

STATE GRAND JURY OF SOUTH CAROLINA

07GS47 04

STATE OF SOUTH CAROLINA)
)
)
 vs.)
)
)
 TONY B. POUGH,)
 JOSEPH BRUNSON, and)
 TIMOTHY McQUEEN,)
)
 Defendants)

Case No. _____

FILED

**Indictment for Selling
Unregistered Securities**

SEP 11 2007

JAMES R. PARKS
CLERK, STATE GRAND JURY

S.C. Code Ann. § 35-1-301 and
former S.C. Code Ann. 35-1-810

At a session of the State Grand Jury of South Carolina, convened in Columbia, South Carolina, on September 11, 2007, the State Grand Jurors present upon their oath and charge as follows:

Introduction

1. "Capital Consortium Group" (also sometimes referred to as "CCG") is the title of a South Carolina limited liability company having a designated business address of 4039 Monticello Road, Suite F, Columbia, South Carolina 29203.
2. "3 Hebrew Boys" is the title of a South Carolina limited liability company that was organized by Tony Pough, Timothy McQueen, and Joseph Brunson, and shares the same office address with the Capital Consortium Group.
3. During the period of time between January 1, 2004 and the present, CCG invited or encouraged prospective clients in several states, including South Carolina, to participate in one or more of it's financial programs. Many of these solicitations were made at invitation-only gatherings during which the nature of any transaction with CCG was emphasized to be private. CCG sought commitments from clients and prospective

clients not to disclose information about CCG to law enforcement and the Internal Revenue Service, among others, and sought to ensure that persons attending the seminar were not associated with law enforcement.

4. During at least one seminar held on or about March 15, 2007 in or near Fayetteville, North Carolina, CCG represented itself through its presenters to have been founded by three men from Columbia, South Carolina, who call themselves the "three Hebrew boys" because they likened themselves to the Bible characters Shadrach, Meshach, and Abednego as a result of having "been through the fire" financially and survived, somewhat akin to the way Shadrach, Meshach, and Abednego had physically survived the trial of a fiery furnace in the Bible. It was further represented that these "three Hebrew boys" obtained valuable but previously unpublicized information during the course of their financial adversities and founded CCG for the purpose of sharing that information with others.

5. CCG was further represented by its presenters to be a ministry as well as a business with the following Mission and Vision statements:

Mission Statement: "Is to give God all of the glory and praise; to provide our clients with professional and courteous service; to maintain client privacy; and to provide service in a manner that exemplifies character and integrity.

Vision Statement: "Is to provide information that will educate, enhance, and free families from the frustration and bureaucracy of life, while promoting prosperity, peace and love."

6. To set the stage for the offering of CCG financial programs, presenters gave examples of the interest rates then available on traditional bank accounts, certificates of

deposit, or other such investments, which at that time were less than five percent.

Attendees were further informed that the full amount of interest advertised by a bank would not actually be realized because a bank would report earned interest to the Internal Revenue Service and taxes would have to be paid on those earnings.

7. CCG presenters emphasized that because the nature of any transaction between CCG and its clients was "private," notification of earned interest would not be made to the IRS and payment of any applicable taxes was left to the discretion of the client.

8. Seminar attendees were further informed that banks secretly invest depositors' money in the Foreign Exchange, where it was alleged by CCG presenters to be possible for a bank to earn between 200 and 500 percent interest per night while at the same time paying depositors only a small amount of interest on their accounts or deposits. That funds deposited with a bank in the afternoon might not be available until the next business day was cited to substantiate CCG's representations that banks "sweep" afternoon deposits and invest those funds in the Foreign Exchange overnight to earn exorbitant profit without depositors' knowledge or permission and without sharing that profit with depositors.

9. Attendees were further given representations by CCG presenters about the nature of the Foreign Exchange along with comparisons to the "stock market," including comparisons of volume and volatility.

10. CCG, through its presenters, claimed to potential clients that it used its own traders to do "the same thing that the bank does" by trading currency on the Foreign Exchange.

11. Attendees were given information about programs available to clients of CCG as a result of profitable trading on the Foreign Exchange, which included the following:

- a. “Long Term” or “Residual for Life” Program. In this program, CCG would accept deposits of \$500 or more, in increments of \$500, in addition to a processing fee of \$50 or 5% of the deposit, whichever is greater. After 91 business days, clients begin to receive 10 percent of the initial deposit monthly or annually (at the option of the client) in the form of a check delivered by UPS. This income was represented to be tax free and continuous until the initial investment was withdrawn.
- b. “Short Term” or “Christmas Club” Program. In this program, CCG would accept deposits of \$500 or more, in increments of \$500, up to \$7500, from December through June of the following year, plus a processing fee. Clients accrue 10% interest per month until December, when the initial deposit and earned interest are disbursed. The example was given that a deposit of \$7,500 in December of one year would yield a \$16,500 payout in December of the next year, which would consist of the initial \$7,500 deposit plus \$9,000 in accrued interest.
- c. “Mortgage Satisfaction” Program. CCG was represented to pay mortgages in full twelve to nineteen months after payment of an initial processing fee according to the following schedule: payment of a processing fee of \$1,575 would result in a mortgage of \$50,000 or less being paid in full sixteen months after the date of the payment; payment of a processing fee of \$2,625 would result in a mortgage of \$50,000 to

