

**UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF MINNESOTA**

UNITED STATES SECURITIES AND EXCHANGE COMMISSION,)	
)	
Plaintiff,)	
)	
v.)	Civil Action No.
)	
DAVID L. MARION, and INTERNATIONAL RARITIES HOLDINGS, INC.,)	
)	
Defendants.)	
)	
)	

COMPLAINT

Plaintiff, Securities and Exchange Commission (“Commission”), alleges the following against Defendants David L. Marion (“Marion”) and International Rarities Holdings, Inc., (“IR Holdings”) (collectively, “Defendants”):

Summary

1. This case involves Defendants Marion and IR Holdings defrauding investors and misappropriating their money.
2. From at least November 2008 through at least July 2009, Marion raised approximately \$1 million from at least 26 investors by selling ownership shares of IR Holdings.

3. The Defendants made multiple fraudulent representations in the unregistered offer and sale of securities of IR Holdings, a company that Marion owned and controlled.

4. Marion sold ownership shares of IR Holdings to investors, telling them that IR Holdings owned 100% of International Rarities Corporation (“IR Corp.”).

5. Marion told the investors that IR Corp. was a successful gold coin and bullion sales and trading company. He told investors that by buying a piece of IR Holdings, they would share in the profits and success of IR Corp.

6. This representation was false. When Marion sold IR Holdings shares to investors, he was the sole owner of IR Corp. IR Holdings had no ownership interest in IR Corp. whatsoever.

7. Marion sold the investors shares of a worthless shell company, and he knew that it was a worthless shell company.

8. Marion also told the investors that IR Holdings had a functioning seven member board of directors, including three independent directors.

9. Marion also told the investors that he would use their money to expand IR Holdings business, including taking the company public.

10. These representations were false. In reality, IR Holdings did not have a functioning board of directors, Marion diverted the investors’ funds for his own personal use, and Marion failed to take virtually any substantive action towards taking IR Holdings public.

11. IR Holdings issued offering documents, including a Private Placement Memorandum (“PPM”), to investors that repeated these misrepresentations.

12. Marion and IR Holdings, directly and indirectly, have engaged, and unless enjoined, will continue to engage, in acts, transactions, practices and courses of business that violate Sections 5(a), 5(c), 17(a)(1), 17(a)(2), and 17(a)(3) of the Securities Act of 1933 (“Securities Act”) [15 U.S.C. §§ 77e(a), 77e(c), and 77q(a)(1), (2) and (3)], and Section 10(b) of the Securities Exchange Act of 1934 (“Exchange Act”) [15 U.S.C. § 78j(b)], and Rule 10b-5(a), (b), and (c) promulgated thereunder [17 C.F.R. § 240.10b-5(a), (b), and (c)].

13. Marion, under Section 20(a) of the Exchange Act [15 U.S.C. § 77t(a)], acted as a control person of IR Holdings, and therefore, he is liable for IR Holdings’ violations of Section 10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder.

14. Marion, under Section 20(e) of the Exchange Act [15 U.S.C. § 78t(e)], aided and abetted IR Holdings’ violations of Section 10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder.

15. Marion, directly and indirectly, has engaged, and unless enjoined, will continue to engage, in acts, transactions, practices and courses of business that violate Section 15(a) of the Exchange Act [15 U.S.C. §78o(a)].

16. The Commission brings this action to enjoin such acts, transactions, practices, and courses of business pursuant to Section 20(a) of the Securities Act [15 U.S.C. § 77t(a)], and Sections 21(d) and (e) of the Exchange Act [15 U.S.C. §§ 78u(d) and (e)].

Defendants

17. **David L. Marion** is a 52-year-old resident of Minneapolis, MN. According to IR Holdings' offering documents, he is the president, secretary, treasurer, and director of IR Holdings. He is also the former president of IR Corp. Marion is the majority owner of IR Holdings and sole owner of IR Corp. At the time of the offering, Marion was not registered with the Commission as a broker or dealer or associated with an entity registered with the Commission as a broker or dealer.

18. **Investment Rarities Holdings, Inc.** was incorporated by Marion in Nevada in January, 2009, and its principal place of business is Minneapolis, MN. It is a privately held company owned by Marion. IR Holdings has never registered an offering of securities under the Securities Act or a class of securities under the Exchange Act.

