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WASHINGTON, D.C. CLERK
DISTRICT COURT

**UNITED STATES DISTRICT COURT.,
for the
DISTRICT OF COLUMBIA**

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION,
450 Fifth Street, N.W.
Washington, D.C. 20549-0808,**

Plaintiff,

v.

REGINA FERNANDEZ,

Defendant.

CASE NUMBER 1:01CV01986
JUDGE: James Robertson
DECK TYPE: General Civil
DATE STAMP: 09/19/2001

E C F

Complaint

Plaintiff United States Securities and Exchange Commission for its complaint alleges:

Nature of the Action

1. This case involves fraudulent accounting and reporting practices by Madera International, Inc., ("Madera"), a timber distributor, and one of its former executive officers. During the period from its inception in February 1994 to the present Madera, among other things, recorded revenues from phony sales transactions and caused false sales invoices, shipping documents, cash receipts records and audit confirmations to be furnished to Madera's independent auditors.

2. The described practices were carried out by, among others, its corporate secretary, defendant Regina Fernandez ("Fernandez").

3. By her conduct, the defendant violated the antifraud, reporting, books and records; and internal controls provisions of the federal securities laws.

Jurisdiction

4. The Commission brings **this** action pursuant to of Section **21(d)** and (e) of the Securities Exchange Act of 1934 [**15 U.S.C. §§ 78u** (d) and(e)].

5. This Court has jurisdiction over this action pursuant to Sections Z(e) and 27 of the Securities Exchange Act of 1934 [**15 U.S.C. §§ 78u** (e) and **78aa**].

6. The defendant, directly or indirectly, made use of the means or instrumentalities of interstate commerce, or of the mails, in connection with the transactions, acts, practices, and **courses** of business described in this Complaint, certain of which have occurred, within this judicial district.

Defendant and Issuer

7. Regina **Fernandez** ("Fernandez"), age 41, was corporate secretary of **Madera** from March 1996 until April 1999. She signed **Madera's** fiscal 1998 Annual Report on Form 10-K filed with the Commission as **Madera's** secretary-treasurer and chief financial officer.

8. **Madera, Inc. ("Madera")**, is a Nevada corporation headquartered in Coral Gables, Florida. Its common stock is registered with the Commission pursuant to Section 12(g) of the Exchange Act and is traded in the over-the-counter market.

Facts

9. During the period March 1996 until April 1999, **Fernandez** was responsible for, among other things, **Madera's** accounting and bookkeeping functions as well as furnishing **Madera's** independent auditors with documents and information to support **their** audits of **Madera's** financial statements.

10. During its fiscal year ending March 31, 1998, **Madera** overstated its sales revenues in financial statements filed with the Commission by a total of **\$2,654,934**.

11. This revenue overstatement was accomplished by the preparation and recordation of false sales invoices and the submission of false accounts receivable confirmations to **Madera's** independent auditors. Had **Madera** not recorded these fraudulent sales, it would have reported a pre-tax loss of **\$1,489,264** for fiscal 1998, rather than the **\$1,165,670** pretax profit it falsely reported in the financial statements included in its annual report on **Form** 10-K.

12. In connection with **Madera's** fiscal 1998 audit, Fernandez prepared invoices totaling **\$2,654,934** that she **knew** or was reckless in not knowing were materially false and misleading and provided these invoices to **Madera's** independent auditors.

13. In connection with **Madera's** fiscal 1998 audit, **Fernandez** prepared audit confirmation requests for completion by certain entities that **Madera** represented to be customers and whose responses were relied upon by **Madera's** auditors. Fernandez knew, or was reckless in not knowing, and failed to disclose to the auditors that these entities had not purchased any product from **Madera**.

14. In fiscal 1999, **Madera** recorded additional fraudulent sales in the total amount of **\$1,759,947**. In its quarterly report on Form 10-Q for the first quarter of fiscal 1999, **Madera** reported timber sales of **\$1,819,350**. This amount included a **fraudulent** sale in the amount of \$401,030. As a result of recording this bogus sale, **Madera** falsely reported a pre-tax profit of \$215,694 for that quarter rather than a pre-tax loss of \$185,336. During the fourth quarter of fiscal 1999, **Madera** recorded additional bogus sales totaling **\$1,358,917**.

15. These fraudulent sales were reflected in sales figures contained in a **Madera** press release dated May 4, 1999, which announced what the company purported to be record revenues

and profits for fiscal 1999 and “the complete turnaround afforded the company at the hands of present management..”

16. In connection with **Madera’s** fiscal 1999 audit, Femandez prepared and furnished to the **company’s auditors** invoices amounting to **\$1,358,917** that she knew or was reckless in not knowing were false and misleading.

17. In connection with **Madera’s fiscal** 1999 audit, Femandez prepared audit confirmation requests for completion by certain purported customers of **Madera** whose responses were relied upon by **Madera’s** auditors. Femandez knew or was reckless in not knowing, and failed to disclose to the auditors that these entities had not purchased any product from **Madera**. Femandez also **furnished** the company’s auditors with fabricated cash receipts records.

FIRST CLAIM

Violations of Section 10(b) of the Securities Exchange Act of 1934 [15 U.S.C. §78j(b)] and Rule 10b-5 thereunder [17 C.F.R. §240.10b-5]

18. The **Commission** repeats and incorporates by reference paragraphs 1 through 17 of this Complaint.

19. Defendant Femandez, in connection **with** the purchase or sale of **Madera’s** securities, by the use of means or instrumentalities of interstate commerce, or the mails, or of any facility of any national securities **exchange**, directly or indirectly: (a) employed devices, schemes, or artifices to defraud; or (b) made untrue statement of material fact or 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; or(c) engaged in acts, practices, or courses of business which operated or would have operated as a fraud or deceit upon any person, in violation of Section **10(b)** of the Securities Exchange Act of 1934 [15 U.S.C. §78j(b)] and Rule lob-5 [17 C.F.R. §240.10b-5] promulgated thereunder.