\$99,999 being paid in full sixteen months after the date of the payment; payment of a processing fee of \$4,725 would result in a mortgage of \$100,000 to \$199,999 being paid in full sixteen months after the date of the payment; payment of a processing fee of \$6,825 would result in a mortgage of \$200,000 to \$499,999 being paid in full sixteen months after the date of the payment; payment of a processing fee of \$10,500 would result in mortgage of \$500,000 to \$999,999 being paid in full nineteen months after the date of the payment; and payment of a processing fee of \$52,500 would result in a mortgage of \$1,000,000 to \$4,999,999 being paid in full nineteen months after the date of the payment. Payment of a processing fee of \$236,000 would result in a mortgage of \$5,000,000 or more being paid in full twelve months after the date of the payment.

- d. "Future Purchase" Home Program. In this program, prospective home buyers could have the full purchase price of a home saved in period of 19 to 22 months after payment of a fee according to the following schedule: \$3,465 for a home less than \$100,000; \$5,775 for a home valued between \$100,000 and \$200,000; and \$7,350 for a home valued between \$200,000 and \$350,000.
- e. "Auto Satisfaction" Program. CCG clients could have existing loans for cars and other vehicles paid in full after sixteen months for payment of a processing fee according to the following schedule: a \$2,625 processing fee for a loan of less than \$50,000; \$4,725 for a loan of \$50,000 to \$99,999; and \$6,825 for a loan of \$100,000 to \$150,000.

- f. "Future Purchase" Auto Program. Similar to the future home purchase program, CCG clients could accumulate the full purchase price of a car or other vehicle in seventeen months by payment of a processing fee according to the following schedule: \$1,837.50 for a loan of \$25,000 or less; \$2,887.50 for a loan of between \$25,000 and \$50,000; and \$5,250.50 for a loan of between \$50,000 and \$100,000.
- g. "Credit Card" Satisfaction Program. CCG clients could have credit card debt paid in full after thirteen months upon payment of a processing fee according to the following schedule: credit card debt of up to \$50,000 would be satisfied thirteen months after payment of a \$4,200 processing fee; credit card debt of between \$50,000 and \$100,000 would be satisfied thirteen months after payment of a \$5,250 processing fee; credit card debt of between \$100,000 and \$150,000 would be satisfied thirteen months after payment of a \$6,300 processing fee; credit card debt of between \$150,000 and \$200,000 would be satisfied thirteen months after payment of a \$7,350 processing fee; and credit card debt of between \$200,000 and \$500,000 would be satisfied thirteen months after payment of a \$10,250 processing fee.
- h. "Signature Loan" or "Student Loan" Payoff Program. CCG would pay clients' signature or student loans in full within twelve to sixteen months after payment of a processing fee according to the following schedule: \$2,625 for loans of up to \$100,000; \$4,725 for loans between \$100,000 and \$200,000; and \$6,825 for loans between \$200,000 and \$500,000. A

loan of up to \$5,000,000 could be paid in twelve months for payment of a \$236,500 processing fee.

- i. “College Tuition” Program. Parents or sponsors of a high school student could accumulate money for tuition. For a 9th or 10th grader, payment of \$2,100 would result in accumulation of \$100,000 for college tuition in a 36 month period, which would be paid in \$25,000 increments over four years. For an 11th grader, \$4,720 held for 24 months would yield \$75,000 or \$9,975 held for 24 months would yield \$100,000. For a 12th grader, \$5,250 held for 12 months would yield \$50,000 or \$11,025 held for 12 months would yield \$100,000.

12. CCG’s programs have been presented, and potential clients have been invited to participate in those programs, in South Carolina and/or in other states by Tony Pough, Joseph Brunson, and Timothy McQueen.

13. CCG entered into more than 14,000 such arrangements or agreements with its clients, collecting more than \$82,000,000.00 since January 1, 2004, while at the same time becoming obligated to pay more than \$950,000,000.00 by the end of 2010.

14. Each of CCG’s programs is a security and is required to be registered with the state Securities Commissioner.

15. None of CCG’s investment programs or agreements have ever been registered with the Securities Commissioner for the State of South Carolina.

Count One

**Offering or Selling Unregistered Securities
S.C. Code Ann. Section 35-1-301**

16. The allegations of paragraphs one (1) through fifteen (15) of this indictment are realleged as if set forth fully herein.

17. That Tony Pough, Joseph Brunson, and Timothy McQueen, did, during the period of time between January 1, 2004, and the present, personally, through companies in their control, and/or through representatives of companies within their control, offer or sell securities that were not registered as required by South Carolina law.

All against the peace and dignity of the State, and contrary to the statute in such case made and provided.

A True Bill


FOREPERSON

OFFICE OF THE ATTORNEY GENERAL


HENRY McMASTER (rb)
ATTORNEY GENERAL