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UNITED STATES DISTRICT COURT
DISTRICT OF NEW JERSEY

SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

v.

FIRST INTERREGIONAL ADVISORS CORP.,
FIRST INTERREGIONAL EQUITY CORP., and
RICHARD GOETTICH,

Defendants.

Hon.

Civil Action No. 97-1144 (MTB)

COMPLAINT
AND DEMAND
FOR JURY TRIAL

Plaintiff Securities and Exchange Commission ("Commission"), for its Complaint
against First Interregional Advisors Corporation ("FIAC"), which has its principal place of
business at 25 East Willow Street, Millburn, New Jersey 07041, First Interregional Equity

Corporation ("FIEC"), which also has its principal place of business at 25 East Willow Street, Millburn, New Jersey 07041, and Richard Goettlich ("R. Goettlich"), who resides at RD#3 Calais Road, Mendham, New Jersey 07945, (collectively, "Defendants"), alleges that:

1. Defendants are engaging in a massive, ongoing "Ponzi" scheme. Since at least 1993, FIAC, a finance company headquartered in Millburn, New Jersey, FIEC, a registered broker-dealer located in the same building as FIAC, and R. Goettlich, the president of both FIAC and FIEC, have been fraudulently offering and selling to hundreds of investors tens of millions of dollars of purported assignments of equipment leases ("Lease Assignments").

Through registered representatives employed by FIEC, Defendants have purported to assign all payments from specific leases after previously selling those very same payments to other investors. Through this pervasive fraudulent scheme, Defendants have sold more than \$75 million of Lease Assignments based on only \$25 million of underlying leases.

2. Defendants, directly and indirectly, have engaged, are continuing to engage, and are about to engage in, transactions, acts, practices and courses of business that constitute violations of Section 17(a) of the Securities Act of 1933 (the "Securities Act") [15 U.S.C. §§ 77q(a)], and Section 10(b) of the Securities Exchange Act of 1934 (the "Exchange Act") [15 U.S.C. § 78j(b)] and Rule 10b-5 [17 C.F.R. § 240.10b-5] promulgated thereunder.

3. FIEC, directly and indirectly, has engaged, is continuing to engage, and is about to engage in, transactions, acts, practices and courses of business that constitute violations of Section 15(c)(1) of Exchange Act [15 U.S.C. § 78o(c)] and Rule 15c1-2 [17 C.F.R. § 240.15c1-2] promulgated thereunder.

4. Unless Defendants are restrained and enjoined, they will continue to engage in the transactions, acts, practices, and courses of business set forth in this Complaint and in transactions, acts, practices, and courses of business of similar type and object.

JURISDICTION AND VENUE

5. The Commission brings this action pursuant to the authority conferred upon it by Section 20(b) of the Securities Act [15 U.S.C. § 77t(b)] and Section 21(d) of the Exchange Act [15 U.S.C. § 78u(d)], seeking temporarily, preliminarily, and permanently to restrain and enjoin Defendants from engaging in the transactions, acts, practices and courses of conduct alleged herein. The Commission seeks a judgment requiring the Defendants to disgorge their ill-gotten gains, plus prejudgment interest, and imposing civil penalties against the Defendants 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)]. The Commission also seeks to have the Court issue an order freezing Defendants' assets, appointing a temporary receiver for the defendant corporations, requiring the Defendants to provide an accounting, and prohibiting the destruction of documents.

6. This Court has jurisdiction over this action pursuant to Sections 20(d) and 22(a) of the Securities Act [15 U.S.C. §§ 77t(d), 77v(a)] and Sections 21(d) and 27 of the Exchange Act [15 U.S.C. §§ 77u(d), 78aa].

7. The Commission, pursuant to authority conferred upon it by Sections 10(b), 15(c) and 23(a) of the Exchange Act [15 U.S.C. §§ 78j(b), 78o(c), 78w(a)] has promulgated Rules 10b-5 and 15c1-2 [17 C.F.R. § 240.10b-5 and 15c1-2]. Rules 10b-5 and 15c1-2 were

in effect at the time of the transactions alleged in this Complaint and remain in effect.

