

**UNITED STATES DISTRICT COURT  
FOR THE WESTERN DISTRICT OF NORTH CAROLINA**

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<b>SECURITIES AND EXCHANGE COMMISSION,</b>	:	<b>Civil Action No.</b>
	:	
<b>Plaintiff,</b>	:	<b>06-0531</b>
	:	
<b>v.</b>	:	
	:	
<b>JOHN F. MANGAN, JR.,</b>	:	
<b>Defendant,</b>	:	
	:	
<b>and</b>	:	
	:	
<b>HUGH L. MCCOLL, III,</b>	:	
<b>Relief Defendant.</b>	:	

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**COMPLAINT**

Plaintiff Securities and Exchange Commission (“Commission”) alleges as follows:

**SUMMARY**

1. This matter involves unlawful insider trading and unregistered sales of securities by Defendant John F. Mangan, Jr. (“Mangan”) in connection with a Private Investment in Public Equity (“PIPE”) offering of stock by CompuDyne Corporation (“CompuDyne”). Specifically, in the fall of 2001, Mangan, on the basis of material, nonpublic information concerning the PIPE offering, and in breach of duties of trust and confidence, traded in CompuDyne stock in advance of the public announcement of the CompuDyne PIPE offering and its terms. As a result, Mangan reaped \$56,937 in ill-gotten profits. Mangan obtained additional ill-gotten profits of \$121,933 through his

unregistered sales of CompuDyne stock, thereby making total profits of \$178,870 from his illegal conduct.

2. Mangan executed his illegal trades through the account of HLM Securities, LLC, which was an account of his business partner, Hugh L. McColl, III (“McColl”). Mangan then split the profits that he earned from his improper trading in CompuDyne stock with McColl. As a result, McColl received \$87,069 in profits illegally obtained by Mangan that principles of equity require him to remit.

3. By engaging in the conduct described above, and as further described below, Mangan violated Sections 5 and 17(a) of the Securities Act of 1933 (“Securities Act”) [15 U.S.C. §§ 77e, 77q(a)] and Section 10(b) of the Securities Exchange Act of 1934 (“Exchange Act”) [15 U.S.C. § 78j(b)], and Rule 10b-5, promulgated thereunder [17 C.F.R. § 240.10b-5].

### **JURISDICTION**

4. The Commission brings this action pursuant to Sections 20(b) and 20(d) of the Securities Act [15 U.S.C. § 77t(b), t(d)] and Sections 21(d) and 21A of the Exchange Act [15 U.S.C. §§ 78u(d), 78u-1].

5. 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(e), 21A, and 27 of the Exchange Act [15 U.S.C. §§ 78u(e), 78u-1 and 78aa].

6. Venue is proper because Mangan and McColl are found, inhabit, and transact business in the Western District of North Carolina, and because acts or transactions constituting the violations alleged herein occurred within the Western District of North Carolina.

7. In connection with the conduct alleged in this Complaint, Mangan, directly or indirectly, made use of a means or instrument of transportation or communication in interstate commerce, a means or instrumentality of interstate commerce, the mails, and/or a facility of a national securities exchange.

8. Unless restrained and enjoined by the Court, Mangan will continue to engage in transactions, acts, practices, and/or courses of business that violate Sections 5 and 17(a) of the Securities Act [15 U.S.C. §§ 77e, 77q(a)] and 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].

**DEFENDANT**

9. Mangan, age 46, resides in Charlotte, North Carolina. Mangan has worked in the securities industry for, at least, 23 years. At the time of the relevant conduct, Mangan was a registered representative of Friedman, Billings, Ramsey & Co., Inc. (“FBR”), a broker-dealer registered with the Commission, and, with McColl, owned and operated an independent investment advisory business based in Charlotte, North Carolina. Mangan joined FBR in or around 1992 as an institutional salesperson and, around 1995, began participating as a salesperson in offerings underwritten by FBR. He has since resigned his position at FBR.

**RELIEF DEFENDANT**

10. McColl, age 46, resides in Charlotte, North Carolina. At the time of the relevant conduct, McColl held accounts at FBR for which Mangan was the registered representative. At the same time, McColl, with Mangan, owned and operated an investment advisory business based in Charlotte, North Carolina.

