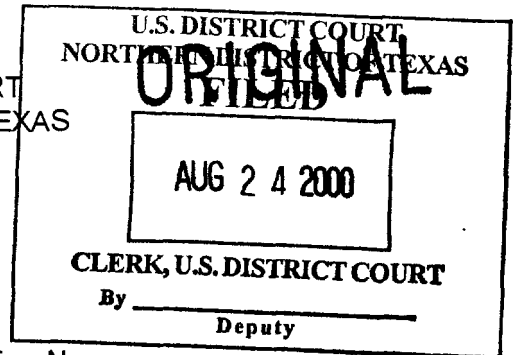


V. O. S.
ORIGINAL

UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF TEXAS
DALLAS DIVISION



SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

v.

LE CLUB PRIVE, S.A., RON Z. MENDELSON,
ZDENEK KIESLICH, EUGENE G. CHUSID,
LE BARON SOLIDARITY, S.A., LE BARON
INSURED FUND, LE BARON HIGH INCOME
FUND, and LE BARON HIGH YIELD FUND,

Defendants,

and

RISHON BANK (SC), RISHON FINANCIAL
SERVICES, S.A., RISHON INVESTMENT CORP.,
M & R BANK CORP., WORLD WIDE TRADING
GROUP OF COMPANIES, INC., WORLD US
FINANCIAL SERVICES, INC., CITADEL
BANK & TRUST INC. and BORIS G. CHUSID,

Relief Defendants.

Civil Action No.

3-00CV1851-R

COMPLAINT

Plaintiff Securities and Exchange Commission ("Commission"), for its claims against the defendants, alleges as follows.

Summary

1. This civil action involves at least a \$5.6 million unregistered securities offering fraud perpetrated against more than 2,000 United States investors by Le Club Privé ("LCP"), an Internet "investment club," and affiliated persons and entities.

2. Since October 1999, LCP has solicited investors through multiple websites to

purchase “memberships,” which give investors two distinct ways to make money: (1) by providing multilevel marketing commissions (“MLM commissions”) for the recruitment of new members, and (2) by offering shares of three “house” mutual funds that promise astronomical returns.

3. Through its websites, LCP is conducting illegal offerings by selling unregistered MLM memberships and mutual fund shares. Further, the LCP house mutual funds are illegally selling securities without having registered as investment companies.

4. Moreover, investor funds are being diverted by three undisclosed control persons for their personal benefit and use. These undisclosed control persons include: Zdenek Kieslich (“Kieslich”), reportedly a Costa Rican resident, Ron Zvi Mendelson (“Mendelson”), a Canadian citizen residing in Costa Rica, and Eugene Chusid (“Chusid”), a resident of New Jersey (collectively, “LCP principals”).

5. More specifically, LCP offers initial memberships, at a cost of \$1,495 plus \$149 in monthly dues, which provide investors the opportunity to earn MLM commissions by recruiting new members to the club. Investors receive \$500 for each new LCP member they recruit, and a like amount for every person recruited by their downline member. By becoming a member, each investor also gains access to LCP’s “backroom,” where LCP posts recommendations on various investments.

6. In addition, investors who “upgrade” to a “Premier Membership,” at an additional cost of \$2,995, receive \$1,000 in MLM commissions, as well as access to buy shares in three mutual funds (the “Premier Funds”) offered by Le Baron Solidarity, S.A. (“Le Baron”), an LCP affiliate. The Premier Funds promise and, in some instances, “guarantee” outrageous *monthly* returns ranging from 6 to 40 percent, without any risk to principal.

7. The supposed MLM commissions and mutual fund returns, however, are merely “paper” profits posted on members’ monthly online account statements. Restrictions on

withdrawals preclude investors from accessing much of their funds for extended periods. Moreover, within the past six months, LCP has channeled investor proceeds through accounts controlled by Mendelson and Chusid at five different financial institutions in the United States, several of which have closed the accounts due to suspicious activity. More than \$3.4 million of these funds can be traced directly to the LCP principals or other entities they control.