8. The Defendants, directly and indirectly, have made use of the means or instruments of transportation or communication in, and the means or instrumentalities of, interstate commerce, or of the mails, in connection with the transactions, acts, practices, and courses of business alleged herein. Certain of the transactions, acts, practices and courses of business have occurred and are now occurring within the District of New Jersey, including the fraudulent offer and sale of Lease Assignments.

THE DEFENDANTS

9. **FIAC**, a corporation incorporated in the state of New Jersey since 1989, is located in Millburn, New Jersey, and is wholly-owned by Herbert Goettlich ("H. Goettlich"), the father of R. Goettlich. FIAC was established for the purpose of financing and distributing equipment leases in which federal and municipal government entities typically are the lessees. Currently a separate entity, FIAC was, until July 1995, a subsidiary of FIEC. FIAC continues to lease office space and equipment from FIEC and a number of employees are compensated by both entities.

10. **FIEC**, a broker-dealer registered with the Commission is located in Millburn, New Jersey. H. Goettlich owns FIEC.

11. **R. Goettlich**, 41 years old, is president of both FIAC and FIEC.

FRAUDULENT OFFER AND SALE OF LEASE ASSIGNMENTS

12. Since beginning operations in 1992, FIAC, FIEC, and R. Goettlich fraudulently offered and sold to hundreds of investors at least \$75 million of Lease

Assignments. The majority of FIAC's investor customers are also customers of FIEC. Indeed, FIAC, FIEC and R. Goettlich sold the Lease Assignments to investor through registered representatives employed by FIEC. FIAC paid commissions on sales of Lease Assignments to FIEC employees directly.

13. The Lease Assignments that FIAC, FIEC and R. Goettlich sold purportedly constituted the assignment of leases of photocopying machines, facsimile machines, vehicles and other equipment. The vast majority of the Lease Assignments purport to be assignments of equipment leases entered into by federal, state or local government entities. FIAC represents to investors that payments received by investors under municipal Lease Assignments are tax-exempt.

14. FIAC represents that it will continue to service the leases assigned to investors by collecting lease payments from end-users and passing the payments through to investors. In fact, FIAC commingles funds it received from investors with funds it receives from end-users and other sources.

15. FIAC claims that it currently services at least 1,200 leases. In hundreds of instances FIAC, FIEC, and R. Goettlich have purported to assign the entire receivable stream from a single lease to one investor after having previously assigned that same receivable stream to one prior investor, and sometimes two or three prior investors. FIAC, FIEC, and R. Goettlich have received approximately \$50 million from investors by selling Lease Assignments representing leases that already had been sold to others.

16. Generally, FIAC provides purchasers of Lease Assignments the following

documents: (a) a "Buyer Confirmation"; (b) an "Assignment to Investor"; (c) an amortization schedule itemizing each monthly payment due to the investor, broken out into interest and principal components; and (d) monthly account statements.

17. The Buyer Confirmation purports to identify the lease assigned by assignment number, lease issuer, number of payments, interest rate, method of payment, payment amount and first payment date.

18. The Assignment to Investor, which is signed by R. Goettlich for FIAC as "Assignor", purports to document the assignment of the lease payment stream. The Assignment to Investor identifies the specific lease supposedly being assigned by end-user, date, and future payments owed under the lease. The Assignment to Investor purports to convey FIAC's "all and every right and interest of the Assignor to the equipment, and the [lease], and any and all" of the payments under the lease. FIAC warrants, *inter alia*, that it is owner of the equipment "free and clear of any liens, encumbrances or interests of any third party" and that FIAC "has the power and authority to convey the assigned payments to" the customer. No information sent to investors by FIAC specifically or independently identifies the lease underlying the customer's Lease Assignment.

19. The monthly account statements that FIAC sends to investors purport to reflect, by the name of the end-user, the Lease Assignments held in the account as well as the transactions that have occurred in the customer's account during the time period covered by the account statement.

