

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF ILLINOIS

FILED-ED4
JUN 28 AM 9:07
CLERK J^M
U.S. DISTRICT COURT

SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

v.

JANICE A. LOEF,

Defendant.

CIVIL ACTION
FILE NO.

DOCKETED
JUN 28 2002
02C 4618

JUDGE KOCORAS

MAGISTRATE JUDGE NOLAN

COMPLAINT

Plaintiff United States Securities and Exchange Commission ("Commission") for its complaint alleges as follows:

NATURE OF THE COMPLAINT

1. In January 1997, Defendant Janice Loef engaged in insider trading by selling 20,799 shares of common stock of Mercury Finance Company ("Mercury") while in possession of material non-public information concerning Mercury, including the fact that Mercury's Chief Financial Officer was absent from Mercury without explanation. By selling her stock in Mercury, Loef was able to avoid losses of almost \$280,000.

2. Defendant Loef has violated Section 17(a) of the Securities Act of 1933 ("Securities Act") and Section 10(b) of the Securities Exchange Act of 1934 ("Exchange Act") and Rule 10b-5 thereunder. There is a reasonable likelihood that, unless enjoined,

Loef will continue to engage in transactions, acts, practices and courses of business the same as or similar to those set forth above.

JURISDICTION AND VENUE

3. The Court has jurisdiction of this action 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].

4. The Commission brings this action pursuant to Section 20(b) of the Securities Act [15 U.S.C. §77t(b)], and Section 21 of the Exchange Act [15 U.S.C. §§78u(d) and 78u(e)].

5. The Defendant, directly and indirectly, has made use of the means and instrumentalities of interstate commerce in connection with the transactions, acts, practices and courses of business alleged in this Complaint.

DEFENDANT

6. Defendant Janice A. Loef is a resident of Wheeling, Illinois. She was an employee of Mercury and its successor, MFN Financial Corporation, from 1983 to 2002. In 1996 and early 1997, she was employed as an administrative assistant at Mercury's headquarters in Lake Forest, Illinois.

FACTS

7. During the relevant period, Mercury was a Delaware corporation with headquarters in Lake Forest, Illinois. Its common stock was publicly traded on the New York Stock Exchange. Mercury was in the "sub-prime lending" business, primarily extending short-term installment loans directly to consumers with sub-standard credit and acquiring installment sales finance loans from used automobile dealers and retail vendors.

8. On January 23, 1997, Mercury issued a press release reporting record net earnings for the fiscal year ended three weeks earlier. According to the press release, net earnings for the year ended December 31, 1996, were \$120,700,000, more than 20% higher than net earnings for the prior year. Following this press release, the price of Mercury's common stock reached a 52 week high of \$16 per share.

9. On January 29, 1997, Mercury disclosed that the January 23 press release was grossly incorrect. In a press release issued on January 29, Mercury stated that accounting irregularities had been found, that Mercury's Principal Accounting Officer had disappeared, and that Mercury's net earnings for 1996 were actually \$56,700,000, less than half the earnings reported just six days earlier. The January 29 press release also disclosed that the accounting irregularities had improperly inflated Mercury's 1995 net earnings, by more than \$20 million.

10. On January 29, in reaction to the disclosure of accounting irregularities, the price of Mercury's common stock plummeted by 89%, closing at \$ 1 5/8 per share.

11. During her tenure at Mercury, Loeff had accumulated a substantial number of options to purchase Mercury common stock. On January 27 and January 28, 1997, Loeff exercised the vast majority of the options, and caused 20,799 shares of common stock to be sold, at prices ranging from \$14.75 and \$15.50 per share.

12. At the time Loeff made the sales referred to in paragraph 11 above, Loeff was generally aware that Mercury's headquarters were in a crisis atmosphere. She knew that Mercury's Principal Accounting Officer was missing without explanation. She also knew that Mercury's outside auditors were at Mercury's headquarters questioning personnel

and had searched the Principal Accounting Officer's office. Loeff knew, or was reckless in not knowing, that this information was material and non-public.

13. As a result of Loeff's sales of Mercury common stock on or around January 28, 1997, she avoided a loss of, and was unjustly enriched by, approximately \$278,993.70.

COUNT I

Violations of Section 17(a)(1) of the Securities Act [15 U.S.C. §77q(a)(1)]

14. Paragraphs 1 through 13 are realleged and incorporated by reference.

15. In January 1997, Defendant Loeff, in the offer and sale of securities in the form of common stock in Mercury Finance Company, by the use of the means and instruments of transportation and communication in interstate commerce, directly and indirectly, has employed devices, schemes and artifices to defraud, as more fully described in Paragraphs 1 through 13.

16. By reason of the activities described in Paragraphs 1 through 13, Defendant Loeff has violated Section 17(a)(1) of the Securities Act [15 U.S.C. 77q(a)].

COUNT II

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

17. Paragraphs 1 through 13 are realleged and incorporated by reference.

18. In January 1997, Defendant Loeff, in the offer and sale of securities in the form of common stock in Mercury Finance, by the use of the means and instruments of transportation and communication in interstate commerce, directly and indirectly, has

obtained money and property by means of untrue statements of material facts and 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 has engaged in transactions, practices and courses of business which have operated as a fraud and deceit upon purchasers of common stock in Mercury Finance Co., all as more fully described in Paragraphs 1 through 13.

19. By the reason of the activities described in Paragraphs 1 through 13, Defendant Loef has 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

Violations 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] thereunder

20. Paragraphs 1 through 13 are realleged and incorporated by reference.

21. In January 1997, Defendant Loef, in connection with the sale of securities in the form of common stock in Mercury Finance Co., by the use of the means and instrumentalities of interstate commerce, directly and indirectly, has employed devices, schemes and artifices to defraud; has made untrue statements of material fact and has 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 has engaged in acts, practices and courses of business which have operated as a fraud and deceit upon purchasers of common stock in Mercury Finance Co., all as more fully described in Paragraphs 1 through 13.