8. By reason of these activities, the defendants have violated Sections 5(a), 5(c) and 17(a) of the Securities Act, 15 U.S.C. §§77e(a), 77e(c) and 77q(a), Section 10(b) of the Exchange Act, 15 U.S.C. §78j(b), and Rule 10b-5, 17 C.F.R. §240.10b-5. In addition, by reason of these activities, Le Baron Insured Fund, Le Baron High Income Fund and Le Baron High Yield Fund have violated Section 7(a), or alternatively Section 7(d), of the Investment Company Act of 1940, 15 U.S.C. §§80a-7(a) and 80a-7(d).

Jurisdiction and Venue

9. Plaintiff Securities and Exchange Commission ("Commission") is an agency of the United States of America established by Section 4(a) of the Exchange Act, 15 U.S.C. §77d(a).

10. 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 by Section 21(d) of the Exchange Act, 15 U.S.C. §78u(d), to enjoin the defendants from future violations of the federal securities laws. The Commission also seeks disgorgement of ill-gotten gains from the defendants, plus prejudgment interest, and civil penalties pursuant to Section 20(d) of the Securities Act, 15 U.S.C. §77t(d) and to Section 21(d) of the Exchange Act, 15 U.S.C. §78u(d). The Commission is also seeking disgorgement, plus prejudgment interest, from each relief defendant of all funds derived, directly or indirectly, from the defendants' fraudulent conduct.

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

12. The defendants, directly or indirectly, made use of the means or instruments of transportation and communication, and the means or instrumentalities of interstate commerce or of the mails, in connection with the transactions, acts, practices and courses of business alleged in this Complaint. Certain of the transactions, acts, practices and courses of business alleged herein took place in the Northern District of Texas and elsewhere.

Defendants

13. Le Club Privé S.A. is ostensibly a Panamanian corporation that is headquartered in The Netherlands. Its only known business activity is operating the investment club promoted on its websites. LCP has no known physical address, no disclosed officers or directors, and is not registered to do business anywhere in the United States.

14. Zdenek Kieslich, is believed to be currently residing in Costa Rica. He is the administrator of LCP, and paid the fee for registering at least one of its website domain names. Kieslich has received at least \$310,000 of LCP investor funds.

15. Ron Zvi Mendelson, a Canadian citizen who resides in San Jose, Costa Rica, controls the flow of money raised from LCP members through numerous entities he controls, several of which hold themselves out as offshore banks. Mendelson has received personally or through his entities at least \$900,000 of LCP investor funds.

16. Eugene G. Chusid, of Fairlawn, New Jersey, has received at least \$2 million of LCP investor funds through two entities he controls. Chusid opened a Western Union account used to collect a substantial amount of LCP investor funds through the Caribbean Bank of Commerce, an entity he controls

17. Le Baron Solidarity, S.A., holds itself out as a private group of administrators

and experienced financial experts organized for the express purpose of making the Premier Funds available to investors. Le Baron has no known physical address, no known officers or directors, and is not registered anywhere in the United States.

18. Le Baron Insured Fund is an unregistered investment company whose shares are offered by LCP. It guarantees investors a six percent *monthly* return with no risk to principal purportedly through investments in U.S. and British government issued securities.

19. Le Baron High Income Fund is an unregistered investment company whose shares are offered by LCP. It guarantees investors an 11 percent *monthly* return with no risk to principal. The fund's scant offering materials do not specify its investment objectives other than what is suggested by its name.

20. Le Baron High Yield Fund is an unregistered investment company whose shares are offered by LCP. Unlike the other two Premier Funds, the High Yield Fund does not guarantee either the interest or the principal. The fund's scant offering documents represent that the fund anticipates a *monthly* rate of return in the range of 25 to 40 percent from unspecific "global investing."

