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10
11 UNITED STATES DISTRICT COURT
12 CENTRAL DISTRICT OF CALIFORNIA

13 CV 09-04340 SVW (JCx)
Case No.

14 SECURITIES AND EXCHANGE
COMMISSION,

15 Plaintiff,

16 vs.

17 HORIZON PROPERTY HOLDINGS, L.C.,
and CYDNEY SANCHEZ,

18 Defendants.
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COMPLAINT FOR VIOLATIONS
OF THE FEDERAL SECURITIES
LAWS

1 Plaintiff Securities and Exchange Commission (“Commission”) alleges as
2 follows:

3 **JURISDICTION AND VENUE**

4 1. This Court has jurisdiction over this action pursuant to Sections 20(b),
5 20(d)(1), and 22(a) of the Securities Act of 1933 (“Securities Act”), 15 U.S.C.
6 §§ 77t(b), 77t(d)(1), & 77v(a), and Sections 21(d)(1), 21(d)(3)(A), 21(e), and 27 of
7 the Securities Exchange Act of 1934 (“Exchange Act”), 15 U.S.C. §§ 78u(d)(1),
8 78u(d)(3)(A), 78u(e), & 78aa. Defendants have, directly or indirectly, made use of
9 the means or instrumentalities of interstate commerce, of the mails, or of the
10 facilities of a national securities exchange, in connection with the transactions,
11 acts, practices, and courses of business alleged in this complaint.

12 2. Venue is proper in this district pursuant to Section 22(a) of the
13 Securities Act, 15 U.S.C. § 77v(a), and Section 27 of the Exchange Act, 15 U.S.C.
14 § 78aa, because certain of the transactions, acts, practices, and courses of conduct
15 constituting violations of the federal securities laws occurred within this district.

16 **SUMMARY**

17 3. This matter involves an unregistered offering and fraudulent
18 investment scheme perpetrated by Horizon Property Holdings, L.C. (“Horizon”),
19 an entity located in Beverly Hills, California, and its principal, Cydney Sanchez
20 (“Sanchez”). In 2006 and 2007, Horizon and Sanchez sold securities in the form
21 of investments in a purported mortgage reinstatement and refinancing program.
22 They raised approximately \$6 million from at least 150 unsophisticated investors
23 in California and several other states, primarily from the African-American and
24 Hispanic communities.

25 4. Sanchez recruited investors by telling them that Horizon would use
26 their money to help homeowners avoid foreclosure by reinstating mortgages in
27 default and then paying investors principal plus a guaranteed return of 40% by
28 refinancing the homeowners’ properties. Sanchez told investors that their “total

1 return” on each investment (*i.e.*, principal plus the 40% profit) would be paid
2 within a specific time and was secured by a promissory note and an interest in real
3 property evidenced by notarized Short Form Deeds of Trust and Assignment of
4 Rents (“Short Form Deeds”). Sanchez also told investors that they could withdraw
5 their entire investment at any time and for any reason, although they would forfeit
6 some returns or principal for doing so.

7 5. In reality, Horizon investor money was neither guaranteed nor secured
8 by any interest in real property. Sanchez provided investors with sham Short Form
9 Deeds that were unsuitable for recording, a fact some investors discovered when
10 they tried to record their deeds after Sanchez failed to repay their funds.
11 Moreover, contrary to defendants’ representations, investor funds were not used to
12 rescue homes from foreclosure. Instead, of the approximately \$6 million they
13 raised, Horizon and Sanchez used approximately \$3.7 million to pay other
14 investors in a Ponzi scheme. Sanchez misappropriated the remaining investor
15 funds to, among other things, (1) finance unrelated and undisclosed real estate-
16 related business activities and (2) pay her personal expenses (including at least
17 \$536,000 for airline tickets, clothing, jewelry, handbags, electronic equipment,
18 furniture, and cars).

19 6. The defendants, by engaging in the conduct described in this
20 complaint, have violated the antifraud and registration provisions of the federal
21 securities laws.

