

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF GEORGIA
ATLANTA DIVISION

SECURITIES AND EXCHANGE
COMMISSION,

Plaintiff,

v.

LADISLAV "LARRY" SCHVACHO,

Defendant.

Civil Action No.

COMPLAINT FOR INJUNCTIVE AND OTHER RELIEF

The plaintiff Securities and Exchange Commission ("Commission") files this Complaint and alleges as follows:

1. This matter involves insider trading by Defendant Ladislav "Larry" Schvacho ("Defendant" or "Schvacho"), a former Georgia resident, in the common stock of Comsys IT Partners, Inc. ("Comsys" or "Company") (formerly NASDAQ: CITP) based on material, non-public information about the acquisition of Comsys revealed to him by Comsys' then-CEO, Larry L. Enterline ("Enterline"), a long-time, close personal friend and business associate.

2. Based on this inside information, Schvacho purchased approximately 72,000 shares of Comsys stock between November 9, 2009 and February 1, 2010

— just weeks before the public announcement of the acquisition and tender offer for Comsys by Manpower, Inc. (“Manpower”) (NYSE: MAN).

3. On February 2, 2010, Manpower and Comsys publicly announced the acquisition and tender offer for Comsys, resulting in a 31% percent increase in the share price of Comsys from its prior day’s close.

4. As a result of his insider trading of Comsys stock, Schvacho obtained illicit profits of approximately \$511,580.

5. Defendant has engaged in, and unless restrained and enjoined by this Court, will continue to engage in acts and practices which constitute and will constitute violations of Sections 10(b) and 14(e) of the Securities Exchange Act of 1934 (“Exchange Act”) [15 U.S.C. §§ 78j(b) and 78n(e)] and Rules 10b-5 and 14e-3 thereunder [17 C.F.R. 240.10b-5 and 240.14e-3].

6. The Commission brings this action pursuant to Sections 21(d) and 21(e) of the Exchange Act [15 U.S.C. §§ 78u(d) and 78u(e)] to enjoin Defendant from engaging in transactions, acts, practices and courses of business alleged in this Complaint, and transactions, acts, practices, and courses of business of similar purport and object, for disgorgement of illegally obtained funds and prejudgment interest thereon, for civil monetary penalties, and other equitable relief.

JURISDICTION AND VENUE

7. This Court has jurisdiction of this action pursuant to Sections 21(d), 21(e) and 27 of the Exchange Act [15 U.S.C. §§ 78u(d), 78u(e) and 78aa].

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

9. Venue lies in this Court pursuant to Section 27 of the Exchange Act [15 U.S.C. § 78aa] because certain of the actions set forth herein occurred within the Northern District of Georgia, including but not limited to, the communication of material non-public information about the acquisition of Comsys and Defendant's insider trading based upon such information.

DEFENDANT AND OTHER PERSONS AND ENTITIES

10. Defendant Schvacho was, for all relevant time periods herein, a resident of Lilburn, Georgia or Stone Mountain, Georgia.

11. Comsys was an employment services company based in Houston, Texas. The stock of Comsys was traded on the NASDAQ market under the symbol CITP and its securities were registered with the Commission pursuant to Section 12(b) of the Exchange Act. On February 2, 2010, Comsys and Manpower publicly announced the acquisition of Comsys by Manpower and a Manpower subsidiary via a tender offer for Comsys shares. On April 5, 2010, Manpower

completed its acquisition of Comsys by merging it into one of its subsidiaries. In connection with that merger, Comsys was delisted and deregistered with the Commission.

12. Enterline is a resident of Braselton, Georgia. Between in or about 2001 and April 2010, Enterline resided in Houston, Texas, but maintained a home in and regularly visited metropolitan Atlanta. Enterline served as the CEO of Comsys between 2006 and April 2010.

**DEFENDANT SCHVACHO'S AND ENTERLINE'S CLOSE
BUSINESS AND PERSONAL RELATIONSHIP**

13. Defendant Schvacho and Enterline first met in the 1970s as fellow employees in the same company.

14. While both Defendant Schvacho and Enterline each left that company, they became reacquainted in 1991 as fellow employees of a large Atlanta-based company and began developing a close personal and business relationship spanning the next two decades.