Relief Defendants

21. Rishon Bank (SC) is controlled and owned by Mendelson. Its principle place of business is in San Jose, Costa Rica, and its bank charter was issued in Montenegro, Serbia. Rishon Bank is the offshore bank in which every LCP member supposedly establishes an account. Rishon Bank asserts ownership over \$600,000 of LCP investor funds which are presently held in a suspense account at CompuBank in Houston, Texas.

22. Rishon Financial Services, S.A. is controlled and owned by Mendelson. Rishon Financial is responsible for issuing ATM debit cards to LCP members. It also shares a drop box with LCP in Miami to which investors are instructed to send money orders. Additionally, Rishon Financial maintains a money market account with The Reserve Funds, a registered

mutual fund complex based in New York into which LCP investor funds are deposited. This account currently holds about \$1 million. Further, Rishon Financial received an additional \$296,000 of LPC investor funds for no apparent consideration.

23. Rishon Investment Corp. is controlled and owned by Mendelson. It received over \$193,000 of LCP investor funds for no apparent consideration.

24. M&R Bank Corp. purports to be a Republic of Naru corporation with its principal place of business listed in Ridgewood, New Jersey. Eugene Chusid is M&R's president and he is a signatory on its bank accounts. For no apparent consideration, over \$1.8 million in LCP investor funds were deposited into an M&R account at First Union Bank for which Chusid was the signatory. These monies have been transferred to other nominees or offshore.

25. World Wide Trading Group of Companies, Inc., incorporated in New Jersey in 1994, operates from the same Ridgewood, New Jersey address as M&R. Boris Chusid is its president and Eugene Chusid is one of its vice presidents. World Wide is the named account holder of a bank account at CompuBank in Houston, Texas, in which \$600,000 of investor funds have been frozen. Personal expenses of Eugene Chusid and Boris Chusid were paid from this account for no apparent consideration.

26. World US Financial Services, Inc., an entity controlled by Eugene Chusid, has received at least \$1.4 million of LPC investor funds for no apparent consideration.

27. Boris G. Chusid, Eugene Chusid's brother, is a physician who resides in Fairlawn, New Jersey. Boris Chusid is the signatory on the World Wide account at CompuBank. In addition, for no apparent consideration, investor funds can be traced to a mortgage company that holds a \$1.1 million mortgage on New York property owned by Boris Chusid.

28. Citadel Bank & Trust Inc. purports to be an offshore bank chartered in Barbados, West Indies. On March 3, 2000, Citadel opened an account with HSBC USA, a

U.S. bank, which is listed on LCP's websites as a depository for Premier membership funds. At least \$700,000 of LCP investor funds is on deposit in the account for no apparent consideration.

Statement of Facts

A. LCP's Fraudulent Sales of Unregistered Securities

29. Since at least October 1999, LCP has operated various Internet websites that offers investors an opportunity to join an investment club. Kieslich registered the websites on behalf of LCP and acts as LCP's website administrator.

30. LCP membership ostensibly provides various avenues through which its members will earn money, including: by nominating new members, by investing in the Premier Funds and by investing in various financial opportunities it appraises in its members-only backroom.

31. LCP's initial membership fee is \$1,495 and monthly dues are \$149. From October 1999 to July 2000, LCP raised at least \$3.5 million from the solicitation of LCP memberships to over 2,000 persons.

32. Typical of multilevel marketing or pyramid schemes, members can earn fees by nominating new members, and also share in membership fees and dues of anyone recruited by the new member. The \$1,495 membership fee is divided between LCP and two "up-line" members, i.e., the new member's nominator and the nominator's nominator. LCP keeps \$495 and the up-line members split the remaining \$1,000. Similarly, of the \$149 monthly fee, LCP retains \$49 and the two nominators receive \$50 each.

