

DANIEL M. HAWKE  
ELAINE C. GREENBERG  
G. JEFFREY BOUJOUKOS  
KINGDON KASE  
Attorneys for Plaintiff  
SECURITIES AND EXCHANGE COMMISSION  
Philadelphia Regional Office  
701 Market Street  
Suite 2000  
Philadelphia, PA 19106  
Telephone: (215) 597-3100  
Telefax: (215) 597-2740

UNITED STATES DISTRICT COURT  
DISTRICT OF NEW JERSEY

---

SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

v.

WILLIAM GRAULICH, IV,  
Rural Route No. 1  
Box 1279  
Henryville, Pennsylvania 18332

and

IVEST INTERNATIONAL HOLDINGS, INC.  
Rural Route No. 1  
Box 1279  
Henryville, Pennsylvania 18332

Defendants.

---

Civil Action No.

09-CV-04355

**COMPLAINT**

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

## SUMMARY

1. This matter involves an ongoing fraud being committed by William Graulich, IV (“Graulich”) through his company, iVest International Holdings, Inc. (“iVest”) (collectively, “Defendants”). From at least October 2006 through the present, Defendants have raised approximately \$13 million from at least five investors by offering and selling investments in a trading program that purports to generate weekly returns of up to 140% with little or no risk.

2. As described in more detail in this Complaint, Graulich’s iVest trading program bears all the hallmarks of a prime bank/high yield investment scheme. “Prime bank” and “high yield” investment schemes are offering frauds typically characterized by, among other things, the promise that they will generate spectacular returns for investors (sometimes equal to many times the original investment), while exposing their investment to little or no risk. Other characteristics often associated with such scams are, among other things: (a) purported trading in credible sounding financial instruments such as medium term bank notes or debentures, standby letters of credit, bank guarantees, debt obligations of the top 100 world banks, high yield investment programs, or some variation of these descriptions; (b) claims that the investments are secretive and exclusive; and (c) use of vague or complex terms and structures to obscure the commercial basis and source of the phenomenal returns promised to investors. In reality, no legitimate investment exists that is capable of guaranteeing the returns promised in such schemes, while, at the same time, exposing investors to minimal, if any, risk.

3. The securities that Graulich claimed to trade in using investor funds simply do not exist, and he never invested the money he raised from investors. Instead,

Graulich used, and continues to use, investor funds for his own benefit, including tickets to the New York Yankees, cars, and daily living expenses, while also making payments to investors under the guise of investment profits.

4. As a result of the conduct described in this Complaint, Defendants have violated, and unless restrained and enjoined, will continue to violate, Section 17(a) of the Securities Act of 1933 (“Securities Act”) [15 U.S.C. § 77q(a)], Section 10(b) of the Securities Exchange Act of 1934 (“Exchange Act”) [15 U.S.C. § 78j(b)], and Rule 10b-5 [17 C.F.R. § 240.10b5], thereunder.

### **JURISDICTION AND VENUE**

5. The Commission brings this action pursuant to Section 20(b) of the Securities Act [15 U.S.C. § 77t(b)] and Section 21(d) of the Exchange Act [15 U.S.C. § 78u(d)], to enjoin such acts, transactions, practices, and courses of business; obtain disgorgement and civil penalties; and for other appropriate relief.

6. This Court has jurisdiction over this action pursuant to Section 22(a) of the Securities Act [15 U.S.C. § 77v(a)], and Sections 21(e) and 27 of the Exchange Act [15 U.S.C. §§ 78u(e) and 78aa].

7. Venue is proper because certain of the acts, transactions, practices, and courses of business constituting the violations alleged herein occurred within the District of New Jersey. In addition, investor funds were deposited into, and may remain in, a bank branch within this district.

8. In connection with the conduct alleged in this Complaint, the defendants directly or indirectly made use of the means or instruments of transportation or

communication in interstate commerce, or the means or instrumentalities of interstate commerce, or the mails, or the facilities of a national securities exchange.

### **DEFENDANTS**

9. **William Graulich, IV**, age 59, resides in Henryville, PA. In offering materials and communications with investors, Graulich represents himself to be the Managing Member and President of iVest. Graulich is not, and has never been registered with the Commission in any capacity nor is he licensed to sell securities.