## **OTHER RELEVANT ENTITIES**

11. CompuDyne, a Nevada corporation, is a public safety and security business based in Annapolis, Maryland. As such, CompuDyne provides, among other things, attack protection services, federal security systems, institutional security systems, and services enhancing public safety and justice. At all times relevant to this action, CompuDyne's stock was registered with the Commission pursuant to Section 12(g) of the Exchange Act [15 U.S.C. § 78l(g)]; CompuDyne stock is currently registered with the Commission pursuant to Section 12(b) of the Exchange Act [15 U.S.C. § 78l(b)] and is traded on the NASDAQ under the symbol CDCY.

12. FBR, a Delaware corporation with a principal place of business in Arlington, Virginia, has been a broker-dealer registered with the Commission since January 25, 1989.

## **FACTS**

13. Prior to the terrorist attacks on September 11, 2001, CompuDyne had issued approximately five million shares of common stock, approximately one million of which were available for public trading (the "public float"). It was a thinly-traded common stock that was consistently priced in the \$8 to \$9 per share range. In the months prior to September 11, 2001, no more than 18,400 shares traded in one day.

14. When securities trading resumed following the terrorist attacks, the trading volume and price of CompuDyne stock increased dramatically. On September 17, 2001, the day the securities markets reopened, investors traded 258,300 shares of CompuDyne stock, and the stock price at the end of the day was \$13 per share. Between that date and

October 8, 2001, trading in CompuDyne stock was volatile with volumes ranging from 71,500 shares to 749,400 shares, and an average closing price of \$15.11 per share.

### **The PIPE Offering**

15. In September 2001, CompuDyne retained FBR to act as financial adviser and underwriter for a PIPE offering (the “placement agent”).

16. A PIPE is a private investment in public equity. In a PIPE transaction, an underwriter or placement agent privately places restricted securities of a public company with investors meeting certain criteria (“accredited investors”). Accredited investors enter into a purchase agreement with the public company committing the investors to purchase a certain number of shares at a specified price. The public company agrees, in turn, to file a resale registration statement with the Commission within a specified period so that the investors can resell the shares to the public. The investors do not pay for the shares until the closing of the transaction, which does not occur until shortly before or after the resale registration statement is declared effective.

### **Mangan’s Role with Respect to the PIPE Offering**

17. Mangan was a registered representative of FBR and he served as a member of the sales staff for FBR while it was the placement agent for the CompuDyne PIPE offering.

18. As a member of the sales staff for FBR, Mangan had a duty to FBR to maintain in trust and confidence, and to not trade on the basis of, material, nonpublic information concerning FBR’s transactions with its customers, including its transactions with CompuDyne. Among other things, FBR’s Compliance Manual provided that employees in possession of material, nonpublic information concerning a company must

preserve the confidentiality of that information and abstain from trading until that information is made public. In connection with his employment with FBR, Mangan signed a memorandum acknowledging that he read, understood, and would comply with FBR's confidentiality and inside information policies.

19. In addition, Mangan, as a representative of FBR in its capacity as the placement agent for the CompuDyne PIPE offering, owed a duty to CompuDyne and its shareholders to preserve the confidentiality of, and to not trade on the basis of, confidential, nonpublic information that he learned in that position.

20. Mangan learned about the CompuDyne PIPE offering on or about September 24, 2001. Specifically, after 4:00 p.m. on September 24, 2001, Mangan received via electronic mail an information sheet from FBR about the CompuDyne PIPE offering (the "tear sheet"), which provided to FBR's sales staff a general overview of CompuDyne's business. The tear sheet included balance sheet and income statement summaries, and a summary of the terms of the offering, including that the offering would be a PIPE, that 2.4 million shares would be offered, and that a portion of the proceeds of the offering would be used to buy back shares of a long-term institutional shareholder.

21. Mangan received further information concerning the PIPE offering on or about September 26, 2001, when he listened to a regularly-scheduled research call conducted by FBR during which the call participants discussed the terms of the PIPE offering. Moreover, from the time he first learned of the PIPE offering through the time at which it was disclosed to the public, Mangan received multiple electronic mail messages informing him of meetings regarding the CompuDyne PIPE offering and containing updates on the timing of the pricing of shares offered through the PIPE.

22. Mangan was acutely aware that he was required to maintain information concerning the CompuDyne PIPE offering in confidence, and that he was not permitted to trade while in possession of that information.