33. To facilitate this nominating process, each member is provided his/her own marketing website. All members' websites are located on the domain address of www.lcpmembers.com. Even though each of the websites are individualized by adding "*/lcpmember LCP cyber name/*" to the domain address, all of the sites are designed by LCP

and are identical. Moreover, because all sites are controlled by LCP, individual members cannot change nor deactivate a member site. Members direct prospective investors to view their personalized website, where they can complete their application and electronically transmit it directly to LCP.

34. Starting in February 2000, LCP offered members the opportunity to upgrade their membership to a "Premier membership" by paying an additional \$2,995 fee. The first \$2,000 is divided between two upline members, and the remaining \$995 is retained by LCP.

35. With this upgraded membership, LCP investors are provided the opportunity to purchase investments in three Premier Funds—the Le Baron Insured Fund, the Le Baron High Income Fund and the Le Baron High Yield Fund.

36. While LCP claims these three funds pay interest ranging from six percent to as much as 40 percent *per month* without any risk to principal, LCP boasts that no prospectus is provided because "the results should provide far more valuable information than any prospectus could provide." LCP raised an additional \$1.5 million from the offer and sale of these Premier membership upgrades.

37. For three weeks in March 2000, LCP engaged in a limited time offer to entice members to upgrade. For each new Premier upgrade, LCP offered to make a matching deposit of \$3,000, which would be divided equally among the three Premier Funds for the benefit of investors. LCP raised an additional \$500,000 from more than 189 investors from this promotion, bringing the total amount raised to \$2 million from the offer and sale of Premier memberships.

38. No registration statement was in effect with respect to the LCP memberships, the Premier memberships, or the Premier Funds.

39. Further, the Premier Funds are not registered as investment companies.

B. LCP's Receipt of Investor Funds

40. In order to invest in the various LCP products, LCP directs investors to transmit funds to bank or other financial accounts established and controlled by the LCP principles. At various times, investors could send their funds via Western Union, or by bank wire, credit card and money order/cashiers check. While LCP changed its payment instructions numerous times over the course of the scheme for no apparent reason, investors are always instructed to wire or send their money to financial accounts controlled by the LCP principles, usually in the name of offshore entities. These entities include Le Baron Solidarity, Rishon Investment, Rishon Financial, Caribbean Bank of Commerce, and Citadel.

41. Mendelson and Chusid established the payment options and directed investors to deposit funds into the accounts identified above.

C. Misappropriation of Members' Investments

42. All of the \$5.6 million raised from investors was initially deposited into accounts in the names of offshore entities controlled by the LCP principles. However, subsequent transfers to or for the benefit of the LCP principles clearly show that they have misappropriated at least \$3.4 million of investor funds. LCP never disclosed to its investment club members that undisclosed principles would obtain funds from the investors.

43. For example, primarily during the membership drives in February and March, LCP's principals made many personal withdrawals from some of the U.S. accounts holding investor funds. Mendelson personally received \$483,150, Kieslich personally received \$310,000, and Chusid and Boris Chusid personally received \$41,000.

44. Additionally, substantial amounts of investor funds have been transferred to the nominee companies of two of the LCP principals. For example, two of Mendelson's nominees, Rishon Investments and Rishon Financial, received nearly \$193,000 and \$296,000, respectively. Further, Rishon Bank, also a Mendelson nominee, currently asserts ownership

over the \$600,000 frozen by CompuBank. There is no disclosure that any of these entities are affiliated with or will provide any service to LCP.

45. Two of Chusid's nominees, World Wide and World US Financial Services, received a total of \$2 million. In addition, M&R received at least \$1.8 of investor funds, which was subsequently disbursed to LCP principles and others. There is no disclosure that any of these entities are affiliated with or will provide any services to LCP.

46. On June 21, 2000, Mendelson transferred \$500,000 of investor funds to Elfindepan, S.A. from the Reserve Offshore Account. LCP never disclosed to its members that any of their funds would be invested in this company.

Role of Relief Defendants

47. Each of the Relief Defendants has received investor funds and/or Lyric stock which the Commission is informed and believes were received for no or inadequate consideration.

