

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

<b>SECURITIES AND EXCHANGE COMMISSION,</b>	)	
	)	
<b>Plaintiff</b>	)	<b>Civil Action No. 09 CV 336</b>
	)	
<b>v.</b>	)	
	)	
<b>SIDNEY S. HANSON, CHARLOTTE M. HANSON</b>	)	
<b>QUEEN SHOALS, LLC, QUEEN SHOALS II, LLC,</b>	)	
<b>QUEEN SHOALS CAPITAL, LLC, QUEEN SHOALS</b>	)	
<b>FUND, LLC, QUEEN SHOALS GROUP, LLC,</b>	)	
<b>QUEEN SHOALS HOLDINGS, LLC, DOMINION</b>	)	
<b>GROWTH FUND, LLC, DYNASTY GROWTH FUND,</b>	)	
<b>LLC, HERITAGE GROWTH FUND, LLC, SECURE</b>	)	
<b>WEALTH FUND, LLC, SELECT FUND, LLC and</b>	)	
<b>TWO OAKS FUND, LLC,</b>	)	
	)	
<b>Defendants.</b>	)	
	)	

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**COMPLAINT FOR INJUNCTIVE RELIEF**

Plaintiff, Securities and Exchange Commission (the “Commission”) alleges:

**SUMMARY**

1. This matter involves the unregistered offering of securities and other fraudulent conduct by Sidney S. Hanson, Charlotte M. Hanson, (collectively, “the Hansons”), and various limited liability companies that the Hansons control.
  
2. From at least August 2006 through June 2009, the Hansons and a sales force of over 45 “consultants” offered and sold approximately \$32.5 million of so-called “private loan agreements” to approximately 500 investors located throughout the country.  
  
Operating through the various limited liability companies, the Hansons told investors that

these private loan agreements would generate fixed yearly profits ranging from 8% to 30%, depending on the amount invested and length of the agreement. Investors were provided periodic interest payments and account statements reflecting supposedly successful results and increasing balances. The Hansons informed investors that they were able to earn fixed, above-average, returns because the funds they invested in the private loan agreements were placed in a diversified and safe portfolio of treasury bills, precious metals, and foreign currency.

3. In reality, the Hansons' limited liability companies have operated consistently at a net loss since their inception. In contrast to what they told investors, the Hansons used only a small percentage of investor funds to purchase gold and silver bullion and shares in funds purporting to specialize in foreign currency trading. In actuality the Hansons, working through the limited liability companies, invested the majority of the investor funds in a number of very risky private investment opportunities and never invested in any treasury bills. Investors also were not informed that their funds would be used to pay the Hansons and their extensive sales force, or to make interest payments to other investors including investors in prior unsuccessful investment schemes operated by the Hansons.

4. Defendants have engaged, and unless restrained and enjoined by this Court will continue to engage, in acts and practices that constitute and will constitute violations of Sections 5 and 17(a) of the Securities Act of 1933 ("Securities Act") [15 U.S.C. §§ 77e(c) and 77q(a)] and Section 10(b) of the Securities Exchange Act of 1934 ("Exchange Act") [15 U.S.C. § 78j(b)] and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5].

## **JURISDICTION AND VENUE**

5. This Court has jurisdiction over this action pursuant to Section 22(a) of the Securities Act of 1933 (15 U.S.C. § 77v(a)), Section 21(e) of the Exchange Act of 1934 (15 U.S.C. § 78u(e)), and Section 27 of the Exchange Act of 1934 (15 U.S.C. § 78aa). Defendants, directly or indirectly, have made use of the means and instrumentalities of interstate commerce or of the mails in connection with the acts, transactions, practices and courses of business alleged in this Complaint.

6. Venue lies in this Court pursuant to Section 22(a) of the Securities Act of 1933 and Section 27 of the Exchange Act of 1934 because certain of the conduct alleged in this Complaint took place within the Western District of North Carolina, Charlotte Division.

7. The Defendant limited liability companies maintain their offices in Charlotte, North Carolina. Defendants, the Hansons, are residents of and conduct business in Charlotte, North Carolina. Moreover, certain of the transactions, acts, practices, and courses of business constituting the violations of law alleged herein occurred within the District of North Carolina, Western Division.