20. FIAC and R. Goettlich maintain a designation system for Lease Assignments

that enables them to readily determine which Lease Assignments are fraudulent. Initially, FIAC and R. Goettlich kept track of the fraudulent Lease Assignments manually. Later, FIAC installed a computer system designed to keep track of transactions concerning the "legitimate" and fraudulent Lease Assignments. This computer system is programmed to produce, as the operator chooses, account statements which reflect transactions in both the fraudulent and "legitimate" Lease Assignments, account statements that reflect transactions in fraudulent Lease Assignments only, or account statements that reflect transactions in "legitimate" Lease Assignments only.

21. The representations made to customers in writing in the Lease Assignments are fraudulent because FIAC, FIEC, and R. Goettlich systematically assigned leases or lease payments for the same lease to more than one investor. Specifically, there are approximately 1,700 investor accounts at FIAC that hold Lease Assignments bought from Defendants. Approximately 1,200 of those accounts consist entirely of Lease Assignments that Defendants previously had sold to other FIAC investors. Only about 100 investor accounts consist entirely of Lease Assignments that are for leases that were not previously sold by Defendants to other investors. The remainder of the accounts contain some Lease Assignments that previously were sold by Defendants to other FIAC investors.

22. Accordingly, investors who purchased Lease Assignments from FIAC did not acquire obligations of a governmental entity paying tax-exempt interest and secured by office equipment, as they were told by FIAC. Rather, they simply acquired unsecured, taxable general obligations of FIAC.

23. Due to the multiple assignment of leases, Defendants must make Lease Assignment payments with funds obtained from sources other than end-users. FIAC, FIEC and R. Goettlich have not disclosed to purchasers of the fraudulent Lease Assignments that the receipt of the payments promised in the Lease Assignments was dependent not upon the end-user, but upon Defendants' ability to raise money from other sources, including other purchasers of Lease Assignments. Similarly, investors were not told that their investments are being used to make payments to previously defrauded investors. The foregoing constitute material omissions.

24. R. Goettlich FIAC and FIEC, know, or are reckless in not knowing, that they are fraudulently offering and selling Lease Assignments.

IMPROPER USE OF CUSTOMER SECURITIES AND FUNDS

25. For at least nine years, officers and employees of FIEC have transferred to FIEC's proprietary inventory account government and municipal bonds purchased by and held in trust for FIEC's customers, without those customers' knowledge or authorization. FIEC used the proceeds of these unauthorized sales and transfers to bolster FIEC's net capital and for other purposes. To conceal the unauthorized sales of customer bonds, FIEC issued payments to these customers which it falsely represented to be payments of coupon interest in connection with the government and municipal bonds. In addition, account statements containing these misrepresentations were mailed to customers. As a result of the misappropriation of client assets, customers of FIEC have been exposed to losses of approximately \$1.5 million.

26. Since at least 1993 to the present, FIAC, FIEC, and R. Goettlich have commingled funds that they received from investors with funds they received from end-users and other sources. While FIAC has used some of the funds received into its bank accounts to make payments to investors and to pay commissions to brokers who sold Lease Assignments, FIAC has also used the funds for its own investments and to make payments to FIEC, including payments that were used to bolster FIEC's reported net capital. FIAC also made payments to R. Goettlich and others. For example, on March 4, 1997, at least \$2.5 million was transferred from bank accounts controlled by R. Goettlich, including the accounts of FIAC and FIEC, to various lawyers. This diversion and commingling of funds was not disclosed to investors, which was a material omission.

27. R. Goettlich, and through him, FIAC and FIEC, knew, or were reckless in not knowing, that investor funds are being diverted as described in paragraph 24, above, and that this fact is not disclosed to investors.