CAUSES OF ACTION

COUNT ONE

Violations Of Section 10(b) Of The Exchange Act And Rule 10b-5

48. The Commission restates and incorporates by reference herein the allegations set forth in Paragraphs 1-47 of the Complaint.

49. The defendants, directly or indirectly, singly or in concert with others, in connection with the purchase and sale of securities, by use of the means and instrumentalities of interstate commerce and by use of the mails (a) have employed devices, schemes and artifices to defraud, (b) have made untrue statements of material facts and have 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) have engaged in acts, practices and courses of business which operate as a fraud and deceit upon purchasers, prospective purchasers and other persons.

50. As a part of and in furtherance of their scheme to defraud, the defendants, directly and indirectly, prepared, disseminated or used contracts, written offering documents, promotional

materials, investor and other correspondence and oral presentations which contained untrue statements of material facts and misrepresentations of material facts and which 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, including, but not limited to, those set forth above.

51. The defendants made those misrepresentations and omissions knowingly or with reckless disregard for the truth.

52. By reason of the foregoing, the defendants violated and, unless enjoined, will continue to violate the provisions 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].

COUNT TWO
Violations Of Section 17(a) Of The Securities Act

53. The Commission restates and incorporates by reference herein the allegations set forth in Paragraphs 1- 52 of the Complaint.

54. The defendants, directly or indirectly, singly or in concert with others, in the offer and sale of securities, by use of the means and instruments of transportation and communication in interstate commerce and by use of the mails, have (a) employed devices, schemes or artifices to defraud; (b) obtained money or property by means of untrue statements of material fact or omissions 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 transactions, practices or courses of business which operate or would operate as a fraud or deceit.

55. As part of and in furtherance of this scheme, the defendants, directly and indirectly, prepared, disseminated or used contracts, written offering documents, promotional materials, investor and other correspondence and oral presentations which contained untrue statements of material fact and which 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, including, but not limited to, those statements and omissions set forth above.

56. The defendants made the above-referenced misrepresentations and omissions knowingly or with reckless disregard for the truth.

57. By reason of the foregoing, the defendants violated, and unless enjoined, will continue to violate Section 17(a) of the Securities Act, 15 U.S.C. §77q(a)(1).

COUNT THREE
Violations Of Sections 5(a) And 5(c) Of The Securities Act

58. The Commission restates and incorporates by reference herein the allegations set forth in Paragraphs 1-57 of the Complaint.

59. The defendants, directly or indirectly, singly or in concert with others, have been offering to sell, selling and delivering after sale, certain securities and have been, directly and indirectly, (a) making use of the means and instruments of transportation and communication in interstate commerce and of the mails to sell securities, through the use of written contracts, offering documents and otherwise, (b) carrying and causing to be carried through the mails and in interstate commerce by the means and instruments of transportation such securities for the purpose of sale and for delivery after sale, and (c) making use of the means or instruments of transportation and communication in interstate commerce and of the mails to offer to sell such securities.

60. No registration statement has been filed with the Commission or are otherwise in effect with respect to the offer and sale of any securities described herein.

61. By reason of the foregoing, the defendants violated and, unless enjoined, will continue to violate Section 5(a) and (c) of the Securities Act, 15 U.S.C. §77e(a) and (c).

COUNT FOUR

Violations of Section 7(a), or alternatively Section 7(d) of the Investment Company Act

62. The Commission restates and incorporates by reference herein the allegations set forth in Paragraphs 1-61 of the Complaint.

