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IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF ILLINOIS, EASTERN DIVISION

UNITED STATES
SECURITIES AND EXCHANGE
COMMISSION,

Plaintiff,

v.

RICHARD M. EISENMENGER and,
LEROY K. MESSENGER,

Defendants.

01C 7506
NO.

JUDGE GRADY

MAGISTRATE JUDGE ROSEMOND

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U.S. DISTRICT COURT

COMPLAINT

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

1. Between mid-1996 and October 1999, Defendants Richard M. Eisenmenger ("Eisenmenger") and LeRoy K. Messenger ("Messenger"), officers of Geneva Securities, Inc. ("Geneva"), sold securities of companies related to Geneva while making numerous material misrepresentations to the purchasers relating to the use of the funds raised, the amount of debt the companies would incur, and the collateral protecting the investments. In 1999, when Geneva and its related companies collapsed, the purchasers were left with over \$11 million dollars in losses.

2. Eisenmenger and Messenger, directly and indirectly, have engaged and, unless enjoined, will continue to engage in acts, practices and courses of business which constitute

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and will constitute violations of Section 17(a) of the Securities Act of 1933 ("Securities Act") [15 U.S.C. § 77q(a)], and 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. § 240.10b-5] promulgated thereunder.

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

JURISDICTION

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

5. The acts, practices, and courses of business constituting the violations herein occurred within the jurisdiction of the United States District Court for the Northern District of Illinois and elsewhere.

6. The Defendants will, directly and indirectly, unless enjoined, have the opportunity to engage in the acts, practices and courses of business set forth in this Complaint and in acts, practices and courses of business of similar purport and object.

7. The Defendants, directly and indirectly, have made use of the mails and of the means and instrumentalities of interstate commerce in connection with the acts, practices and courses of business alleged herein in the Northern District of Illinois and elsewhere.

DEFENDANTS

8. Eisenmenger resides in McHenry, Illinois. At all relevant times he was President and Chief Executive Officer of Geneva.

9. Messenger resides in Elk Grove Village, Illinois. At all relevant times he was Chief Operating Officer and Chief Financial Officer of Geneva.

ENTITIES INVOLVED

10. Geneva was a broker-dealer registered with the Commission, founded by Eisenmenger and others in 1985, incorporated in Illinois, and based in Schaumburg, Illinois. Geneva was in the business of selling securities to retail customers, wholesale municipal bond trading, and underwriting securities offerings of affiliated companies. Geneva went out of business in the fall of 1999 when it and its affiliates were unable to continue making interest and dividend payments on previously issued promissory notes and preferred stock.

11. GSI Trading Corp., GSI Investment Group, Inc., Geneva Holding Corp., Meridian Restaurant Group, and Delancey Street at Belden and Clark, LLC were corporations founded by Eisenmenger and Messenger in order to own, manage, and fund investments in various restaurants and other businesses.

FACTS

Sales of Preferred Stock

12. Between 1993 and 1999, the defendants sold preferred stock in their affiliated company GSI Trading Corp. (GSIT). According to the private placement memorandum (PPM), the defendants stated that they would license GSIT for trading, and transfer Geneva's wholesale bond trading operation to GSIT. The PPM also stated that proceeds would be used to purchase an inventory of bonds, and that GSIT had issued and would continue to offer certain short-term notes, but would not issue notes in excess of \$500,000.

13. Contrary to the representations they made in the PPM, the defendants never obtained a trading license for GSIT, never transferred Geneva's bond trading operation to GSIT, and never used the funds they raised to purchase an inventory of bonds. Rather, they loaned nearly all the money raised to other affiliated companies to fund their restaurant investments. In addition, contrary to their representations, the defendants sold more than \$1 million of GSIT notes.

14. The defendants also sold preferred shares in their affiliated company GSI Investment Group, Inc. (GSIIG). The GSIIG PPM also stated that GSIIG would not issue notes in excess of \$500,000. Contrary to that representation, however, the defendants sold over \$3.6 million in GSIIG notes.

