

FILED

COPY Document hosted at JDSUPRA™

1 GREGORY C. GLYNN, Cal Bar. No. 39999

Email: glynn@gsec.gov

2 FINOLA H. MANVELIAN, Cal. Bar No. 180681

Email: manvelianf@gsec.gov

3 JESSICA R. PUATHASNANON, Cal. Bar No. 208074

Email: puathasnanonj@gsec.gov

4 BERNARD B. SMYTH III, Cal. Bar No. 217741

Email: smythb@gsec.gov

5 Attorneys for Plaintiff
6 Securities and Exchange Commission
7 Rosalind R. Tyson, Regional Director
8 Andrew G. Petillon, Associate Regional Director
9 John M. McCoy III, Regional Trial Counsel
10 5670 Wilshire Boulevard, 11th Floor
11 Los Angeles, California 90036-3648
12 Telephone: (323) 965-3998
13 Facsimile: (323) 965-3908

14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
**UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA**

SECURITIES AND EXCHANGE
COMMISSION,

Plaintiff,

vs.

INTERNATIONAL REALTY
HOLDINGS, INC.; OTTONIEL
MEDRANO; and LETICIA ISABEL
MEDRANO,

Defendants.

Case No. **CV09-1945 JSL (JWJ)**
**COMPLAINT FOR VIOLATIONS
OF THE FEDERAL SECURITIES
LAWS**

Plaintiff Securities and Exchange Commission ("Commission") alleges as follows:

JURISDICTION AND VENUE

1. This Court has jurisdiction over this action pursuant to Sections 20(b), 20(d)(1) and 22(a) of the Securities Act of 1933 ("Securities Act"), 15 U.S.C. §§ 77t(b), 77t(d)(1), and 77v(a), and Sections 21(d)(1), 21(d)(3)(A), 21(e), and 27 of the Securities Exchange Act of 1934 ("Exchange Act"), 15 U.S.C. §§ 78u(d)(1),

1 78u(d)(3)(A), 78u(e), and 78aa. Defendants have, directly or indirectly, made use
2 of the means or instrumentalities of interstate commerce, of the mails, or of the
3 facilities of a national securities exchange in connection with the transactions, acts,
4 practices and courses of business alleged in this Complaint.

5 2. Venue is proper in this district pursuant to Section 22(a) of the
6 Securities Act, 15 U.S.C. § 77v(a), and Section 27 of the Exchange Act, 15 U.S.C.
7 § 78aa, because certain of the transactions, acts, practices and courses of conduct
8 constituting violations of the federal securities laws occurred within this district,
9 and all of the defendants reside and/or are located in this district.

10 **SUMMARY**

11 3. This matter involves the ongoing fraudulent offer and sale of several
12 hundred thousand dollars of securities by defendants International Realty
13 Holdings, Inc. (“IRH”), Ottoniel Medrano (“O. Medrano”), and Leticia Isabel
14 Medrano (“L. Medrano”) (collectively, “Defendants”). From October 2008
15 through the present, IRH, a California corporation, has been engaged in offering
16 IRH preferred stock and has raised at least \$485,000 and likely more than
17 \$700,000 from at least 15 investors in six states from the offering. Over the past
18 two months, investor deposits have increased to about \$250,000 per month and,
19 according to IRH’s offering materials, it intends to raise up to \$6 billion from the
20 offering.

21 4. In soliciting investors, representatives of IRH falsely claim that
22 Warren Buffett, chief executive officer and chairman of Berkshire Hathaway, is the
23 “Honorary Chairman” of IRH’s board of directors and that IRH was established in
24 2005 by a Berkshire Hathaway entity.

25 5. IRH representatives also falsely claim to investors that Credit Suisse
26 is a 50% owner of IRH.

27 6. Finally, IRH represents to investors that it is a private real estate
28 investment trust that owns at least fifteen real properties throughout Asia.

1 However, at least ten of the properties it claims to own appear to be owned by
2 Starhill Global REIT, a company listed on the Singapore Stock Exchange that is
3 not associated with IRH.