FIRST CLAIM FOR RELIEF

***Violations of Section 17(a) of the Securities Act
[15 U.S.C. § 77t(a)], and Section 10(b) of the Exchange Act
[15 U.S.C. § 78j(b)] and Rule 10b-5 [17 C.F.R. § 240.10b-5]***

28. The Commission repeats and realleges the allegations contained in paragraphs 1 through 27 of the Complaint as if set forth herein at length.

29. The Lease Assignments are securities, as defined in Section 2(1) of the Securities Act [15 U.S.C. § 77b(1)] and Section 3(a)(10) of the Exchange Act [15 U.S.C. § 78c(a)(10)].

30. Defendants FIAC, FIAC, and R. Goettlich, directly and indirectly, singly and in concert, knowingly or recklessly, by the use of the means or instruments of transportation or communication in, and the means or instrumentalities of, interstate commerce or by the use of the mails, in the offer or sale, and in connection with the purchase or sale, of securities: (a) have employed, are employing, and are about to employ devices, schemes or artifices to defraud; (b) have obtained, are obtaining, and are about to obtain money or property by means of, or otherwise have made, are making, and are about to make untrue statements of material fact, or have omitted, are omitting and are about to omit to state material facts necessary to make the statements, in light of the circumstances under which they were made, not misleading; or (c) have engaged in transactions, acts, practices and courses of business which have operated, are operating and will operate as a fraud or deceit upon purchasers or other persons.

31. As part of and in furtherance of this violative conduct, defendants FIAC, FIEC, and R. Goettlich, knowingly or recklessly, engaged in the fraudulent conduct alleged in paragraphs 1 through 27, above.

32. The false statements and omissions made by defendants FIAC, FIEC, and R. Goettlich, more fully described in paragraphs 12 through 27, were material.

33. By reason of the acts, omissions, practices, and courses of business set forth in this Complaint, defendants FIAC, FIEC, and R. Goettlich, have violated and, unless restrained and enjoined, will again violate Section 17(a) of the Securities Act [15 U.S.C. § 77q(a)(1)], 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].

SECOND CLAIM FOR RELIEF

Violations of Section 15(c)(1) of the Exchange Act [15 U.S.C. § 78o(c)(1)] and Rule 15c1-2 [17 C.F.R. § 240.15c1-2]

34. The Commission repeats and realleges the allegations contained in paragraphs 1 through 27, and 29 of the Complaint as if set forth herein at length.

35. FIEC has used, and is about to use, the mails or means or instrumentalities of interstate commerce, to effect transactions in, or to induce or attempt to induce the purchase of securities otherwise than on a national securities exchange by means of manipulative, deceptive, or other fraudulent devices or contrivances, including making untrue statements of material fact, omitting to state material facts necessary in order to make statements made, in light of the circumstances under which they were made, not misleading.

36. As part of and in furtherance of this violative conduct, FIEC engaged in the fraudulent conduct alleged in paragraphs 1 through 27, above.

37. The false statements and omissions made by FIEC, fully described in paragraphs 12 through 27, were material.

38. FIEC knew or had reasonable grounds to believe that the representations fully described in paragraphs 12 through 27 were untrue or misleading.

39. By reason of the acts, omissions, practices, and courses of business set forth in this Complaint, FIEC has violated and, unless restrained and enjoined, will again violate

Section 15(c)(1) of the Exchange Act [15 U.S.C. § 78o(c)] and Rule 15c1-2 [17 C.F.R. § 240.15c1-2] promulgated thereunder.

PRAYER FOR RELIEF

WHEREFORE, Plaintiff respectfully requests that this Court:

I.

Grant an Order temporarily and preliminarily, and a Final Judgment permanently, restraining and enjoining R. Goettlich, FIAC and FIEC, and their officers, agents, servants, employees, and attorneys-in-fact, and all persons in active concert or participation with them, who receive actual notice of such Order by personal service or otherwise, and each of them, from future violations of Section 17(a) of the Securities Act [15 U.S.C. § 77q(a)], and 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.

II.

