



## U.S. Securities and Exchange Commission

### SEC Action Halts \$72 Million International Internet Fraud Scheme

**FOR IMMEDIATE RELEASE  
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*Washington, D.C., May 8, 2008* — The Securities and Exchange Commission has obtained an emergency court order freezing the assets of the alleged perpetrator of an Internet fraud scheme that reaped approximately \$72 million from more than 3,000 investors in all 50 states and at least 30 foreign countries.

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#### Additional Materials

▶ [Litigation Release No. 20563](#)

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The SEC alleges that from December 2005 until at least November 2007, Gregory N. McKnight of Swartz Creek, Mich., and his company, Legisi Holdings LLC, sold unregistered securities through a Web site by representing that he would invest the offering proceeds in foreign currencies, commodity futures, stocks, and real estate. He promised to pay interest as high as 15 percent per month out of the profits from his investments. Throughout the offering period, McKnight represented to investors that his investments were profitable and were generating the promised returns. But McKnight invested approximately \$33 million, less than half the money he raised, on behalf of investors. Those investments suffered substantial losses. Furthermore, nearly \$30 million of the investors' funds were allegedly dissipated through an unlawful Ponzi scheme and unauthorized personal expenditures by McKnight. The SEC froze millions of dollars of remaining assets controlled by McKnight and Legisi Holdings on behalf of the injured investors.

"This emergency action demonstrates that the Commission can and will move quickly to secure and preserve assets for the benefit of all investors, both in the United States and internationally," said Linda Chatman Thomsen, Director of the SEC's Division of Enforcement.

"As alleged in our complaint, McKnight lured investors from around the globe into investing by claiming on his Web site that the Legisi program was legitimate and unlike other 'scams' and 'high yield investment programs' that you see on the Internet. In fact, McKnight's Legisi program was just that, a scam from beginning to end," said Merri Jo Gillette, Regional Director of the SEC's Chicago Regional Office.

On May 5, 2008, the Honorable Judge Paul V. Gadola of the U.S. District Court for the Eastern District of Michigan issued an Asset Freeze Order

against all assets of McKnight and Legisi Holdings, LLC, as primary defendants, and against all assets of McKnight's affiliates, Legisi Marketing, Inc., Lido Consulting, LLC, Healthy Body Nutraceuticals, and Lindenwood Enterprises, LLC, which were named as relief defendants based on their alleged receipt of investor funds. In addition, Judge Gadola issued an order appointing a receiver over all assets of McKnight, Legisi Holdings, and the affiliates.

The court issued the freeze and receivership orders under seal while the assets were being secured, and the seal has now been lifted.

The SEC alleges that the defendants used approximately \$27.5 million of the offering proceeds to make payments of purported profits to prior investors in a Ponzi scheme, and McKnight used \$2.2 million of investor funds to pay for his personal expenses and to make payments to his relatives.

The SEC action also seeks recovery of the assets McKnight allegedly transferred to his relatives, including his daughter Jennifer McKnight, his niece Danielle Burton, and Danielle Burton's mother Theresa Burton, all of whom were named as relief defendants based on their receipt of investor funds.

The SEC's complaint charges the defendants with an unregistered securities offering and securities fraud in violation of Sections 5(a), 5(c), and 17(a) of the Securities Act of 1933, Section 10(b) of the Securities Exchange Act of 1934, and Rule 10b-5 thereunder. In addition to the emergency relief already obtained, the SEC's complaint seeks preliminary and permanent injunctions, disgorgement of ill-gotten gains and civil penalties against McKnight and Legisi Holdings, as well as disgorgement of ill-gotten gains from the relief defendants. A hearing on the SEC's request for a preliminary injunction is scheduled for May 19, 2008 at 2 p.m.

The SEC acknowledges the assistance of Michigan's Office of Financial and Insurance Regulation, the U.S. Secret Service, and the Commodity Futures Trading Commission in this investigation.

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