## **DEFENDANTS**

8. Queen Shoals, LLC, Queen Shoals II, LLC, Queen Shoals Capital, LLC, Queen Shoals Fund, LLC, Queen Shoals Group, LLC, Queen Shoals Holdings, LLC, Dominion Growth Fund, LLC, Dynasty Growth Fund, LLC, Heritage Growth Fund, LLC, Secure Wealth Fund, LLC, Select Fund, LLC, and Two Oaks Funds, LLC (together, “the Queen Shoals Entities”): Defendants the Queen Shoals Entities are private, limited liability companies incorporated in Delaware and Nevada from 2006 onwards and headquartered

in Charlotte, North Carolina. None of the Queen Shoals Entities have submitted a registration statement with the Commission, nor have any of them registered in any capacity with the Commission or any other state or federal regulatory authority.

9. Sidney S. Hanson: Defendant Sidney S. Hanson, a 62-year old male, resides in Charlotte, North Carolina, and is the founder and manager of the Queen Shoals Entities. Sometime prior to 1996, Hanson was licensed as a registered representative. Since 1996, Hanson has allowed his registration to lapse.

10. Charlotte M. Hanson: Defendant Charlotte M. Hanson, a 61-year old female, resides in Charlotte, North Carolina, and is an officer and owner of the Queen Shoals Entities. Charlotte M. Hanson is married to Sidney S. Hanson.

### **FACTUAL ALLEGATIONS**

11. In August 2006, the Hansons began forming and operating various of the Queen Shoals Entities through which they offered private loan agreements and devised a scheme to raise funds by issuing promissory notes in return for purported loans to the Queen Shoals Entities. From August 2006 through June 2009, the Hansons, through the Queen Shoals Entities, raised at least \$32.5 million from approximately 500 investors located in North Carolina and throughout the United States.

12. The Hansons, through the Queen Shoals Entities, promised fixed yearly returns to investors over a set time period, depending on the amount invested and length of agreement. Based in part on the representations made by the Hansons through the Queen Shoals Entities, investors made investments upwards of \$5,000 and were provided

promissory notes in return for the funds they invested in the Queen Shoals private loan agreements.

13. From August 2006 through June 2009, Sidney S. Hanson solicited investors in face-to-face meetings, including, but not limited to, meetings at church gatherings, and persuaded investors to cash out their retirement funds to invest in the Queen Shoals Entities private loan agreements.

14. In addition to verbal solicitations, Sidney S. Hanson drafted and distributed written offering materials that falsely stated that the investments in the private loan agreements through the Queen Shoals Entities could: a) guarantee fixed returns of 8% to 23%; b) generate enough money to pay both principal and profits by trading in a “diversified portfolio” of precious metals, foreign currency and treasury notes; and c) ensure the safety of investors’ principal investments.

15. Sidney S. Hanson, through a website he created and a widespread network of consultants, falsely told potential investors that the investments they made in the private loan agreements through the Queen Shoals Entities was almost entirely liquid and that investors’ principal investments remained completely safe because all principal would be backed by precious metals or funds placed in non-depletion accounts.

16. Contrary to the Hanson’s representations to investors, Sidney S. Hanson and the Queen Shoals Entities invested only a small percentage of monies raised from investor funds in precious metals and private funds purportedly specializing in foreign exchange trading, and never invested any investor funds in treasury bills.

17. Sidney S. Hanson, through the Queen Shoals Entities, also provided investors with periodic account statements showing interest payments and increasing balances,

which lulled investors into believing that their investments were performing as advertised and encouraged investors to make repeat investments in the Queen Shoals Entities.

18. At all relevant times, Charlotte M. Hanson was an officer and owner of the Queen Shoals Entities and involved with the day-to-day operations of the Queen Shoals Entities. She maintained an office on the premises of one of the Queen Shoals Entities and was present when a North Carolina Securities Division undercover agent was being solicited by Sidney S. Hanson to invest in the Queen Shoals Entities. Charlotte M. Hanson was also a signatory for all the Queen Shoals Entities' bank accounts and was responsible for signing all checks to the Queen Shoals Entities' investors and consultants. Charlotte M. Hanson was aware that funds from the Queen Shoals Entities were being used to pay investors from prior unsuccessful investment schemes operated by the Hansons.

19. The Hansons never told investors that: a) alleged interest payments came not from profits, but from new investments by other unwitting investors in the Queen Shoals Entities; b) the Queen Shoals Entities suffered net losses from their inception in August 2006 through June 2009; and c) investor funds were used to pay the Hansons, their extensive sales force of up to 45 consultants, and investors in prior unsuccessful business ventures operated by the Hansons.

### **COUNT I – UNREGISTERED OFFERING OF SECURITIES**

#### **OFFER AND SALE OF UNREGISTERED SECURITIES IN VIOLATION OF SECTIONS 5(a) AND 5(c) OF THE SECURITIES ACT**

20. Paragraphs 1 through 19 are realleged and incorporated by reference as if set forth fully herein.

21. The Queen Shoals private loan agreements are securities within the meaning of Section 2(1) of the Securities Act [15 U.S.C. §§77b(1)].