22 7. By this complaint, the Commission seeks permanent injunctions
23 prohibiting further violations, disgorgement with prejudgment interest, and civil
24 penalties.

25 THE DEFENDANTS

26 8. **Horizon Property Holdings, L.C.** is a Utah limited liability
27 corporation based in Beverly Hills, California. In 2006 and 2007, Horizon
28 purported to be a real estate investment company seeking investments in its

1 foreclosure reinstatement and refinancing program. On August 11, 2008, the
2 California Department of Corporations issued a desist and refrain order to Horizon
3 in connection with the purported foreclosure reinstatement program.

4 9. **Cydney Sanchez**, age 59 and a resident of Los Angeles, California,
5 owned and managed Horizon.

6 **THE FRAUDULENT SCHEME**

7 **A. Horizon's Mortgage Reinstatement and Refinancing Program**

8 10. From approximately January 2006 through July 2007, Horizon and
9 Sanchez recruited at least 150 investors to invest in a purported mortgage
10 reinstatement and refinancing program. Sanchez told investors that Horizon
11 helped homeowners who had fallen behind in their mortgage payments avoid
12 foreclosure by reinstating their mortgages and refinancing their properties on more
13 favorable terms. Sanchez claimed to have been in the "foreclosure business" for
14 more than 20 years.

15 11. Sanchez and Horizon relied on word-of-mouth referrals and
16 testimonials from current investors to recruit new investors. Investors resided in
17 California, Illinois, Florida, Georgia, and Washington and were primarily from the
18 African-American and Hispanic communities. Most were unsophisticated, of
19 modest means, and had little or no investment or financial experience.

20 12. Sanchez also used "investment coordinators" to recruit investors and
21 handle investor paperwork. These coordinators, who also invested in Horizon,
22 called or met with family members, friends, and co-workers, shared their
23 experiences as Horizon investors, and explained Horizon's investment program
24 using the information and sales pitch that Sanchez provided. If potential investors
25 expressed interest, the coordinators arranged for them to meet with Sanchez, so
26 that Sanchez could explain in detail how the investment program worked. The
27 coordinators typically received a 10% commission on the principal amount
28 invested by those they recruited.

1 13. At meetings and in offering materials prepared at Sanchez’s direction,
2 Sanchez told investors that their money would be pooled and used to help
3 homeowners avoid foreclosure. Sanchez also told investors that she would
4 refinance the distressed properties and pay investors their principal plus a
5 guaranteed 40% return from the proceeds. Investors were also told and given a
6 payout sheet documenting that their “total return” on each investment (*i.e.*,
7 principal plus the 40% profit) was secured by both a promissory note signed by
8 Sanchez and an interest in real property evidenced by the Short Form Deeds.
9 Sanchez promised investors that they would receive their returns within specific
10 periods of time according to a written schedule, ranging from 30 days to one year.
11 Investors were also told orally and in writing that they could withdraw their entire
12 investment at any time for any reason, although they would forfeit their returns or
13 some principal for doing so. Sanchez presented an investment in Horizon as safe,
14 risk-free, a “no lose investment,” and “100% guaranteed” to generate a 40% profit.

15 **B. Horizon and Sanchez Solicited Investors with False and**
16 **Misleading Information**

17 14. Horizon’s purported program to generate investor returns by helping
18 homeowners avoid foreclosure was a sham. Although Horizon and Sanchez
19 claimed to use investor funds to save properties from foreclosure, there is no
20 evidence that they helped any homeowners to avoid foreclosure. Only two
21 homeowners appear to have sought foreclosure help from Sanchez, and both lost
22 their homes after Sanchez transferred title of the properties to Horizon affiliates.

23 15. Moreover, Horizon’s and Sanchez’s representations that the “total
24 return” on each investment was secured by an interest in real property as set forth
25 in the Short Form Deeds were false. Investments in Horizon were not secured by
26 any interest in real property. The Short Form Deeds were invalid and could not be
27 recorded, which some investors discovered when they tried unsuccessfully to
28 record their deeds. Sanchez knew that the Short Form Deeds were not recordable

1 and did not actually represent a secured property interest.