22. By reason of the activities described in Paragraphs 1 through 13, Defendant Loef has 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] thereunder.

WHEREFORE, the Commission respectfully requests that this Court:

I.

Grant a Permanent Injunction, in a form consistent with Rule 65(d) of the Federal Rules of Civil Procedure, restraining and enjoining Defendant Loef, her officers, agents, servants, employees, attorneys, and those persons in active concert or participation with her who receive actual notice of the Permanent Injunction by personal service or otherwise, and each of them, from directly or indirectly engaging in the acts, practices or courses of business that violate Sections 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 thereunder [17 C.F.R. 240.10b-5], and from engaging in acts, practices, and courses of business of similar purport and object in connection with transactions in any securities.

II.

Grant an Order requiring Defendant Loef to disgorge any and all ill-gotten gains (including prejudgment interest) attributable to the conduct alleged in this complaint.

III.

Grant an Order imposing appropriate civil penalties against Defendant Loef in accordance with 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.

Retain jurisdiction of this action in accordance with the principles of equity and the Federal Rules of Civil Procedure in order to implement and 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 this Court.

V.

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

Respectfully Submitted,

A handwritten signature in black ink, appearing to read 'R. Burson', is written over a horizontal line.

Robert J. Burson
Attorney for Plaintiff
United States Securities and Exchange Commission
175 West Jackson Blvd., Suite 900
Chicago, Illinois 60604
(312) 353-7428

Dated: June 28, 2002

③

**UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF ILLINOIS**

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Civil Cover Sheet

CLERK
U.S. DISTRICT COURT

DOCKETED

JUN 28 2002

This automated JS-44 conforms generally to the manual JS-44 approved by the Judicial Conference of the United States in September 1974. The data is required for the use of the Clerk of Court for the purpose of initiating the civil docket sheet. The information contained herein neither replaces nor supplements the filing and service of pleadings or other papers as required by law. This form is authorized for use only in the Northern District of Illinois.

**Plaintiff(s): U.S. Securities and Exchange
Commission**

Defendant(s): Janice A. Boef

County of Residence:

County of Residence: Lake

Plaintiff's Atty: Robert J. Burson
U.S. Securities & Exchange
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175 W. Jackson Blvd., Suite
900, Chicago, IL 60606
(312)353-7428

Defendant's Atty: Chris Gair
Freeman, Freeman &
Salzman
401 N. Michigan Ave, Suite
3200, Chicago, IL 60611
(312)222-5100

JUDGE KOCORAS
MAGISTRATE JUDGE NOLAN

II. Basis of Jurisdiction: 1. U.S. Gov't Plaintiff

**III. Citizenship of Principal
Parties (Diversity Cases Only)**

Plaintiff:- N/A
Defendant:- N/A

IV. Origin : 1. Original Proceeding

V. Nature of Suit: 850 Securities / Commodities / Exchange

**VI. Cause of Action: 15 U.S.C. Secs. 77q(a), 78j(b). SEC enforcement action alleging
insider trading**

VII. Requested in Complaint

Class Action: No
Dollar Demand:
Jury Demand: No

VIII. This case IS NOT a refiling of a previously dismissed case.

Signature:

Date:

If any of this information is incorrect, please go back to the Civil Cover Sheet Input form using the *Back* button in your browser and change

**UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION**

United States Securities and Exchange Commission

v.

Janice Loef

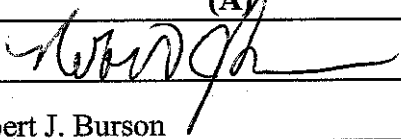
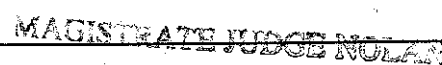
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APPEARANCES ARE HEREBY FILED BY THE UNDERSIGNED AS ATTORNEY(S) FOR:

United States Securities and Exchange Commission

JUDGE KOCORAS

(A)		(B)	
SIGNATURE 		SIGNATURE 	
NAME Robert J. Burson		NAME	
FIRM U.S. Securities and Exchange Commission		FIRM	
STREET ADDRESS 175 W. Jackson Boulevard, Suite 900		STREET ADDRESS	
CITY/STATE/ZIP Chicago, IL 60604-2615		CITY/STATE/ZIP	
TELEPHONE NUMBER (312) 353-7390	FAX NUMBER 312-353-7398	TELEPHONE NUMBER	FAX NUMBER
E-MAIL ADDRESS		E-MAIL ADDRESS	
IDENTIFICATION NUMBER (SEE ITEM 4 ON REVERSE) 3126909		IDENTIFICATION NUMBER (SEE ITEM 4 ON REVERSE)	
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TRIAL ATTORNEY? YES <input type="checkbox"/> NO <input checked="" type="checkbox"/>		TRIAL ATTORNEY? YES <input type="checkbox"/> NO <input type="checkbox"/>	
		DESIGNATED AS LOCAL COUNSEL? YES <input type="checkbox"/> NO <input type="checkbox"/>	
(C)		(D)	
SIGNATURE		SIGNATURE	
NAME		NAME	
FIRM		FIRM	
STREET ADDRESS		STREET ADDRESS	
CITY/STATE/ZIP		CITY/STATE/ZIP	
TELEPHONE NUMBER	FAX NUMBER	TELEPHONE NUMBER	FAX NUMBER
E-MAIL ADDRESS		E-MAIL ADDRESS	
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