23. On or about September 25, 2001, Mangan received via electronic mail (“e-mail”) a written sales script (the “Sales Script”) accompanied by the instruction that he was to use the Sales Script when he contacted prospective investors about the CompuDyne PIPE offering. The e-mail correspondence transmitting the Sales Script highlighted the nonpublic nature of the PIPE offering, and further emphasized that it would be illegal to trade on the basis of such nonpublic information: “[A]ny action in the open market that an investor might take on the CONFIDENTIAL information that he/she receives during [a sales call concerning the PIPE], after verbally agreeing to maintain confidentiality, would represent a serious violation of securities law.”

24. The Sales Script directed the FBR sales staff, including Mangan, to refrain from disclosing the name of the issuer and the details of the PIPE offering until the salesperson informed the prospective investor that the offering was confidential, and obtained an oral agreement to keep such information confidential. The Sales Script further noted that the price of shares sold through a PIPE offering is typically set at a modest discount to the market price.

25. Moreover, on or before October 8, 2001, Mangan reviewed the Confidential Private Placement Memorandum and Purchase Agreement, which described the PIPE offering in detail. The Confidential Private Placement Memorandum and Purchase Agreement each stated that the information about the CompuDyne PIPE offering was “strictly confidential.” They further warned prospective investors that “the

federal securities laws impose restrictions on trading based on information regarding this offering.” The Purchase Agreement also required each prospective investor to represent and warrant that he had “no present intention of distributing any such shares” and would “not effect any disposition of the shares . . . except as contemplated in the [r]egistration [s]tatement.”

**Information About CompuDyne’s PIPE Offering Was Material**

26. Because a PIPE offering increases the supply of stock in the market, it frequently will have a dilutive effect on the value of existing shares.

27. The CompuDyne PIPE offering would likely have, and, in fact, did have, a significant dilutive effect on the value of existing shares. Through the PIPE offering, CompuDyne planned to increase the number of shares of common stock available to the public by 2.45 million, an increase to the public float of more than 200%.

28. In addition, not all of the funds raised by the PIPE offering were to go to CompuDyne. Rather, a significant portion of the amount raised was to go to a long-term institutional shareholder, which was liquidating approximately 1.37 million shares of common stock through the offering.

29. Moreover, these 2.45 million shares were offered at \$12 per share – a significant discount to \$17.38, which was the price per share of CompuDyne stock at the close of trading on October 8, 2001, the day before the public announcement of the PIPE offering and the day before Mangan traded.

30. This information, all of which Mangan knew when he traded on the morning of October 9, 2001, was material. For the foregoing and other reasons, a reasonable investor would have viewed this information as being important to his or her



investment decision and a significant alteration of the total mix of information made available to the public.

31. In fact, the market reacted negatively when CompuDyne disclosed the PIPE offering to the public. On October 9, 2001, at 11:44 a.m., CompuDyne publicly announced the PIPE offering in a press release posted on its internet web site. The price for CompuDyne stock dropped throughout the day to close at \$14.25 per share, with a trading volume of 1,219,400 shares. Thereafter, during the approximately three weeks while the resale registration statement for the PIPE shares was pending before the Commission, the closing prices for CompuDyne stock trended downward to as low as \$12.41.

32. After the stock market closed on October 29, the Commission declared the resale registration statement for the CompuDyne PIPE shares effective, thereby enabling investors in the PIPE to resell their new shares to the public. The next day, on October 30, CompuDyne stock closed at \$12.02 per share with a trading volume of 769,600 shares.

#### **Mangan's Personal Interest in the PIPE Offering**

33. Initially upon learning about the CompuDyne PIPE offering, Mangan did not know the price at which the PIPE shares would be offered to the private investors. Notwithstanding, based upon his experience in the securities industry, and in particular, his experience as a member of FBR's sales staff working on other private offerings of securities underwritten by FBR, Mangan believed that the price for the CompuDyne PIPE shares likely would be offered at a discount to the current market price.

34. Sometime after first learning about the CompuDyne PIPE offering, Mangan initially sought to invest in the PIPE offering through a hedge fund that he jointly managed with McColl, and in which he invested. FBR's director of compliance told Mangan that it was not a good idea for the hedge fund account to participate in the PIPE offering because the hedge fund was considered an FBR proprietary account. In other words, because of Mangan's association with the hedge fund, the hedge fund was considered to be an account associated with FBR, the placement agent for the PIPE offering.

35. After FBR's director of compliance warned Mangan against investing in the PIPE offering through an account with which he was associated, Mangan approached McColl about purchasing shares in the PIPE offering through an FBR account held solely by McColl.

36. Specifically, in accordance with the Sales Script, Mangan told McColl that information about the PIPE offering was confidential and obtained McColl's agreement to keep the information about the PIPE offering confidential.