Sales of Securities to Raise Funds for Bond Trading

15. In July 1999, the defendants approached a bond trader who was a Geneva employee and asked if he was willing to reinvest into Geneva approximately \$80,000 in trading profits that were due to him. He agreed, but told them that he wanted the money to be used for bond trading. The defendants agreed. Contrary to their representations, however, the defendants never used the money for bond trading. In addition, the employee understood that his investment would be in the form of a note. The defendants, however, issued \$81,000 in Geneva preferred stock to the employee.

16. Between July and October 1998, Eisenmenger sold one client, a former employee of Geneva, \$266,510.74 in promissory notes from Geneva Holding Corp. and GSI Investment Group, Inc. The client specified that the money he invested in the notes was to be used by Geneva's bond trading desk and not for any restaurant ventures. Eisenmenger orally

assured him that the money would be used only by Geneva's bond trading desk. Contrary to Eisenmenger's representations, the money was never used for bond trading and at least some of the money was used to support the defendants' restaurant ventures.

Sales of Secured Notes

17. Between April 1997 and January 1998, Eisenmenger sold approximately \$150,000 in GSI Bellwood Notes to eight investors. Eisenmenger told investors that these notes were secured by property in Bellwood, Illinois where the company owned a Checkers restaurant. No security interest in the property was ever recorded for owners of the notes.

18. During 1997, the defendants sold approximately \$350,000 of GSIIG series 1997A Notes to seven investors. The PPM states that these notes were secured by a second mortgage on an apartment building in Milwaukee, Wisconsin. No security interest was ever recorded for owners of the notes.

19. During 1999, the defendants sold approximately \$730,000 of Delancey St. at Belden & Clark, LLC Notes to approximately 30 investors. According to the PPM, the defendants would use the proceeds of the notes to pay off the lease and first lien on certain restaurant equipment. In addition, the notes were to be secured by a first lien on the equipment. The defendants, however, did not pay off the lease and first lien on the equipment, and the note holders never obtained any security interest in the equipment.

Sales of Notes in 1999

20. By mid-1999, Geneva and its affiliated companies were in severe financial straits. Geneva lost over \$1.2 million in fiscal years 1995-99. The affiliated companies were also losing money and had few real assets. The defendants, however, sold over \$1 million of

30-day demand notes in GSIT and GSIIG during mid-1999 to eight investors, knowing that those companies would not have funds available to redeem the notes. Those investors lost most or all of their money. At least some of the money was used to make interest payments to other investors.

Sales of Unsuitable Investments

21. Eisenmenger also sold unsuitable investments to several of his clients. For example, one client, a 74 year-old retiree, had been a client of Eisenmenger's since 1982. She trusted Eisenmenger and always followed his investment advice. Over a period of several years, Eisenmenger invested over \$200,000, nearly her entire liquid net worth, in preferred stock and promissory notes of Geneva affiliates and risky corporate bonds underwritten by Geneva. She lost nearly all her investments.

22. During the period of 1995 through October 1999, Eisenmenger steadily eroded the wealth of another of his clients by recommending that she invest approximately \$1.2 million of her money in Geneva-affiliated companies and other companies whose high-risk security offerings were underwritten by Geneva. This individual had been a client of Eisenmenger's for many years and during this period she arranged for Eisenmenger to have control over her finances after she became unable to look after her financial affairs. Eisenmenger wrote checks on the client's checking account to pay for at least \$10,000 of these investments. By October 1999, she was left with assets worth between \$20,000 and \$30,000. This client is currently approximately 82 years old and lives in a nursing home.

Unauthorized Trading and Diversion of Funds

23. On several occasions, Eisenmenger bought securities with his client's funds without their authorization or diverted those funds. In August 1999, Eisenmenger received a check for \$80,000 from a client. That client asked that Eisenmenger deposit the money into her money market account and Eisenmenger agreed. Instead, he used the funds to purchase a note from GSIIG. In May 1999, Eisenmenger made wire transfers of \$200,000 and \$400,000 from the account of another client. Without her permission, Eisenmenger used those funds to purchase promissory notes from GSIIG. In August 1999, Eisenmenger took \$5,000 from yet another client's account without her permission and used it to purchase a promissory note from GSIIG. In October 1999, Eisenmenger, without authorization, diverted \$5,000 from that client's account and \$10,000 from yet another client's account to the accounts of Geneva-affiliated companies.