10. **iVest International Holdings, Inc.**, is a Delaware corporation established by Graulich in February 2000.

### **FACTS**

#### **Background**

11. At all times relevant to the facts alleged in this Complaint, defendant iVest acted by and through defendant Graulich.

12. From at least October 2006 to the present, Graulich induced individuals to invest in iVest's so-called trading program by claiming that he could guarantee weekly investment returns ranging from 22% to 140%. Graulich promised prospective investors that there would be little or no risk to their principal investment because the funds would remain on deposit in a segregated Trustee or Escrow Account and would not be removed without the investor's permission. Graulich told investors that their investments, together with those of other investors, would be used solely as collateral to obtain a line of credit, which Graulich would then use to trade the purported financial instruments.

13. Graulich further claimed that his offering was highly confidential and that it had previously only been available for investments in excess of \$100 million or more.

Graulich claimed he was licensed by the Commission, and others acting at his direction represented that he was one of only a few traders licensed by the Federal Reserve Bank to trade such exclusive instruments.

14. Graulich described various instruments that he purportedly purchased and sold through the iVest trading program, including “fully negotiable bank instruments” such as medium term notes or standby letters of credit issued by reputable international banks and other financial institutions. Graulich told investors that he could guarantee a profit on these trades because he arranged for buyers in advance to purchase the instruments at prices in excess of the discounted price that he paid.

15. Graulich’s false and misleading statements to investors are indicative of a prime bank/high yield investment scheme. The most defining characteristic is Graulich’s promise to generate exorbitant weekly returns of 22% to 140% with little or no risk from the trading of instruments that mimic legitimate financial instruments.

16. During the period that Graulich was soliciting investors for the iVest trading program, no legitimate investment or banking instruments existed in the financial marketplace that could have produced a weekly return ranging from 22% to 140 %. Moreover, there are no fully negotiable bank instruments in legitimate finance that match the description of the instruments Graulich purported to trade in through the iVest trading program.

17. Moreover, neither the Commission nor the Federal Reserve Bank has ever issued any license to Graulich or iVest or otherwise sanctioned iVest’s fictitious trading program.

18. Graulich has admitted under oath that he never participated in any transactions involving medium term notes.

19. Because the iVest trading program was a complete sham, Graulich did not enter into any of the transactions involving the purported financial instruments, yet he continued to make misrepresentations to investors regarding its guaranteed returns and continued profitability.

20. Moreover, despite representations to investors that their funds would remain safe in an iVest Trust Account or Attorney Escrow Account, Graulich fraudulently transferred, commingled, and ultimately misappropriated investors funds for his personal benefit.

#### **Investor Daphne Gordon**

21. The experience of Daphne Gordon illustrates how Graulich defrauded investors through his prime bank/high yield investment scheme.

22. In August 2008, Daphne Gordon, who resides in Belgium and is a resident of the United Kingdom, was solicited to invest with Graulich and iVest by an intermediary working on behalf of the Defendants. This intermediary told her about an investment program managed by Graulich and iVest that would generate enormous profits with no risk. The intermediary told Gordon that to even be considered for participation, she would have to demonstrate that she had at least £2.5 million (approximately \$4.7 million) in cash available and that Graulich would need to conduct “due diligence” on her before she could directly talk to Graulich.

23. On or about August 5, 2008, this intermediary showed Gordon a Power Point presentation about the “private placement program” that included the following representations, among others:

- The program was a secretive investment program “historically” available only to ultra-wealthy investors with \$100 million or more to invest, but which iVest and Graulich, nevertheless, were able to access.
- Because the program was so lucrative, participation was “by invitation only” and the space “can be quickly filled.” Thus, “discretion is paramount!”
- The program was completely safe: “Funds [were] held in a non-depletion attorney account” and used only as collateral for the transactions. “Investor funds [were] not at risk” because “transactional risk [was] eliminated.”
- The program paid extraordinary returns with “[g]uaranteed return of capital”, “[g]uaranteed profit/yield from each trade”, and “[g]uaranteed weekly payments to investors throughout contractual period.”