37. Mangan then disclosed to McColl that CompuDyne was the company conducting the PIPE offering. He further described to McColl the nature of CompuDyne's business; informed McColl that he anticipated that the shares for the PIPE offering would be priced at a discount to the market price, thus giving buyers of the PIPE shares an opportunity to profit; and gave McColl a copy of the Confidential Private Placement Memorandum and Purchase Agreement for the PIPE offering.

38. McColl expressed interest in participating in the CompuDyne PIPE offering, but he informed Mangan that he did not have liquid funds available to purchase

shares in the PIPE offering at that time. As a result, and in violation of FBR policies and procedures that forbid FBR sales staff from extending loans to FBR customers, Mangan offered to loan to his customer, McColl, the entire purchase price for the PIPE shares. McColl agreed to invest in the PIPE offering with money loaned to him by Mangan, and also agreed to split with Mangan any profits made on the investment.

**Mangan's Undisclosed Investment in the PIPE Offering**

39. Shortly thereafter, Mangan notified FBR that McColl, through an account held solely by McColl, HLM Securities, LLC ("HLM"), was interested in purchasing 80,000 shares from the CompuDyne PIPE offering.

40. Mangan did not, however, notify FBR that he had loaned the purchase price for the PIPE shares to McColl. He further did not inform FBR that he had, in fact, arranged to do indirectly that which FBR's head of compliance discouraged him from doing directly at an earlier point in time: despite his affiliation with FBR, Mangan surreptitiously invested in the PIPE offering by loaning McColl the entire purchase price to purchase the shares through the HLM account, and arranging to receive a portion of any profits made on the investment.

41. On October 8, 2001, FBR notified Mangan that the price for the CompuDyne PIPE shares had been set at \$12 per share and that HLM had been allocated 80,000 shares, for a total investment of \$960,000.

42. That same day, McColl signed the Purchase Agreement on behalf of HLM for the 80,000 shares allocated to HLM, and Mangan arranged for the executed signature pages to be sent to the FBR office in Arlington, Virginia, by facsimile on the morning of October 9.

43. The HLM account paid for the 80,000 PIPE shares using \$960,000 provided by Mangan.

**Mangan Traded on the Basis of the Material, Nonpublic Information Concerning the PIPE Offering.**

44. After learning the price of the PIPE shares and the number of shares allocated to HLM, Mangan told McColl that it was a good time to sell CompuDyne stock. McColl, following Mangan's recommendation, gave Mangan permission to sell CompuDyne stock for HLM's account.

45. Before the market opened on October 9, and prior to the public announcement of the PIPE offering, Mangan, who was traveling at the time, called FBR's North Carolina office and directed a trader to sell short 25,000 shares of CompuDyne stock for the HLM account.

46. "Selling short" is a technique used by investors to, among other things, take advantage of an anticipated decline in the price of a stock. In general, a "short seller" sells shares of stock that he or she does not own, ultimately "covering" the sale with shares that the seller purchases at a later date. The hope is that the stock price will fall so the short seller can purchase the stock to cover the short sale at a lower price.

47. Pursuant to Mangan's direction, the trader in Mangan's North Carolina office placed an order through a third-party broker-dealer to sell 25,000 shares of CompuDyne stock for HLM's account and, by 9:54 a.m. on October 9, 2001, the order was fully executed.

48. CompuDyne announced the PIPE offering to the public at 11:44 a.m. on October 9, 2001.

49. At the time that Mangan directed the FBR trader to sell 25,000 shares of CompuDyne stock, he knew or was reckless in not knowing that the PIPE offering had not been publicly announced. He did not verify when the offering would be announced, and he did not direct the trader to await public disclosure of the PIPE offering prior to placing the trades.

50. Rather, Mangan deliberately and/or recklessly directed FBR's trader to sell CompuDyne stock from the HLM account prior to the public announcement of the PIPE offering.

51. At the time that he directed the short sales of CompuDyne in the HLM account, Mangan knew, among other things, that the PIPE offering would dilute the outstanding shares of CompuDyne stock by increasing the public float by more than 200% with substantially discounted shares from the PIPE offering.

52. As stated, a short seller typically hopes or anticipates that a stock price will fall subsequent to the short sale. Mangan began directing the short sale of CompuDyne stock from the HLM account at an opportune time: after he arranged for the transmission of HLM's executed Purchase Agreement securing HLM's allocation of 80,000 shares in the PIPE offering which could be used to cover the short sales in the HLM account, and prior to the public announcement of the PIPE offering, which, in fact, caused the stock price to fall.