Grant an Order temporarily and preliminarily, and a Final Judgment permanently, restraining and enjoining FIEC and its officers, agents, servants, employees, and attorneys-in-fact, and all persons in active concert or participation with them, who receive actual notice of such Order by personal service or otherwise, and each of them, from future violations of Section 15(c)(1) of the Exchange Act [15 U.S.C. § 78o(c)] and Rule 15c1-2 [17 C.F.R. § 240.15c1-2] promulgated thereunder.

III.

Enter a Final Judgment directing the Defendants, jointly and severally, to disgorge all

ill-gotten profits, gains, income and benefits, derived, directly or indirectly, as a result of their violative conduct, plus prejudgment interest on that amount.

IV.

Enter a Final Judgment assessing civil penalties against each of the Defendants 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)], for the violations alleged herein.

V.

Grant an Order directing that each of the Defendants and each's officers, agents, servants, employees, attorneys, and those persons in active concert or participation with them who receive actual notice of such Order by personal service, facsimile service, or otherwise, and each of them, hold and retain within their control, and otherwise prevent any withdrawal, transfer, pledge, encumbrance, assignment, dissipation, concealment, or other disposal of any assets, funds, or other properties (including money, real or personal property, securities, choses in action or property of any kind whatsoever) of Defendants currently held by them or under their control, whether held in any of their names or for any of their direct or indirect beneficial interest wherever situated, and directing each of the financial or brokerage institutions, debtors, and bailees, or any other person or entity holding such assets, funds, or other properties of Defendants to hold or retain within its control and prohibit the withdrawal, removal, transfer, or other disposal of any such assets, funds, or other properties, except for reasonable living expenses for R. Goettlich to which the Commission agrees by stipulation or which the Court may later order.

VI.

Grant an Order appointing a temporary receiver for FIAC and FIEC.

VII.

Grant an Order directing that each of the Defendants file with this Court and serve upon plaintiff Commission, within five business days, or within such extension of time as the Commission agrees, a verified written accounting, signed by such Defendant under penalty of perjury, of:

- (1) All assets, liabilities and property currently held directly or indirectly by or for their benefit, including but not limited to bank accounts, brokerage accounts, investments, business interests, loans, lines of credit, and real and personal property wherever situated, describing each asset and liability, and its current location and amount;
- (2) All money, property, assets, and other income received by Defendants, or for their direct or indirect benefit, in or at any time from January 1, 1992 to the date of the accounting, describing the source, amount, disposition and current location of each of the items listed;
- (3) The names and last known addresses of all bailees, debtors, and other persons and entities which are currently holding the assets, funds or property of Defendants; and
- (4) All assets, funds, securities, real or personal property received by Defendants, or any other entity controlled by Defendants, from parties who entered into

contracts with Defendants, or any other entity controlled by Defendants, concerning the offer and sale of securities, such as Lease Assignments, notes, and bonds, from 1992 to the date of the accounting, and the disposition of such assets, funds, securities, real or personal property.

VIII.

Grant an Order enjoining and restraining Defendants, or any person or entity acting at their direction or on their behalf from destroying, altering, concealing or otherwise interfering with the access of the plaintiff to any and all documents, books and records which are in the possession, custody or control of Defendants, their agents, employees, servants, accountants, financial or brokerage institutions, and attorneys that refer, reflect or relate to the allegations of the Complaint, including, but not limited to, documents, books and records referring, reflecting or relating to the Defendants' finances, business operations, and their offer or sale of securities and the use of proceeds therefrom.

IX.

Grant such other and further relief as this Court shall deem just and proper.


DEMAND FOR JURY TRIAL

Plaintiff, pursuant to Rule 38(b) of the Federal Rules of Civil Procedure, hereby demands a trial by jury for all issues so triable.

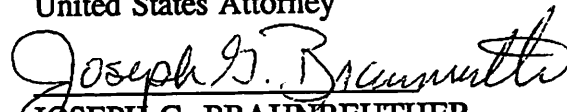
Dated: March 6, 1997

Respectfully Submitted,

SECURITIES AND EXCHANGE COMMISSION


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