4 7. Representatives of IRH, as well as offering materials provided to
5 potential investors, also promise annual returns of 10%-15% from IRH's
6 investment in foreign real estate properties. Rather than investing in international
7 real estate, however, IRH, O. Medrano, and L. Medrano have transferred \$535,000
8 of the almost \$700,000 deposited into IRH's bank account (at least \$485,000 of
9 which is investor money) to bank accounts in the Philippines held by a law firm.

10 8. The Defendants, by engaging in the conduct described in this
11 Complaint, have violated, and unless enjoined will continue to violate, the
12 antifraud and securities registration provisions of the federal securities laws. By
13 this Complaint, the Commission seeks emergency relief against the Defendants,
14 including a temporary restraining order, an asset freeze, an order repatriating
15 assets, accountings, an order prohibiting the destruction of documents, and an
16 order expediting discovery, as well as preliminary and permanent injunctions,
17 disgorgement with prejudgment interest, and civil penalties.

18 DEFENDANTS

19 9. **International Realty Holdings, Inc.** is an active California
20 corporation registered with the California Secretary of State since August 2008. Its
21 principal place of business is in Palmdale, California. IRH has not registered an
22 offering of securities under the Securities Act or a class of securities under the
23 Exchange Act. Nor has it registered any offering of securities with the state of
24 California.

25 10. **Otoniel Medrano**, of Palmdale, California, is a guard with the
26 California City Correctional Center, a federal prison maintained by Corrections
27 Corporation of America. O. Medrano has signing authority and control over IRH's
28 bank account.

1 11. **Leticia Isabel Medrano**, has signing authority and control over IRH's
2 bank account.

3 **THE IRH OFFERING**

4 12. IRH was incorporated in California in August 2008. Beginning in
5 October 2008, representatives of IRH began generally soliciting investors to
6 purchase preferred stock in IRH. Potential investors were – and continue to be –
7 initially contacted through cold calls by IRH representatives. Investors have also
8 spoken with a woman who identified herself only as an administrative assistant at
9 IRH. In addition, IRH solicits investors through the mailing of offering materials
10 and through an Internet website.

11 13. IRH claims to be a privately held real estate company that owns
12 numerous properties in Asia. Although investors are told that their investment is
13 for the purchase of IRH preferred stock, some investors have been told that a
14 portion of their investment would also be (1) used to acquire up to 40,000,000
15 “Series C” shares of Berkshire Hathaway stock, which investors were told were
16 being issued but were not yet trading publicly, and (2) placed in an off-shore Credit
17 Suisse money market account. IRH claims that investors will receive annual
18 returns of 10 to 15% on their investment.

19 14. As of February 28, 2009, IRH has raised at least \$485,000 and likely
20 more than \$700,000 from at least 15 investors in at least six states. IRH continues
21 to solicit investors and raise additional funds. In fact, within the last week, an IRH
22 investor sent an additional \$5,000 to IRH. The rate at which IRH has raised funds
23 has increased significantly, averaging about \$250,000 a month over the last two
24 months.

25 15. At least one of the investors was not accredited and was asked no
26 questions regarding his accreditation status or sophistication level prior to his
27 investment.

28

1 16. Investor funds are deposited into a single account held by IRH. O.
2 Medrano and L. Medrano are the only signatories on the account. In addition, the
3 Palmdale, California address that IRH claims as its business address is the same
4 address as O. Medrano's personal address on file with his employer.

5 **IRH's Material Misrepresentations**

6 17. In offering and selling IRH preferred stock, IRH and the Medranos
7 have made a number of false representations to investors. First, investors are told
8 over the phone, as well as through representations on IRH's website and offering
9 materials, that the company was established in 2005 by a Berkshire Hathaway
10 entity and that Warren Buffett is IRH's "Honorary Chairman." In fact, IRH was
11 not even incorporated until 2008 and neither Berkshire Hathaway nor Warren
12 Buffett have ever had any business relationship with IRH.