15. Defendant Schvacho's and Enterline's close business relationship included serving, for many years, as owners, officers and/or directors of a former, small Georgia corporation and investment fund, Strategic Management, Inc. ("SMI"), based in Buford, Georgia.

16. As fellow owners, officers and/or directors of SMI, Defendant Schvacho and Enterline shared confidential information, which information was

expected to be maintained in confidence (by implicit understanding and express agreement), and was kept confidential.

17. Schvacho and Enterline also developed and maintained a close personal relationship, even after Enterline's move to Houston, Texas. Such relationship was maintained by, among other things, very frequent discussions on the telephone, which occurred multiple times per week or even multiple times per day. In addition, Enterline regularly visited metropolitan Atlanta, where he continued to maintain a home, and he and Schvacho had a long-standing tradition of Friday evening dinner and drinks. In addition to these telephone calls and meetings, Schvacho and Enterline took vacations together, including sailing trips, played sports together, and socialized at Enterline's home.

18. As of November 2009, Schvacho and Enterline were very close friends as evidenced by, among other things, Enterline naming Schvacho as executor of his estate.

19. During the course of this close personal friendship, Schvacho and Enterline shared confidential information with one another, including information concerning their health, individual investments, investment strategies, and retirement planning, which information was expected to be and was maintained as confidential.

MANPOWER'S ACQUISITION OF COMSYS

20. Beginning in 2008 and continuing through 2009, Manpower and Comsys had numerous discussions and meetings concerning a possible business combination between the two companies. Enterline was involved in most, if not all, of those discussions and meetings.

21. On October 16, 2009, Manpower's Chief Financial Officer called Enterline to express Manpower's continued interest in a possible transaction with Comsys. During that call, Enterline indicated to Manpower his expectation that any transaction by Manpower would need to value Comsys stock at more than \$15 per share. As of the close of business of October 16, 2009, Comsys' share price was \$6.76.

22. Enterline communicated this conversation to Comsys' Chairman, who recommended reengaging Comsys' investment banking firm to assist Comsys in its discussions.

23. Between October 16, 2009 and prior to November 6, 2010, Manpower undertook various steps in connection with the possible acquisition of Comsys, including but not limited to, contacting an investment bank on October 20, 2009, to discuss the possible acquisition and discussing the contemplated transaction at its regularly-scheduled Board meeting on October 27, 2009.

24. On November 6, 2009, at approximately 12:30 p.m., Manpower's CFO contacted Enterline again to discuss Manpower's possible acquisition of Comsys. During that call, Manpower's CFO, among other things, advised that Comsys was Manpower's preferred acquisition target, but that Manpower was prepared to move to another potential target company if it could not complete a transaction with Comsys. Enterline noted that Comsys' Board of Directors would hold its quarterly meeting on November 11, 2009, and that he would get back to Manpower's CFO as soon as the Board had met and discussed these matters.

25. On November 11, 2009, Comsys' Board of Directors held its regular quarterly meeting, also attended by Enterline, at which the possible transaction with Manpower was a major focus of discussion. Comsys' investment banker also attended the meeting and participated in a discussion of the valuation of Comsys. After much discussion, the Board directed Comsys management, including Enterline, to: (a) pursue further a possible transaction with Manpower, subject to coming to terms on a satisfactory valuation; (b) engage the investment banker to assist Comsys with the Manpower transaction, or any other similar transaction that may result from pursuit of a transaction with Manpower; and (c) advise Manpower that the minimum consideration the Board would consider in order to pursue such a transaction must be in the range of \$17.00 to \$20.00 per share. The closing price for Comsys' stock on November 11, 2009, was \$7.85 per share.

26. On November 12, 2009, Enterline called Manpower's CFO, advised him of the \$17.00 to \$20.00 per share minimum valuation range determined by the Board, and suggested that Manpower ought to be able to get to that range with additional due diligence. Manpower's CFO expressed a willingness to proceed on that basis.