2 16. Horizon's and Sanchez's representations that the investments were
3 guaranteed and virtually risk free because investors could cash out at any time
4 were also false. Investors have made repeated attempts to recover their principal
5 without success.

6 **C. Sanchez Misappropriated Investor Funds**

7 17. Of the approximately \$6 million raised from investors, Horizon and
8 Sanchez used approximately \$3.7 million to pay other investors in a Ponzi scheme.
9 Sanchez misappropriated the remaining investor funds to, among other things,
10 (1) finance undisclosed and potentially illegal real estate-related business activities;
11 and (2) pay at least \$536,000 for personal expenses (including \$77,000 for her
12 granddaughter's sweet sixteen party and at least \$300,000 for airline tickets,
13 clothing, jewelry, electronic equipment, furniture, and cars).

14 18. Sanchez never disclosed to Horizon investors that she transferred
15 investor funds to accounts for her own use. To the contrary, while she was
16 misappropriating millions of dollars of investor funds, Sanchez told Horizon
17 investors that she was using investor proceeds for Horizon's purported real estate
18 foreclosure business.

19 19. Sanchez, in her capacity as the owner and manager of Horizon,
20 developed the pitch to investors and directed the preparation of Horizon's offering
21 materials, met with investors and explained in detail the Horizon investment
22 program, and personally prepared the promissory notes and Short Form Deeds
23 issued for each investment. In so doing, Sanchez misrepresented the use of
24 offering proceeds, the source of the returns, and the risk of investment and
25 concealed the facts that investor funds were neither guaranteed nor secured by an
26 interest in real property. Sanchez also controlled Horizon's bank accounts and thus
27 knew that Horizon's purported investment program was not generating any returns
28

1 and that investor funds were instead being diverted to pay prior investors and for
2 other undisclosed purposes.

3 **FIRST CLAIM FOR RELIEF**

4 **FRAUD IN THE OFFER OR SALE OF SECURITIES**

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

6 **(Against Both Defendants)**

7 20. The Commission realleges and incorporates by reference paragraphs 1
8 through 19 above.

9 21. Defendants Horizon and Sanchez, and each of them, by engaging in
10 the conduct described above, directly or indirectly, in the offer or sale of securities
11 by the use of means or instruments of transportation or communication in interstate
12 commerce or by use of the mails:

- 13 a. with scienter, employed devices, schemes, or artifices to
- 14 defraud;
- 15 b. obtained money or property by means of untrue statements of a
- 16 material fact or by omitting to state a material fact necessary in
- 17 order to make the statements made, in light of the
- 18 circumstances under which they were made, not misleading; or
- 19 c. engaged in transactions, practices, or courses of business which
- 20 operated or would operate as a fraud or deceit upon the
- 21 purchaser.

22 22. By engaging in the conduct described above, defendants Horizon and
23 Sanchez violated, and unless restrained and enjoined will continue to violate,
24 Section 17(a) of the Securities Act, 15 U.S.C. § 77q(a).

1 5(a), 5(c), and 17(a) of the Securities Act, 15 U.S.C. §§ 77e(a), 77e(c), and 77q(a),
2 and Section 10(b) of the Exchange Act, 15 U.S.C. § 78j(b) and Rule 10b-5
3 thereunder, 17 C.F.R. § 240.10b-5.

4 **III.**

5 Order defendants Horizon and Sanchez to disgorge all ill-gotten gains from
6 the illegal conduct, together with prejudgment interest thereon.

7 **IV.**

8 Order defendants Horizon and Sanchez to pay civil penalties under
9 Section 20(d) of the Securities Act, 15 U.S.C. § 77t(d), and Section 21(d)(3) of the
10 Exchange Act, 15 U.S.C. § 78u(d)(3).

11 **V.**

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

16 **VI.**

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

19
20 DATED: June 17, 2009

Marshall S. Sprung

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