Related Party

19. **International Rarities Corporation** was incorporated in Minnesota in 2000, and its principal place of business is Minneapolis, MN. It is a privately held corporation owned solely by Marion that is in the business of buying, selling and trading gold coins and bullion. On August 19, 2011, IR Corp. filed a voluntary petition for Chapter 11 bankruptcy. On January 23, 2012, the Bankruptcy Court authorized the appointment of a

Chapter 11 trustee. IR Corp. has never registered an offering of securities under the Securities Act or a class of securities under the Exchange Act. IR Corp. declared itself with the IRS as a small business corporation, commonly referred to as an “S Corp.”

Jurisdiction

20. 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]. Venue is proper in this Court pursuant to Section 22(a) of the Securities Act [15 U.S.C. § 77v(a)], and Section 27 of the Exchange Act [15 U.S.C. § 78aa].

21. Defendants transacted business in the District of Minnesota and the acts, transactions, practices, and courses of business constituting the violations alleged herein occurred within the jurisdiction of the United States District Court for the District of Minnesota and elsewhere.

22. Defendants, directly and indirectly, have made use of the means and instrumentalities of interstate commerce, the means and instruments of transportation and communication in interstate commerce, and the mails, in connection with the acts, transactions, practices, and courses of business alleged herein.

Offer and Sale of IR Holdings Securities

23. From at least November 2008 through at least July 2009, the Defendants offered and sold securities in the form of ownership shares of IR Holdings.

24. Through their offering, the Defendants raised approximately \$1 million from at least 26 investors.

25. During the IR Holdings offering, Marion controlled IR Holdings and its activities.

26. During the IR Holdings offering, Marion also controlled IR Corp. and its activities.

27. Marion employed a sales staff who worked as coin and bullion salespersons at IR Corp.'s office in downtown Minneapolis. Marion directed and controlled the activities of the sales staff.

28. In addition to their job of buying, selling, and trading gold coins and bullion, Marion directed the sales staff to sell the IR Holdings securities.

29. IR Corp.'s sales staff would "cold call" individuals from "leads" sheets in attempts to get them to buy, sell, or trade gold coins and bullion.

30. The sales staff would also offer the IR Holdings securities to the individuals that they cold called.

31. Marion and IR Holdings did not limit to whom the sales staff could offer the IR Holdings securities.

32. Marion provided his sales staff with a script directing the sales staff what to tell investors about the IR Holdings offering.

33. The information that the sales staff provided to investors came from the script and from what Marion verbally told the sales staff.

34. Marion and his sales staff called and offered the IR Holdings investment to potential investors in various states including Minnesota, Hawaii, Kansas, Indiana, Maryland, New Jersey, Texas, California, Florida, North Carolina, South Dakota, Arkansas, and Oregon.

35. Marion and the sales staff gave the IR Holdings PPM to investors before, at, or near the time that they invested.

36. The IR Holdings PPM contained many of the same misrepresentations that Marion and his sales staff told investors.

37. Marion and his sales staff directed investors who wanted to invest in IR Holdings to write checks to either IR Holdings or IR Corp. Marion controlled the bank accounts where the investor funds were deposited and he determined how the funds in the accounts were used.

38. Although Marion and the sales staff sometimes asked for background information from some of the investors, no one from IR Holdings or IR Corp. determined or verified whether the IR Holdings investors were accredited investors.

39. Had defendants verified whether potential investors were accredited investors or not, they would have discovered that several IR Holdings investors had a net worth of

less than \$1 million and/or annual incomes of less than \$200,000 at the time they purchased the IR Holdings shares.

40. Although Marion and his staff provided some investors with some financial information about IR Corp., no one provided the investors with any financial information about IR Holdings.

41. No one gave the IR Holdings investors audited financial information for either IR Holdings or IR Corp.

Marion and IR Holdings Defrauded the Investors

42. From at least November 2008 through at least July 2009, Marion knowingly or recklessly made material misrepresentations and omitted to state material facts in connection with the IR Holdings offering.

43. Marion and his sales staff told investors that IR Holdings owned IR Corp. and that by purchasing shares of IR Holdings, the investors were buying a piece of IR Corp.'s successful business.

44. This representation was false and Marion knew that it was false.

45. Contrary to Marion and his staff's representations, the IR Holdings' investors never owned a piece of IR Corp. Marion was 100% owner of IR Corp. and never transferred control of any ownership shares to IR Holdings or to IR Holdings investors.

