“commodity options”), and/or foreign currency (as described in Sections 2(c)(2)(B) and/or 2(c)(2)(C)(i) of the Act as amended by the CRA) (“forex contracts”) for their own personal 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 Regulation 4.14(a)(9), 17 C.F.R. § 4.14(a)(9) (2009);

(viii) acting as a principal (as that term is defined in Regulation 3.1(a)), agent or any other officer or employee of any person registered, exempted from registration or required to be registered with the Commission, except as provided for in Regulation 4.14(a)(9), 17 C.F.R. § 4.14(a)(9) (2009).

c) An order directing Defendants and Relief Defendants, as well as any successors to any defendant, to disgorge, pursuant to such procedure as the Court may order, all benefits received from the acts or practices that constitute violations of the Act and/or 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 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 Regulations, as described herein;

f) An order directing each Defendant to pay a civil monetary penalty for each violation of the Act and/or Regulations described herein, plus post-judgment interest, in the amount of the higher of: \$140,000 for each violation of the Act and Regulations committed on or after October 23, 2008, \$130,000 for each violation of the Act committed on or between October 23, 2004 and October 22, 2008; or triple the monetary gain to each Defendant for each violation of the Act and Regulations 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 proper.

Dated: August 4, 2009.

Respectfully submitted by,

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