20. Defendant Fernandez, knowingly or with reckless disregard for know facts, made material misrepresentations, and omitted material facts in connection with **Madera's financial** statements included in its annual report on Form 10-K for fiscal 1998 and in its quarterly report on Form **10-Q** for the first quarter **of its** 1999 fiscal year. During the fourth quarter **of fiscal** 1999, **Madera** recorded additional bogus sales totaling **\$1,358,917** which were reflected in sales figures contained in a Maderapress release. These material misstatements **and omissions** related to **Madera's** recording of false receivables and sales.

21. By reason of the foregoing the Defendant **Fernandez** violated Section 1 O(b) of the **Securities Exchange Act of 1934 [15 U.S.C. §78j(b)]** and Rule **10b-5** thereunder [17 C.F.R. §240.10b-5].

SECOND CLAIM

Aiding and Abetting Violations of Section 13(a) of the Securities Exchange Act of 1934

[15 U.S.C. §78m(a)] and Rules 12b-20, 13a-1 and 13a-13

[17 C.F.R. §§ 240.12b-20, 13a-1, and 13a-13] thereunder

22. The Commission repeats and incorporates by reference paragraphs **1** through **21** of **this** Complaint.

23. **Madera** filed with the **Commission** an annual report on Form 10-K for its **fiscal** year ended March **31, 1998** and a quarterly report on Form IO-Qs for its **fiscal** quarter **ended** June 30, 1999 which contained untrue statements **of material** fact and omitted to state material facts required to be stated therein or necessary to make the statements made not misleading, concerning, among other things, **Madera's** assets, revenues and net income.

24. By reason of the foregoing **Madera** violated Section 13(a) of the Securities Exchange Act of 1934 [15 U.S.C. §78m(a)] and Rules 12b-20, 13a-1 and 13a-13 promulgated thereunder [17 C.F.R §§ 240.12b-20, 240.13a-1, and 240.13a-13].

25. By causing **Madera** to file with the **Commission** the false and misleading reports referred to in paragraph 23, Defendant **Fernandéz** aided and abetted **Madera's** violations of Section 13(a) of the Securities Exchange Act of 1934 [15 U.S.C. §78m(a)] and Rules 12b-20, 13a-1 and 13a-13 promulgated thereunder [17 C.F.R §§ 240.12b-20, 240.13a-1, and 240.13a-13].

THIRD CLAIM

Violations of Section 13(b)(5) of the Securities Exchange Act of 1934 [15 U.S.C., §78m(b)(5)]

26. The Commission repeats and incorporates by reference paragraphs 1 through 25 of this Complaint.

27. Defendant **Fernandez** knowingly circumvented or knowingly failed to implement a system of **internal accounting** controls and/or knowingly falsified **Madera's** books, records or accounts. This conduct related to **Madera's** recording false receivables and sales.

28. By reason of the foregoing, Defendant **Fernandez** violated Section 13(b)(5) of the Securities Exchange Act of 1934 [15 U.S.C. §78m(b) (5)].

FOURTH CLAIM

Violations of Exchange Act Rule 13b2-1 [17 C.F.R. §240.13b2-1]

29. The Commission repeats and incorporates by reference paragraphs 1 through 28 of this Complaint.

30. Defendant ~~Fernandez~~ directly or indirectly falsified, or caused to be falsified, ~~Madera's~~ books, records, and/or accounts required to be maintained under Section 13(b)(2) of the Securities Exchange Act of 1934 [~~15 U.S.C. §78m(b)(2)~~]. This conduct related to ~~Madera's~~ recording of false receivables and sales in its books, records and/or accounts.

31. By ~~reason of~~ the foregoing, Defendant Fernandez violated Securities Exchange Act Rule ~~13b2-1~~ [17 C.F.R. §240.13b2-1].

FIFTH CLAIM

Violations of Exchange Act Rule 13b2-2 [17 C.F.R. §240.13b2-2]

32. The Commission repeats and incorporates by reference paragraphs 1 through 31 of this Complaint.

33. Defendant Fernandez, as an ~~officer~~ of ~~Madera~~, directly or indirectly, made materially false and/or misleading statements, or omitted to state, or caused another person to omit to state material facts necessary in order to make statements made, in light of the circumstances under which they were made, not misleading to ~~Madera's~~ accountants in connection with the audits of ~~Madera's~~ financial statements for fiscal year 1,998 and 1999.

34. By reason of the foregoing, Defendant Fernandez violated ~~Securities~~ Exchange Act ~~Rule 13b2-2~~ [17 C.F.R. §240.13b2-2].

PRAYER FOR RELIEF

WHEREFORE, ~~Plaintiff~~ Commission ~~respectfully~~ requests that this Court:

(a) impose a civil penalty for the violations which were committed by Defendant Regina Fernandez pursuant to Section 21(d)(3) of the Securities Exchange Act of 1934 [~~15 U.S.C. §78u(d)(3)~~] in the amount of \$15,000.00; and

(b) grant such other and ~~further~~ relief as this Court deems ~~just and~~ proper.

Respectfully submitted,



Robert E. Anderson (D.C. Bar #208983) ✓
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Dated:.. September 19, 2001
Washington, D.C.

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