46. In fact, IR Holdings could not legally own IR Corp. because, according to 26 U.S.C §1361(b)(1), an “S Corp” such as IR Corp. could not be owned by a “C Corp” such as IR Holdings.

47. Marion has admitted that IR Holdings did not own IR Corp. On November 11, 2010, in a court filing in a separate matter, Marion stated in a sworn affidavit that he was the “president of both [IR Corp.] and [IR Holdings]” and that “[n]either [IR Corp] nor [IR Holdings] has an equity interest in the other.”

48. Therefore, the IR Holdings’ securities that Marion sold to investors were actually worthless shares of an empty shell company.

49. Marion and his sales staff told investors that IR Holdings was in the process of becoming a publicly traded company and investors would earn a profit when the company’s shares became publicly traded.

50. This representation was false and Marion either knew, or was reckless in not knowing, that it was false.

51. Marion failed to take virtually any substantive action towards converting IR Holdings into a public company.

52. Marion and his sales staff told investors that IR Holdings would use their funds to expand its business.

53. This representation was false and Marion either knew, or was reckless in not knowing, that it was false.

54. In fact, Marion diverted the majority of investor funds to himself or IR Corp.

55. For example, of the \$1,037,540 raised from investors Marion used approximately \$701,576 of the investor funds for his own personal uses, including, approximately \$197,419 for gambling, approximately \$99,679 in cash withdrawals, and approximately \$404,478 ultimately deposited into his personal accounts – much of which he lost gambling. Marion also used approximately \$269,394 of IR Holdings investor funds to pay IR Corp. employees and independent contractors and other operating expenses not related to IR Holdings.

56. The amounts which Marion caused IR Holdings to divert to IR Corp. were effectively diverted to Marion. The two entities had no legal relationship and only Marion benefited from IR Corp.'s business. None of these expenditures were disclosed to investors.

57. Marion and his sales staff also told investors that IR Holdings had a functioning board of directors that contained at least three independent directors who specialized in areas of business that would assist IR Holdings in becoming a successful and profitable company.

58. This representation was false and Marion either knew, or was reckless in not knowing, that it was false.

59. Several of the purported members of the IR Holdings Board of Directors never agreed to serve on the IR Holding's Board. In fact, several did not know that Marion had unilaterally deemed them to be board members.

60. Marion and his sales staff made the above-referenced misrepresentations in person, over the phone, via email, and through the mail.

61. The IR Holdings investors considered the representations regarding IR Holdings ownership of IR Corp., the plans to take IR Holdings public, the IR Holdings board of directors, and the use of funds, important to their decision to invest in IR Holdings.

The IR Holdings Private Placement Memorandum

62. The IR Holdings PPM contained many of the same misrepresentations listed above.

63. The PPM states that "International Rarities Holdings, Inc. owns 100% of International Rarities Corporation which (*sic*) its primary focus is buying and selling precious metal coins and bullion."

64. The PPM also includes IR Corp.'s financial statements which are titled, "Financial Statements of International Rarities Corporation a wholly owned subsidiary of International Rarities Holdings, Inc."

65. The PPM states that IR Holdings "is currently executing the beginning stages of conducting an Initial Public Offering on the Over the Counter Bulletin Board (OTCBB)."

66. The PPM lists seven individuals as being on its board of directors. Three of the purported directors are identified in the PPM as independent directors who were not employees of either IR Holdings or IR Corp.

67. Marion drafted parts of the PPM and approved the entire document before it was provided to investors.

68. Marion personally provided the PPM to some investors and directed his sales staff to provide the PPM to other investors.

69. Marion had ultimate authority over the content of the PPMs and over whether and how they were distributed.

70. Marion knew, or was reckless in not knowing, that the PPM provided to investors contained material misstatements and omissions of material facts.

Marion Misused Investor Funds

71. As stated above, Marion used the IR Holdings investor funds contrary to his representations to investors.

72. Marion diverted the investor funds to himself, either directly or indirectly, by means of several transfers through IR Holdings and/or IR Corp.'s bank accounts.

73. In at least one case, Marion deposited an IR Holdings investor's check directly into his own personal bank account.

74. Additionally, Marion sold shares in IR Holdings to an investor before Marion had incorporated it.

75. The IR Holdings investor funds that Marion diverted to IR Corp. were effectively diverted to Marion because the two entities had no legal relationship and only Marion benefited from IR Corp.'s business.