63. Le Baron Insured Fund, Le Baron High Income Fund, and Le Baron High Yield Fund, directly or indirectly, singly or in concert with others, by directly or indirectly, unless registered under Section 8 of the Investment Company Act, have (a) offered for sale, sold, or delivered after sale, by the use of the mails or any means or instruments of interstate commerce, securities or any interest in a security, whether the issuer of such security is such investment company or another person, or by offering for sale, selling or delivering after sale any such security or interest, having reason to believe that such security or interest will be made the subject of a public offering by use of the mails or any means or instruments of interstate commerce; (b) purchased, redeemed, retired, or otherwise acquired or attempted to acquire, by use of the mails or any means or instruments of interstate commerce, any security or any interest in a security, whether the issuer of such security is such investment company or another person; (c) controlled an investment company which does any of the acts enumerated in paragraphs (a) and (b) above; (d) engaged in a business in interstate commerce; or (e) controlled any company which is engaged in any business in interstate commerce, without having registered under Section 8 of the Investment Company Act.

64. By reason of the foregoing, Le Baron Insured Fund, Le Baron High Income Fund, and Le Baron High Yield Fund violated and, unless enjoined, will continue to violate Section 7(a) or alternatively Section 7(d) of the Investment Company Act of 1940, 15 U.S.C. § 80a-7(a) or (d).

COUNT FIVE

Claim Against Relief Defendants As Custodians Of Investor Funds

65. The Commission restates and incorporates by reference herein the allegations set forth in Paragraphs 1 - 64 of the Complaint.

66. The relief defendants received, directly or indirectly from the defendants' funds and/or other benefits which either are the proceeds or are traceable to the proceeds of the unlawful activities alleged herein and have no legitimate claim to those funds and property.

67. The relief defendants obtained the funds and property as part of and in furtherance of the securities violations alleged and under circumstances in which it is not just, equitable or conscionable for them to retain the funds and property, and they have been unjustly enriched.

68. The Commission is entitled to an order requiring that the relief defendants disgorge those funds.

PRAYER FOR RELIEF

WHEREFORE, Plaintiff respectfully requests that this Court:

I.

Permanently enjoin each defendant and their agents, servants, employees, attorneys and all persons in active concert or participation with them who receive actual notice of the injunction by personal service or otherwise, and each of them, from future violations of Sections 5(a), 5(c) and 17(a) of the Securities Act, 15 U.S.C. §§77e(a), 77e(c) and 77q(a), Section 10(b) of the Exchange Act, 15 U.S.C. §78j(b), and Rule 10b-5, 17 C.F.R. §240.10b-5; and permanently enjoin Le Baron Insured Fund, Le Baron High Income Fund and Le Baron High Yield Fund, and their agents, servants, employees, attorneys and all persons in active concert or participation with them who receive actual notice of the injunction by personal service or otherwise, and each of them, from future violations of Section 7(a), or alternatively Section 7(d) of the Investment Company Act of 1940, 15 U.S.C. §§80a-7(a) and 80a-7(d).

II.

Order defendants to disgorge an amount equal to the funds and benefits they obtained as a result of the violations alleged, plus prejudgment interest on that amount, and relief defendants to disgorge an amount equal to the funds and benefits they obtained as a result, directly or indirectly, of the defendants conduct alleged herein.

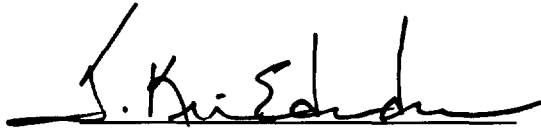
III.

Order civil penalties against Defendants pursuant to Section 20(d) of the Securities Act, 15 U.S.C. §77f(d), and pursuant to Section 21(d) of the Exchange Act, 15 U.S.C. §78u(d), for the violations alleged herein.

IV.

Order such other and further relief as the Court may deem just and proper.

Dated: August 24, 2000



J. KEVIN EDMUNDSON
(Attorney in Charge)
District of Columbia Bar No. 430746
VICTORIA L. PRESCOTT
Texas Bar No. 16255300
RONDA BLAIR
Nebraska Bar No. 19010

Attorneys for Plaintiff
SECURITIES AND EXCHANGE COMMISSION
Fort Worth District Office
801 Cherry Street, 19TH Floor
Fort Worth, TX 76102
Telephone: (817) 978-6483
Facsimile: (817) 978-2700