24. On or about August 13, 2008, Gordon participated in a conference call with Graulich during which Graulich repeated and reaffirmed each of the statements in the above described presentation. Specifically, Graulich told Gordon that:

- he was licensed and authorized by the Securities and Exchange Commission;
- he had been operating his “program” for years with great success;
- he guaranteed a 22% weekly return; and
- Gordon’s investment would be completely safe and would be returned to her immediately at any time upon her request.

25. Graulich told Gordon that although her money would remain in a separate account to serve as collateral for a line of credit, there were other investors, and that the value of her account combined with that of other investors’ accounts would be used by

iVest to obtain the line of credit necessary for him to conduct the trading. Graulich told Gordon that he could leverage her account up to ten times the amount of her principal investment.

26. On or about August 29, 2008, Gordon signed a joint venture agreement (the “agreement”) with Graulich and iVest in which she agreed to invest \$5 million. Graulich signed the agreement as “managing partner” of iVest.

27. The agreement stated that “Gordon shall receive from the net profits a sum equal to an average of twenty two (22%) percent per week . . . . In the event that the stated rate of return is not achieved in a specific week, the difference between the amount paid and 22% shall be paid in the following week.”

28. In addition, the agreement also represented that Gordon’s investment would be deposited in a “segregated joint venture account” for use solely to obtain lines of credit which, in turn, would be used to make investments. The agreement explicitly stated that the line of credit would be used for “loan and financing transactions . . . and will not be used to promote any illegal activities.”

29. The agreement also required Gordon to wire her investment into an iVest bank account at JP Morgan Chase N.A., located in Morristown, New Jersey, which Graulich claimed was a segregated escrow and trust account where he would keep the money safe and secure. In fact, this account was, and continues to be, controlled solely by Graulich, who also directed other investors to deposit their funds into this account.

30. On August 29, 2008, Gordon wired \$2.8 million to the iVest bank account in accordance with the instructions in the agreement.

31. On or about November 4, 2008, Graulich falsely represented to Gordon that iVest had generated trading profits of \$388,700 from her investment and that her balance increased to \$3,188,700.

32. On or about November 18, 2008, Graulich and one of the intermediaries falsely represented to Gordon during a conference call that:

- Her investment had earned \$100,000 a week, net of expenses, so that her initial \$2.8 million investment had grown to between \$3.4 million and \$3.5 million.
- She could earn an even greater rate of return if she invested more money into the defendants' "program." Specifically, Graulich promised her a return of \$1.2 million per week if she increased her investment from \$2.8 million to \$5 million.
- She had earned less than the 22% per week that Graulich and iVest had promised because she had invested \$2.8 million, instead of \$5 million.
- Her money was safe and that she could have her funds returned to her upon demand. Graulich said that the money was held in an attorney escrow account and would not be removed absent her authorization.

33. On November 20, 2008, in reliance on Graulich's representations, Gordon wired an additional \$1,652,000 to the iVest bank account at JP Morgan Chase.

34. On December 12, 2008, Gordon received further confirmation from Graulich through one of the intermediaries that she had earned \$645,000 in profits from the inception of her investment to early November and that her principal remained safe and untouched.

35. Throughout the fall and winter of 2008, Gordon repeatedly pressed Graulich, directly and through Graulich's intermediaries, for detailed information about her investments and for an accounting. Although Graulich often ignored her requests, on multiple occasions, Graulich reported that Gordon's funds were safe at JP Morgan Chase

and that iVest was generating profits on her trades. Graulich eventually returned \$1,084,898 of Gordon's principal investment falsely claiming at the time that the payments represented trading profits.

36. From at least October 2006 through the present, Graulich also induced at least four other investors to invest a total of at least \$8 million in iVest's so-called trading program. Graulich used a similar pattern of false and misleading statements premised on the notion that he could guarantee exorbitant weekly returns with little or no risk generated through the trading of various negotiable bank instruments by iVest. Three of the investors wired their funds into various bank accounts, including accounts at JP Morgan Chase, which were under the custody and control of Graulich.

37. On June 25, 2008, one investor agreed to invest in iVest and wired \$5 million to a separate iVest JP Morgan Chase bank account to be held as "collateral" for the iVest trading program and believed only he (and not Graulich) alone had access to the account. Two days later, this investor withdrew all of his funds upon discovering that Graulich had access to the account.