76. Marion did not disclose these facts to investors.

77. At all times during the IR Holdings offering, Marion controlled the bank accounts belonging to IR Holdings and IR Corp.

78. Marion used approximately \$701,576 of investor funds for his own personal uses, including, approximately \$197,419 for gambling, approximately \$99,679 in cash withdrawals, and approximately \$404,478 ultimately deposited into his personal accounts – much of which he lost gambling. Marion also used approximately \$269,394 of IR Holdings investor funds to pay IR Corp. employees and independent contractors and other operating expenses not related to IR Holdings. Marion did not disclose to investors that he used, or would use their funds for any of these purposes.

79. Marion used less than 7%, or \$63,271, of the investor funds on any purpose that could reasonably be construed to be for IR Holdings' benefit.

Marion's Knowledge of the Fraudulent Statements and Misuse of Funds

80. When Marion made the above-referenced representations to investors, he knew or was reckless in not knowing that such representations were false and misleading.

81. Marion served as president and majority owner of both companies. In that capacity, he controlled their activities, directed the company's financial transactions, and was aware of their legal status.

82. Although Marion delegated certain tasks to his employees, he remained the ultimate decision maker for both companies.

83. In short, Marion knew that IR Holdings did not, and in fact could not, own IR Corp., and he knew that he was siphoning off investor funds for his own personal uses.

COUNT I

Violations of Sections 5(a) and (c) of the Securities Act [15 U.S.C. §§ 77e(a) and (c)]

(Marion and IR Holdings)

84. Paragraphs 1 through 83 above are re-alleged and incorporated herein by reference.

85. By their conduct, Marion and IR Holdings, directly or indirectly: (i) made use of means or instruments of transportation or communication in interstate commerce or of the mails to sell, through the use or medium of a prospectus or otherwise, securities as to which no registration statement was in effect; (ii) for the purpose of sale or delivery after sale, carried or caused to be carried through the mails or in interstate commerce, by any means or instruments of transportation, securities as to which no registration statement was in effect; and (iii) made use of the means or instruments of transportation or communication in interstate commerce or of the mails to offer to sell or offer to buy,

through the use or medium of a prospectus or otherwise, securities as to which no registration statement had been filed.

86. No valid registration statement was filed or was in effect with the Commission in connection with Marion and IR Holdings offer and sale of the IR Holdings securities.

87. By reason of the foregoing, Marion and IR Holdings violated Sections 5(a) and (c) of the Securities Act.

COUNT II
Violations of Section 17(a)(1), 17(a)(2), and 17(a)(3) of the Securities Act
[15 U.S.C. § 77q(a)(1), 77q(a)(2), and 77q(a)(3)]

(Marion and IR Holdings)

88. Paragraphs 1 through 83 above are re-alleged and incorporated herein by reference.

89. By their conduct, Marion and IR Holdings, in the offer or sale of securities in the form of IR Holdings shares, by the use of the means or instruments of transportation or communication in interstate commerce and by the use of the mails, directly or indirectly, have employed devices, schemes or artifices to defraud.

90. Defendants acted knowingly or with a reckless disregard for the truth, with regard to the activities described in Paragraphs 1 through 83 above.

91. By reason of the foregoing, Marion and IR Holdings violated Section 17(a)(1), (b), and (c) of the Securities Act.

COUNT III

**Violations of Section 10(b) of the Exchange Act and Rule 10b-5(a), (b), and (c)
Promulgated Thereunder [17 C.F.R. § 240.10b-5(a), (b), and (c)]**

(Marion and IR Holdings)

92. Paragraphs 1 through 83 above are re-alleged and incorporated herein by reference.

93. By their conduct, Marion and IR Holdings, in connection with the purchase or sale of securities in the IR Holdings ownership shares, by the use of the means or instrumentalities of interstate commerce or by the use of the mails, directly or indirectly: (a) employed devices, schemes or artifices to defraud, (b) directly or indirectly made untrue statements of material fact and omitted to state material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading, and (c) engaged in acts, practices, or courses of business which operated as a fraud or deceit upon other persons, including purchasers and sellers of such securities.

94. Defendants acted knowingly or with a reckless disregard for the truth, with regard to the activities described Paragraphs 1 through 83 above.

95. By reason of the foregoing, Marion and IR Holdings violated Section 10(b) of the Exchange Act and Rule 10b-5(a), (b), and (c) promulgated thereunder.

