

BEFORE THE  
DIVISION OF SECURITIES  
DEPARTMENT OF FINANCIAL INSTITUTIONS  
STATE OF WISCONSIN

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In the Matter of  
JOHN R. GILLING

PETITION FOR ORDER

Respondent.

File No. S-99308(LX)

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The staffs of the Bureau of Licensing & Compliance and the Enforcement Unit, Bureau of Registration & Enforcement, of the Division of Securities, Department of Financial Institutions, State of Wisconsin have conducted an investigation in this matter pursuant to sec. 551.56, Wis. Stats., and as a result thereof allege as follows:

1. John R. Gilling (“Gilling”) is a licensed securities agent (CRD #724969) with a last known business address at 16800 West Greenfield Ave., Brookfield WI 53005;
2. Gilling was licensed as a securities agent with Geneva Securities, Inc. (“Geneva”) from April 1989 until November 1999;
3. From January 1995 through September 1998, Gilling offered and sold over \$2million in face value of promissory notes of Geneva Securities, Inc., GSI Investment Group, Inc., GSI Trading Corp., and GSI Investment Corp. (the “Notes”) to at least 50 people in Wisconsin;
4. At no time prior to the offer or sale of any of the Notes did Gilling see any offering materials for the Notes, nor did he receive any information about the risks of the investments, use of proceeds, financial status of the companies, or any information whatsoever about any of the companies issuing the Notes;
5. The offer and sale of these notes to each one of these investors without any information at all about the Notes constitutes the recommendation to a customer of a purchase of any security without reasonable grounds to believe that the recommendation is suitable for the customer which is deemed, pursuant to DFI-Sec 4.06(1)(c) and (2)(i), Wis. Adm. Code to be a “dishonest or unethical business practice” or “taking unfair advantage of a customer” and provides a basis, pursuant to sec. 551.34(1)(g), Wis. Stats., for the suspension of Gilling’s license;
6. Gilling has stated that it was his understanding that GSI Investment Group was set up to “fund start up companies in a venture capital type mode,” that he thought that one of the entities was to fund the bond trading desk at Geneva and that he thought all the issuers were all inter-related;

7. Gilling told the investors that the notes were “ Safe as a CD,” “like a bank CD,” “A secure way to invest with bigger returns than a CD,” and “Safe investment on the conservative side with liquidity;”
8. Based on Gilling’s knowledge, or lack thereof, regarding the issuers as described in paragraphs four and six above, the safety description of the investment he gave to investors was the making of an untrue statement of a material fact in violation of sec. 551.41, Wis. Stats.;
9. In February 1996, Gilling, on behalf of Geneva offered and sold a \$25,000 note of GSI Investment Group to customers J. & B. M.,
10. In September 1997, Gilling, on behalf of Geneva offered and sold a \$25,000 note of GSI Trading Corp to customers J. & B. M.,
11. In September 1998, Gilling, on behalf of Geneva offered and sold a \$100,000 note of GSI Investment Corp. to customers J. & B. M.,
12. The new account form for customers J & B. M. showed a net worth of \$250,000;
13. Based on Gilling’s records he placed 60% of J. & B. M.’s net worth in these three notes;
14. The sale of these notes to J & B. M constitutes the recommendation to a customer of a purchase of any security without reasonable grounds to believe that the recommendation is suitable for the customer which is deemed, pursuant to DFI-Sec 4.06(1)(c) and (2)(i), Wis. Adm. Code to be a “dishonest or unethical business practice” or “taking unfair advantage of a customer” and provides a basis, pursuant to sec. 551.34(1)(g), Wis. Stats., for the suspension of Gilling’s license;
15. Gilling stated he never provided any of the investors with a prospectus in connection with the offer and sale of the notes;
16. Gilling’s actions in failing to provide a copy of the prospectus is deemed, pursuant to DFI-Sec 4.06(1)(r) and (2)(i), Wis. Adm. Code to be a “dishonest or unethical business practice” or “taking unfair advantage of a customer” and provides a basis, pursuant to sec. 551.34(1)(g), Wis. Stats., for the suspension of Gilling’s license;
17. None of the notes sold by Gilling were registered for offer and sale in Wisconsin, pursuant to Ch. 551, Wis. Stats.;
18. Gilling has violated sec. 551.21, Wis. Stats., by selling unregistered securities in Wisconsin;

THEREFORE the staffs of the Bureaus of Licensing & Compliance and Registration and Enforcement petition the Administrator for the issuance of the attached Order.

DATED this 2<sup>nd</sup> day of May, 2002.

Nancy R. Jackson  
Nancy R. Jackson  
Licensing Examiner  
Bureau of Licensing & Compliance

David A. Cohen  
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