#### **Misuse of Investor Proceeds**

38. Rather than invest the investor proceeds as he had represented, Graulich diverted the funds from iVest bank accounts that contained investor funds and fraudulently used the money for, among other things, lavish personal expenses and other daily expenses, large cash withdrawals, payments for back taxes and to other creditors, repayments of investors' principal under the guise of trading profits, and transfers to third parties, who, in turn, transferred the funds abroad.

39. Specifically, Graulich spent more than \$1,000,000 of investor funds for his own personal benefit, including more than \$100,000 on tickets for the New York Yankees; more than \$90,000 on two cars, including a Jaguar; \$126,000 in payments for back taxes; more than \$270,000 in cash withdrawals; \$145,000 in legal fees, \$39,000 on mortgage payments; and thousands of dollars on routine daily living expenses, among other items, that Graulich incurred using an ATM debit card linked to iVest bank accounts at JP Morgan Chase.

40. Investors did not authorize Graulich to use their funds for Graulich's personal use. Further, the agreements signed by the investors and iVest prohibit such use of investor funds. Graulich's use of the funds to pay for personal expenses directly contradicted his repeated statements to investors that their funds would remain secure in escrow accounts and be used only for the purpose of obtaining leverage with which to trade.

41. In addition to personal expenses, Graulich also used investor funds to make payments to investors under the guise of trading profits. For example, on April 10, 2007, Graulich returned \$165,000 of an investor's \$1 million investment claiming that the payment represented trading profits. In July 2007, Graulich eventually returned this investor's remaining \$835,000 after the investor made numerous demands for the return of the investment. Between December 2008 and January 2009, Graulich likewise returned a total of \$1,084,898 of Gordon's money to her claiming the payments were profits from trading.

42. In October 2008, Graulich wired at least \$1.5 million of investor funds in his own name to an entity called American Century Holdings, LLC, which in turn, transferred the vast majority of those funds to two separate banks in the Netherlands.

43. In April 2008, Graulich transferred \$2 million from one of iVest's bank accounts to an account at the Bank of Montreal held by an unspecified individual or entity. The purpose of this transfer is unknown.

44. Graulich continues to use the investor funds held in iVest bank accounts for personal expenses. As of August 24, 2009, the balance of investor funds remaining in iVest bank accounts at JP Morgan Chase was \$1,233,428.

#### **Claim for Relief**

#### **Violations of Section 17(a) of the Securities Act, Section 10(b) of the Exchange Act, and Rule 10b-5 thereunder**

45. Paragraphs 1 through 44 are realleged and incorporated herein by reference.

46. From at least October 31, 2006, through the present, defendants Graulich and iVest, in connection with the offer, purchase and sale of securities, directly and indirectly, with scienter, by use of the means and instruments of transportation and communication in interstate commerce, or the means and instrumentalities of interstate commerce, or the mails, or the facilities of a national securities exchange:

- (a) employed devices, schemes or artifices to defraud;
- (b) obtained money or property by means of, or made, untrue statements of material fact, or 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; and

(c) engaged in acts, transactions, practices, or courses of business that operated as a fraud or deceit upon offerees, purchasers, and prospective purchasers of securities.

47. By engaging in the foregoing conduct, Graulich and iVest violated, and continue to violate, Section 17(a) of the Securities Act [15 U.S.C. § 77q(a)], Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)], and Rule 10b-5 [17 C.F.R. § 240.10b-5], thereunder.

**WHEREFORE**, the Commission respectfully requests that this Court:

I.

Permanently restrain and enjoin defendants Graulich and iVest from violating Section 17(a) of the Securities Act [15 U.S.C. § 77q(a)], Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)], and Rule 10b-5 [17 C.F.R. § 240.10b5], thereunder.

II.

Order defendants Graulich and iVest to account for and to disgorge any and all ill-gotten gains, together with prejudgment interest, derived from the activities set forth in this Complaint.

III.

Order defendants Graulich and iVest to pay civil penalties 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.

Grant such other and further relief as the Court may deem just and appropriate.

Respectfully submitted,

s/Kingdon Kase  
Kingdon Kase

Attorney for Plaintiff  
SECURITIES AND EXCHANGE COMMISSION

DATED: August 26, 2009