COUNT IV

Violations of Section 10(b) of the Exchange Act and Rule 10(b)-5 Promulgated Thereunder by Marion as a Control Person Pursuant to Section 20(a) of the Exchange Act [15 U.S.C. § 77t(a)]

(Marion)

96. Paragraphs 1 through 83 are realleged and incorporated by reference.

97. By reason of the activities described in paragraphs 1 through 83 above, IR Holdings violated Section 10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder as described in Count III above, which is incorporated by reference as if set forth fully herein.

98. As set forth in paragraphs 1 through 83 Marion directly or indirectly controlled IR Holdings within the meaning of Section 20(a) of the Exchange Act.

99. Marion is liable as a control person for the violations by IR Holdings of Section 10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder.

100. By reason of the foregoing, and pursuant to Section 20(a) of the Exchange Act, Marion is liable jointly and severally with and to the same extent as IR Holdings.

COUNT V

Aiding and Abetting Violations of Section 10(b) of the Exchange Act and Rule 10b-5 Promulgated Thereunder Pursuant to Section 20(e) of the Exchange Act [15 U.S.C. § 77t(e)]

(Marion)

101. Paragraphs 1 through 83 are realleged and incorporated by reference.

102. By virtue of the conduct alleged in paragraphs 1 through 83, IR Holdings violated Section 10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder.

103. By his conduct described in paragraphs 1 through 83, Marion knowingly or recklessly, substantially assisted IR Holdings' violations of Section 10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder.

104. By reason of the foregoing, Marion aided and abetted IR Holdings' violations of 10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder, thereby violating Section 20(e) of the Exchange Act.

COUNT VI
Violations of Section 15(a) of the Exchange Act
[15 U.S.C. §78o(a)]

(Marion)

105. Paragraphs 1 through 83 above are realleged and incorporated herein by reference.

106. Marion, by engaging in the conduct set forth above, while acting as a broker or dealer, effected transactions in, and induced and attempted to induce the purchase or sale of, securities when he was not registered with the Commission as a broker or dealer or associated with an entity registered with the Commission as a broker or dealer.

107. By reason of the foregoing, Marion violated, and unless restrained and enjoined will continue to violate, Section 15(a) of the Exchange Act.

RELIEF REQUESTED

WHEREFORE, the Commission respectfully requests that the Court enter a judgment:

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

B. Permanently enjoining Marion, his agents, servants, employees, attorneys, and all persons in active concert or participation with them, and each of them, from further violations of Sections 5(a), 5(c), 17(a)(1), 17(a) (2) and 17(a) (3) of the Securities Act [15 U.S.C. §§ 77e(a), 77e(c), and 77q(a)(1), (2) and (3)]; and Sections 10(b) and 15(a) of the Exchange Act [15 U.S.C. §§ 78j(b) and 78o(a)] and Rule 10b-5 promulgated thereunder [17 C.F.R. § 240.10b-5];

C. Permanently enjoining IR Holdings, its officers, agents, servants, employees, attorneys, and all persons in active concert or participation with them, and each of them, from further violations of Sections 5(a), 5(c), 17(a)(1), 17(a) (2) and 17(a) (3) of the Securities Act [15 U.S.C. §§ 77e(a), 77e(c), and 77q(a)(1), (2) and (3)]; and Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 promulgated thereunder [17 C.F.R. § 240.10b-5];

D. Ordering the Defendants to disgorge, jointly and severally, their ill-gotten gains, derived directly or indirectly from the conduct complained of herein, together with prejudgment interest thereon;

E. Ordering Marion to pay an appropriate civil 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)];

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

G. Granting such further relief as the Court may deem appropriate.

Respectfully submitted,

DATED: March 26, 2012

/s/ Justin Delfino
Justin Delfino
Steven L. Klawans
Gregory Von Schaumburg
Attorneys for Plaintiff
U.S. Securities and Exchange Commission
175 West Jackson Boulevard, Suite 900
Chicago, IL 60604
Telephone: (312) 353-1821 (Delfino)
Telephone: (312) 886-1738 (Klawans)
Facsimile: (312) 353-7398
E-mail: delfinoj@sec.gov
E-mail: VonSchaumburgG@sec.gov
E-mail: KlawansS@sec.gov

James Alexander
Assistant United States Attorney
District of Minnesota

600 U.S. Courthouse
300 South Fourth Street
Minneapolis, MN
Telephone: (612) 664-5600
Facsimile: (612) 664-5788
Local Counsel