22. Sections 5(a) and 5(c) of the Securities Act prohibit the sale of any security unless a registration statement is in effect with regard to that security, absent an applicable exemption from that requirement [15 U.S.C. §§77e (a) and (c)].

23. No registration statement has been filed with the SEC or is in effect with regard to any public offer or sale of the Queen Shoals private loan agreements and no exemption from registration is applicable to the offers or sales of those securities.

24. By the conduct described above, Defendants the Hansons and the Queen Shoals Entities directly and indirectly, by making use of the means or instruments of transportation or communication in interstate commerce or of the mails to offer or sell securities, through the use or medium of a prospectus or otherwise, when no registration statement has been filed or was in effect as to such securities, engaged in transactions, acts, practices, and courses of business that violated Sections 5(a) and 5(c) of the Securities Act [15 U.S.C. §§77e (a) and (c)].

## **COUNT II – FRAUD**

### **FRAUD IN VIOLATION OF SECTION 17(a)(1), (2) AND (3) OF THE SECURITIES ACT**

25. Paragraphs 1 through 19 are realleged and incorporated by reference as if set forth fully herein.

26. At the times alleged in the Complaint, Defendants the Hansons and the Queen Shoals Entities, in the offer and sale of the securities described above, by the use of means and instruments of transportation and communication in interstate commerce and by the use of the mails, directly and indirectly, employed devices, schemes and artifices to defraud.

27. Defendants, the Hansons and the Queen Shoals Entities, in the offer and sale of the securities described above, by the use of means and instruments of transportation and communication in interstate commerce, and by use of the mails, directly and indirectly, obtained money and property by means of untrue statements of material facts and omissions to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading.

28. Defendants, the Hansons and the Queen Shoals Entities, in the offer and sale of the securities described above, by use of means and instruments of transportation and communication in interstate commerce, and by use of the mails, directly and indirectly, engaged in transactions, practices or courses of business which operated as a fraud and deceit upon purchasers and prospective purchasers as more fully described herein.

29. By the conduct described above, the Defendants violated Sections 17(a)(1), (2) and (3) of the Securities Act [15 U.S.C. §77q(a)(1)-(3)].

### **COUNT III – FRAUD**

#### **FRAUD IN VIOLATION OF SECTION 10(b) OF THE EXCHANGE ACT AND RULE 10b-5 THEREUNDER**

30. Paragraphs 1 through 19 are realleged and incorporated by reference as if set forth fully herein.

31. At the times alleged in the Complaint, the Defendants the Hansons and the Queen Shoals Entities, directly and indirectly, by the use of means and instrumentalities of interstate commerce, and of the mails, knowingly employed devices, schemes and artifices to defraud in connection with the purchase and sale of the securities described herein.



32. Defendants the Hansons and the Queen Shoals Entities directly and indirectly, by the use of means and instrumentalities of interstate commerce, and of the mails, made untrue statements of material fact and omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading in connection with the purchase and sale of the securities described herein.

33. Defendants the Hansons and the Queen Shoals Entities directly and indirectly, by the use of means and instrumentalities of interstate commerce, and of the mails, engaged in acts, practices, and courses of business which operated as a fraud and deceit upon the purchasers and sellers of the securities described herein.

34. By the conducted described above, the Defendants violated Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 [17 C.F.R. § 240.10b-5] promulgated thereunder.

**PRAYER FOR RELIEF**

WHEREFORE, Plaintiff the Commission respectfully requests that this Court enter final judgments:

**I.**

Permanently enjoining the Defendants, their officers, agents, servants, employees, attorneys and those persons in active concert or participation with them who receive actual notice of the injunction by personal service or otherwise, from violating Sections 5 and 17(a) of the Securities Act [15 U.S.C. §§ 77e and 77q(a)] and Section 10(b) of the Exchange Act and Rule 10b-5 [17 C.F.R. § 240.10b-5] promulgated thereunder.

**II.**

Ordering Defendants to disgorge all ill-gotten gains or unjust enrichment as a result of their conduct plus prejudgment interest to effect the remedial purposes of the federal securities laws.

**III.**

Ordering Defendants to each pay a monetary penalty pursuant to Section 20(d) of the Securities Act [15 U.S.C. 77t(d)] and Section 21(d)(3) of the Exchange Act [15 U.S.C. 78u(d)(3)].

**IV.**

Ordering such other and further relief as this Court may determine to be just and necessary.

Respectfully submitted,

/s/ Erica Y. Williams

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