27. On November 17, 2009, Comsys entered into an engagement letter with its investment banker for financial advisory services in connection with a possible merger or sale of Comsys.

28. On November 19, 2009, Manpower entered into a confidentiality agreement with Comsys.

29. On November 19 and 20, 2009, representatives of Comsys met with representatives of Manpower at Comsys' investment banker's offices in Milwaukee, Wisconsin. The Comsys representatives presented information about Comsys and responded to questions from the Manpower representatives.

30. On December 14, 2009, Manpower's CFO contacted Comsys' investment banker and advised that Manpower was prepared to move forward with a possible acquisition of Comsys at a valuation of \$17.50 per share, subject to certain conditions.

31. On December 16, 2009, Comsys' Board met by telephone to discuss the Manpower proposal. During this telephone conference, Enterline also advised

the Board of an effort by another company to explore its possible acquisition of Comsys. After discussion, the Board directed Enterline to: (a) seek an increase in the consideration offered by Manpower to the extent possible without jeopardizing the transaction, but in any event to obtain Manpower's best and final offer; and (b) determine as quickly as possible whether the other party's interest in a transaction was of such magnitude and substance that it should be considered, given the risk of jeopardizing the transaction with Manpower.

32. On December 21, 2009, Manpower's CFO contacted representatives of Comsys' investment bank and reported that Manpower was willing to increase its proposal to a value of \$17.65 per Comsys share. Manpower's CFO further advised that this was Manpower's "best and final offer", and that Manpower would not further pursue this offer if the Comsys' Board deemed it necessary to conduct an auction or a further market check.

33. On December 23, 2009, the Board, as well as Enterline, met by telephone. Following a presentation and analysis by Comsys' investment banker concerning the Manpower proposal, Comsys' Board unanimously approved moving forward with the Manpower proposal. The closing price for Comsys' shares on December 23, 2009, was \$9.04 per share.

34. Following the exchange of term sheets, further due diligence and finalization of the contract documents, on February 1, 2010, Manpower and

Comsys, along with a wholly-owned subsidiary of Manpower, entered into an Agreement and Plan of Merger pursuant to which Manpower and its subsidiary would commence a tender offer for all outstanding shares of Comsys at a valuation of \$17.65 per share.

35. As of the close of business on February 1, 2010, Comsys' share price stood at \$13.23.

36. On February 2, 2010, Manpower and Comsys jointly announced the acquisition and tender offer agreement.

37. Following the February 2, 2010, announcement, Comsys' share price rose sharply closing at \$17.39 per share, an increase of \$4.16, or approximately 31% from the prior day's close.

SCHVACHO MISAPPROPRIATES AND TRADES ON MATERIAL, NON-PUBLIC INFORMATION CONCERNING THE COMSYS ACQUISITION

38. While the merger discussions and negotiations were ongoing between Manpower and Comsys, Enterline and Schvacho had multiple meetings and communications, including but not limited to, multiple telephone calls per week or even several per day, during the time period between October 2009 through January 2010.

39. During certain of those meetings and communications, Enterline revealed to Schvacho the potential acquisition of Comsys.

40. Such disclosures, included but were not limited to, Enterline having multiple telephone conversations with Comsys personnel about the potential acquisition of Comsys in the presence of Schvacho. Enterline also left confidential, merger-related documents in areas to which Schvacho had access. Given their close relationship and long history of sharing confidences, Enterline made no significant effort to shield those communications or documents from Schvacho. Rather, Enterline reasonably expected that Schvacho would refrain from disclosing or otherwise misusing the confidential information.

41. By way of example, on the evening of November 6, 2009, following the earlier conversation the same day between Manpower's CFO and Enterline concerning Manpower's strong interest in acquiring Comsys, Schvacho and Enterline had their regular Friday dinner and drinks at a restaurant in metropolitan Atlanta.