13 18. IRH's offering materials also include a photograph of Mr. Buffett
14 with a group of eight people that is captioned "Mr. Warren Buffet [sic] with IRH
15 staff." In fact, the photograph appears to have been copied from photograph on the
16 website of the University of Michigan's business school documenting a visit to the
17 school from Mr. Buffett.

18 19. Second, investors are being told that IRH is in partnership with Credit
19 Suisse and that Credit Suisse is a 50% owner of IRH. They are also being told that
20 money not being invested directly in international properties or used to purchase
21 Class C shares of Berkshire Hathaway stock is being deposited into money market
22 accounts at Credit Suisse. However, Credit Suisse has no documents in its
23 possession that relate to IRH. Indeed, information regarding Credit Suisse
24 contained in IRH offering materials appears to have been directly copied from
25 Credit Suisse's website.

26 20. IRH has also provided at least one investor with falsified Credit
27 Suisse money market account statements. Moreover, there are no transfers of
28 money from the IRH bank to any accounts at Credit Suisse.

1 21. IRH represents to investors that it owns at least fifteen real properties
2 in Singapore, Japan, Hong Kong, and China. At least ten of the properties IRH
3 claims to own appear to be owned by Starhill Global REIT, a company listed on
4 the Singapore Stock Exchange that is not associated with IRH. It appears that the
5 photographs of a number of the properties that are included in IRH's offering
6 materials and website were lifted directly from Starhill's website.

7 22. IRH also makes false representations to investors regarding IRH's
8 financial performance. IRH's website includes purported annual financial
9 information for the company dating back to 2005. Specifically, IRH claims in its
10 offering materials that it generated \$17.4 million in revenue in 2005, \$223 million
11 in revenue in 2006, and \$254.3 million in revenue in 2007. IRH also claims that as
12 of December 31, 2007, it had \$4.8 billion in total assets (including \$4.7 billion in
13 investment properties). Moreover, IRH claims that in 2005, the value of its
14 preferred shares were \$3.25 per share, \$3.42 per share in 2006, and \$3.66 per share
15 in 2007.

16 23. IRH was not incorporated until 2008. The Commission therefore
17 alleges upon information and belief that IRH did not generate revenues of almost
18 \$500 million from 2005 through 2007, and does not hold over \$4 billion in assets.

19 **Investor Funds Have Been Wired To International Bank Accounts**

20 24. Of the approximately \$700,000 deposited into IRH's accounts as of
21 February 28, 2009 (at least \$485,000 of which is investor money), at least
22 \$535,000 has been wired by the Medranos into bank accounts held by a law firm in
23 the Philippines.

24 **FIRST CLAIM FOR RELIEF**

25 **Unregistered Offer And Sale Of Securities**

26 **Violations of Sections 5(a) and 5(c) of the Securities Act**

27 **(Against All Defendants)**

28 25. The Commission realleges and incorporates by reference paragraphs 1

1 through 24 above.

2 26. The Defendants, and each of them, by engaging in the conduct
3 described above, directly or indirectly, made use of means or instrumentalities of
4 transportation or communication in interstate commerce or of the mails, to offer to
5 sell or to sell securities, or to carry or cause such securities to be carried through
6 the mails or in interstate commerce for the purpose of sale or delivery after sale.

7 27. No registration statement has been filed with the Commission or has
8 been in effect with respect to the offering alleged herein.

9 28. By engaging in the conduct described above, each of the Defendants
10 violated, and unless restrained and enjoined will continue to violate, Sections 5(a)
11 and 5(c) of the Securities Act, 15 U.S.C. §§ 77e(a) and 77e(c).

12 **SECOND CLAIM FOR RELIEF**

13 **Fraud In The Offer Or Sale Of Securities**

14 **Violations of Section 17(a) of the Securities Act**

15 **(Against All Defendants)**

16 29. The Commission realleges and incorporates by reference paragraphs 1
17 through 24 above.