COUNT I

Violations of Section 17(a)(1) of the Securities Act

24. Paragraphs 1 through 23 are realleged and incorporated by reference as if set forth fully herein.

25. From approximately July 1996 to October 1999, Eisenmenger and Messenger, in the offer and sale of securities, by the use of the means and instruments of transportation and communication in interstate commerce and by the use of the mails, directly and indirectly, employed devices, schemes and artifices to defraud.

26. As part of the scheme to defraud, Eisenmenger and Messenger made false and misleading statements of material fact and have omitted to state material facts to investors

concerning the use of investor funds, the debts their companies would become obligated to pay, and the security protecting investments.

27. Eisenmenger and Messenger knew or were reckless in not knowing of the activities described in paragraphs 12 through 23 above.

28. By reason of the activities described in paragraphs 12 through 23 above, Eisenmenger and Messenger violated Section 17(a)(1) of the Securities Act [15 U.S.C. §77q(a)(1)].

COUNT II

Violations of Sections 17(a)(2) and 17(a)(3) of the Securities Act

29. Paragraphs 1 through 23 are realleged and incorporated by reference as if set forth fully herein.

30. From approximately July 1996 to October 1999, Eisenmenger and Messenger, in the offer and sale of securities, by the use of the means and instruments of transportation and communication in interstate commerce and by the use of the mails, directly and indirectly, obtained money and property by means of untrue statements of material fact or omissions 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 engaged in transactions, practices or courses of business which have operated as a fraud and deceit upon the purchasers, all as more fully described in paragraphs 12 through 23 above.

31. By reason of the activities described in paragraphs 12 through 23 above, Eisenmenger and Messenger violated Sections 17(a)(2) and 17(a)(3) of the Securities Act [15 U.S.C. §77q(a)(2) and §77q(a)(3)].

COUNT III

**Violation of Section 10(b) of the
Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5
[17 C.F.R. § 240.10b-5] Promulgated Thereunder**

32. Paragraphs 1 through 23 are hereby realleged and incorporated by reference herein.

33. From approximately July 1996 to October 1999, Eisenmenger and Messenger, in connection with the purchase or sale of securities, by use of the means and instrumentalities of interstate commerce and of the mails, directly and indirectly: employed devices, schemes and artifices to defraud; 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 engaged in acts, practices and courses of business which operated as a fraud and deceit upon purchasers and sellers of such securities, all as more fully described in paragraphs 12 through 23 above.

34. Eisenmenger and Messenger knew or were reckless in not knowing the facts and circumstances described in paragraphs 12 through 23 above.

35. By reason of the activities described in paragraphs 12 through 23 above, Eisenmenger and Messenger violated Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 [17 C.F.R. § 240.10b-5] promulgated thereunder.

WHEREFORE, the Commission requests that the Court:

I.

Find that the defendants committed the violations alleged above.

II.

Issue an Order of Permanent Injunction, in a form consistent with Rule 65(d) of the Federal Rules of Civil Procedure, permanently restraining and enjoining Defendants Eisenmenger and Messenger, their agents, servants, employees, attorneys and those persons in active concert or participation with them who receive actual notice of the Order, by personal service or otherwise, and each of them from, directly or indirectly, engaging in the transactions, acts, practices or courses of business described above, or in conduct of similar purport and object, in violation of Sections 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)], Section 10(b) of the Exchange Act [15 U.S.C. §78j(b)] and Rule 10b-5 [17 C.F.R. §240.10b-5] promulgated thereunder.

III.

Issue an Order requiring the defendants to disgorge their ill-gotten gains from their violative conduct, including prejudgment interest.

IV.

Issue an order requiring the defendants to pay appropriate civil penalties pursuant to Section 20(d) of the Securities Act [15 U.S.C. §77t(d)] and Section 21(d) of the Exchange Act [15 U.S.C. § 78u(d)].

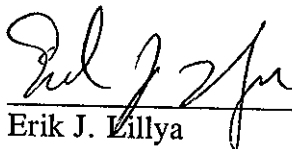
V.

Retain jurisdiction of this action for all purposes.

VI.

Grant an Order for such further relief as the Court may deem appropriate.

Respectfully submitted,



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