42. During the course of that dinner, Enterline discussed the possible Comsys acquisition with at least one other Comsys senior executive in the presence of Schvacho, including a telephone conversation of eight minutes on or about 7:31 p.m. with Comsys' Senior Vice President of Corporate Development, an integral member of Comsys' deal team.

43. Beginning on the next business day, November 9, 2009, and continuing through November 19, 2009, Schvacho, relying on material, non-public

information concerning the Comsys acquisition, purchased 20,000 shares of Comsys stock at prices between \$7.50 and \$8.50.

44. Between December 11 and December 14, 2009, Schvacho and Enterline vacationed together to sail on Enterline's new yacht. Specifically, Schvacho and Enterline drove together from Atlanta, Georgia to St. Petersburg, Florida, sailed to and stayed in Fort Myers, Florida and drove back to St. Petersburg, Florida on or about December 14, 2012.

45. During that trip, Enterline discussed the possible Comsys acquisition by telephone with another Comsys senior executive in the presence of Schvacho, including a phone conversation with Comsys' Senior Vice President of Corporate Development concerning the very significant development that Manpower had increased its valuation of Comsys to \$17.50 per share. In addition, on the trip, Enterline had in his possession confidential, merger-related documents. Given their close personal relationship, Enterline did not conceal these documents from Schvacho, and Schvacho had the opportunity to review them.

46. Shortly thereafter, on December 16 and December 17, 2009, Schvacho, relying on the material, non-public information concerning the Comsys acquisition, purchased an additional 3,000 shares of Comsys at approximately \$8.40 per share.

47. On December 19, 2009, Schvacho picked up Enterline at Hartsfield-Jackson Atlanta airport and drove Enterline to Schvacho's home.

48. During that drive, Enterline discussed the possible Comsys acquisition by telephone with another Comsys executive in the presence of Schvacho, including a 23-minute telephone conversation with another key member of the Comsys deal team.

49. Beginning on the next business day, December 21, 2009, and continuing through January 6, 2010, Schvacho, relying on material, non-public information concerning the Comsys acquisition, purchased an additional 18,100 shares of Comsys at prices ranging between approximately \$8.80 to \$9.20 per share, thereby increasing his holdings to 41,000 Comsys shares.

50. Between January 15, 2010 and January 25, 2010 – a time when Comsys and Manpower were finalizing the contract documents – Enterline was in metropolitan Atlanta and communicated with Schvacho on multiple occasions, including but not limited to, two evening telephone calls from Enterline to Schvacho of 10 minutes and 21 minutes on January 19, 2010.

51. On or about January 20, 2010, Schvacho converted his 401(k) account, which had previously been established by his former employer but had a limited number of mutual fund investment options, to create a self-directed account so that he could buy even more Comsys shares.

52. Between January 20, 2010 and February 1, 2010, Schvacho, relying on material, non-public information concerning the Comsys acquisition revealed to him to date, purchased an additional 30,722 of Comsys shares for approximately \$396,940 (at share prices between approximately \$12.40 to \$13.18), just days before the announcement of the merger.

53. In addition to the conversion of his 401(k), Schvacho, in order to purchase his large position in Comsys stock, undertook various steps, including: (a) using all the available cash in his brokerage accounts to purchase Comsys shares; (b) transferring cash from bank accounts to which his retirement package and investment monies had been sent to purchase Comsys shares; and (c) exercising options for shares received from his former employer to purchase Comsys shares.

54. As a result of his purchases of Comsys stock between November 9, 2009 and February 1, 2010, Schvacho owned, as of February 2, 2010, a total of 71,822 Comsys shares with a total share value of approximately \$950,000.

55. At no point in time between November 6, 2009 and February 1, 2010 did Schvacho sell any Comsys shares.

56. As of February 2, 2010, Schvacho's holdings in Comsys stock constituted a substantial portion of his investment portfolio and was by far the largest stock investment that he had ever made into a single company.

57. Schvacho knew that the information from Enterline concerning the acquisition of Comsys was material and non-public or recklessly failed to know that the information was material and non-public.