18 30. The Defendants, and each of them, by engaging in the conduct
19 described above, in the offer or sale of securities by the use of means or
20 instruments of transportation or communication in interstate commerce or by use
21 of the mails directly or indirectly:

- 22 a. with scienter, employed devices, schemes, or artifices to
23 defraud;
- 24 b. obtained money or property by means of untrue statements of a
25 material fact or by omitting to state a material fact necessary in
26 order to make the statements made, in light of the
27 circumstances under which they were made, not misleading; or
28 c. engaged in transactions, practices, or courses of business which

1 operated or would operate as a fraud or deceit upon the
2 purchaser.

3 31. By engaging in the conduct described above, the Defendants violated,
4 and unless restrained and enjoined will continue to violate, Section 17(a) of the
5 Securities Act, 15 U.S.C. § 77q(a).

6 **THIRD CLAIM FOR RELIEF**

7 **Fraud In Connection With The Purchase Or Sale Of Securities**
8 **Violations of Section 10(b) of the Exchange Act and Rule 10b-5 Thereunder**
9 **(Against All Defendants)**

10 32. The Commission realleges and incorporates by reference paragraphs 1
11 through 24 above.

12 33. The Defendants, and each of them, by engaging in the conduct
13 described above, directly or indirectly, in connection with the purchase or sale of a
14 security, by the use of means or instrumentalities of interstate commerce, of the
15 mails, or of the facilities of a national securities exchange, with scienter:

- 16 a. employed devices, schemes, or artifices to defraud;
- 17 b. made untrue statements of a material fact or omitted to state a
18 material fact necessary in order to make the statements made, in
19 the light of the circumstances under which they were made, not
20 misleading; or
- 21 c. engaged in acts, practices, or courses of business which
22 operated or would operate as a fraud or deceit upon other
23 persons.

24 34. By engaging in the conduct described above, the Defendants violated,
25 and unless restrained and enjoined will continue to violate, Section 10(b) of the
26 Exchange Act, 15 U.S.C. § 78j(b), and Rule 10b-5 thereunder, 17 C.F.R.
27 § 240.10b-5.

28 ///

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

PRAYER FOR RELIEF

WHEREFORE, the Commission respectfully requests that the Court:

I.

Issue findings of fact and conclusions of law that the Defendants committed the alleged violations.

II.

Issue judgments, in forms consistent with Fed. R. Civ. P. 65(d), temporarily, preliminarily and permanently enjoining the Defendants and their officers, agents, servants, employees, and attorneys, and those persons in active concert or participation with any of them, who receive actual notice of the judgment by personal service or otherwise, and each of them, from violating Sections 5(a), 5(c), and 17(a) of the Securities Act, 15 U.S.C. §§ 77e(a), 77e(c), and 77q(a), and 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.

III.

Issue, in a form consistent with Fed. R. Civ. P. 65, a temporary restraining order and a preliminary injunction freezing the assets of each of the Defendants and any entity affiliated with any of them, repatriating assets Defendants have transferred outside of the United States, requiring accountings from the Defendants, prohibiting each of the Defendants from destroying documents, and granting expedited discovery.

IV.

Order each of the Defendants to disgorge all ill-gotten gains from their illegal conduct, together with prejudgment interest thereon.

V.

Order each of the Defendants to pay civil penalties under 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).


1 VI.

2 Retain jurisdiction of this action in accordance with the principles of equity
3 and the Federal Rules of Civil Procedure in order to implement and carry out the
4 terms of all orders and decrees that may be entered, or to entertain any suitable
5 application or motion for additional relief within the jurisdiction of this Court.

6 VII.

7 Grant such other and further relief as this Court may determine to be just and
8 necessary.

9
10 DATED: March 23, 2009



11 Gregory Glynn
12 Finola H. Manvelian
13 Jessica R. Puathasnanon
14 Bernard B. Smyth III
15 Attorneys for Plaintiff
16 Securities and Exchange Commission
17
18
19
20
21
22
23
24
25
26
27
28