58. As a result of their close and long-standing business and personal relationship and their history, pattern and practice of sharing confidences, Schvacho had a duty of trust and confidence to Enterline and knew or reasonably should have known that information from Enterline concerning the Comsys acquisition was expected to be maintained as confidential and not be misused.

59. Enterline further reasonably expected Schvacho not to trade in Comsys stock based on material and non-public Comsys information, given among other things: (a) the nature of their relationship, (b) Schvacho's awareness of Enterline's position as CEO at Comsys and its restrictions and prohibitions against insider trading, and (c) Schvacho's general understanding of the restrictions and prohibitions against insider trading.

60. In breach of his duties owed to Enterline, Schvacho misappropriated and misused the confidential information by engaging in insider trading of Comsys stock.

61. As a result of this insider trading, Schvacho obtained illicit profits of approximately \$511,580, including realized profits of approximately half that

amount by selling half his Comsys shares on February 2, 2010, following the Manpower-Comsys acquisition announcement.

COUNT I
FRAUD

Violations of 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]

62. Paragraphs 1 through 61 are hereby realleged and are incorporated herein by reference.

63. In connection with the purchase and sale of securities described herein, Defendant, by the use of the means and instrumentalities of interstate commerce and by use of the mails, directly and indirectly:

- a) employed devices, schemes, and artifices to defraud;
- b) made untrue statements of material facts and omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; and
- c) engaged in acts, practices, and courses of business which would and did operate as a fraud and deceit upon the purchasers of such securities, all as more particularly described above.

64. In engaging in such conduct, Defendant acted with scienter.

65. By reason of the foregoing, Defendant, directly and indirectly, has violated and, unless enjoined, will continue to violate 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].

COUNT II
FRAUD IN CONNECTION WITH A TENDER OFFER

Violations of Section 14(e) of the Exchange Act [15. U.S.C. § 78n(e)] and Rule 14e-3 thereunder [17 C.F.R. 240.14e-3]

66. Paragraphs 1 through 61 are hereby realleged and are incorporated herein by reference.

67. In connection with the purchase and sale of securities described herein, Defendant, by the use of the means and instrumentalities of interstate commerce and by use of the mails, directly and indirectly, made untrue statements 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 engaged in fraudulent, deceptive, or manipulative acts or practices, in connection with a tender offer or request or invitation for tenders, or a solicitation of security holders in opposition to or in favor of any such offer, request, or invitation, all as more particularly described above.

68. By reason of the foregoing, Defendant violated, and unless enjoined will continue to violate and cause violations of, Section 14(e) of the Exchange Act [15 U.S.C. § 78n(e)] and Rule 14e-3 thereunder [17 C.F.R. 240.14e-3].

PRAYER FOR RELIEF

WHEREFORE, the Commission respectfully prays that the Court:

I.

Make findings of fact and conclusions of law in accordance with Rule 52 of the Federal Rules of Civil Procedure.

II.

Issue a permanent injunction enjoining Defendant and his agents, servants, employees, attorneys, and all persons in active concert or participation with them who receive actual notice of the order by personal service or otherwise, and each of them:

a. from violating 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

b. from violating Section 14(e) of the Exchange Act [15 U.S.C. § 78n(e)] and Rule 14e-3 thereunder [17 C.F.R. 240.14e-3].

III.

Issue an Order requiring Defendant to disgorge all ill-gotten gains as alleged in the Commission's Complaint, plus pay prejudgment interest thereon.

IV.

Issue an Order requiring Defendant, pursuant to Sections 21(d)(3) and 21A of the Exchange Act [15 U.S.C. §§ 78u(d)(3) and 78u-1], to pay civil monetary penalties.

V.

Issue an Order that retains jurisdiction over this action in order to implement and carry out the terms of all orders and decrees that may have been entered or to entertain any suitable application or motion by the Commission for additional relief within the jurisdiction of this Court.

VI.

Grant such other and further relief as may be necessary and appropriate.

RESPECTFULLY SUBMITTED,

/s/ Paul T. Kim

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