53. Mangan was aware that, due to his possession of material, nonpublic information concerning the PIPE offering, he was obliged to await public disclosure of the PIPE offering prior to trading in CompuDyne stock. In fact, he believed that he was required to refrain from trading in CompuDyne stock for a reasonable period of time *after*

the public announcement of the PIPE offering to allow for the announcement to become incorporated in the market price. Specifically, Mangan claims that he refrained from *purchasing* CompuDyne stock to cover a short position held in the hedge fund that he managed with McColl until October 10 in order to allow for the full dissemination of the news of the PIPE offering into the public market and, thus, obviate any concern about insider trading. Significantly, the public announcement of the PIPE offering and the subsequent drop in the CompuDyne stock price benefited anyone *purchasing* CompuDyne stock, so waiting to purchase also coincided with the hedge fund's financial interest.

54. On the other hand, Mangan did not wait until October 10, 2001 to *sell* CompuDyne shares in the HLM account. Rather, and consistent with the financial interest of the HLM account (and his own financial interest), he deliberately and/or recklessly directed the short sales in the HLM account of 25,000 shares of CompuDyne stock in advance of the public announcement of the CompuDyne PIPE offering, and without regard to that announcement's incorporation into the market price of CompuDyne stock.

55. As a result of the October 9, 2001 short sales directed by Mangan, executed in advance of the public announcement of the PIPE offering, and later covered by Mangan with shares that HLM obtained through the PIPE offering, Mangan made a profit of \$56,937 in the HLM account.

56. Having received material, nonpublic information concerning the planned CompuDyne PIPE offering from FBR in connection with his position as a member of FBR's sales staff, and having agreed to maintain such information in confidence, Mangan

breached a duty of trust and confidence owed to FBR when he misappropriated that information to direct and execute trades in CompuDyne stock prior to its public disclosure.

57. In addition, having received material, nonpublic information concerning the planned CompuDyne PIPE offering in connection with his position as a representative of the placement agent of that offering, Mangan breached a duty of trust and confidence owed to CompuDyne and its shareholders when he directed trades in CompuDyne stock based on that material, nonpublic information.

58. By trading in CompuDyne securities on the basis of material, nonpublic information in breach of duties of trust and confidence, Mangan knowingly or recklessly engaged in a device, scheme, artifice, transaction, act, practice or course of business that operated as a fraud and deceit upon other persons.

#### **Mangan's Unregistered Sales of CompuDyne Stock**

59. After the public announcement of the PIPE offering, Mangan continued short selling CompuDyne stock for the HLM account. By the end of the day on October 9, 2001, Mangan had sold short a total of 50,000 shares of CompuDyne stock.

60. On October 12, 2001, Mangan directed the FBR trader to sell short an additional 30,000 shares, bringing the total short position to 80,000, or the amount of shares allocated to HLM through the PIPE offering.

61. Mangan did not, directly or indirectly, borrow, deliver to the purchaser, or otherwise purchase additional shares of CompuDyne stock to cover the shares of CompuDyne stock sold short on behalf of HLM. Rather, Mangan anticipated using, and

ultimately used, the shares that HLM obtained in the PIPE offering at \$12 per share to cover all of the short sales in the HLM account.

62. When Mangan directed the FBR trader to execute the short sales of CompuDyne securities, there was no resale registration statement in effect for the PIPE shares and no exemption from registration applied to the sales of those shares.

63. By short selling CompuDyne securities before the effective date of the resale registration statement for the CompuDyne PIPE shares, and covering the short sales with the shares HLM received from the PIPE offering after the resale registration statement became effective on October 29, 2001, Mangan effectively sold HLM's PIPE shares prior to their registration.

64. As a result of Mangan's unregistered sales of securities, Mangan obtained profits of \$121,933. This profit was in addition to the profits that he made from trading on the basis of material, nonpublic information.

**McColl Has No Legitimate Ownership Interest in Profits that Mangan Obtained Illegally.**

65. In total, Mangan accrued profits of \$178,870 in the HLM account as a result of the illegal activity described above.

66. Mangan split these profits in the HLM account with McColl, giving McColl a total of \$87,069.

67. Mangan obtained these profits illegally and, accordingly, they are ill-gotten gains to which Mangan has no right.

68. McColl received the \$87,069 from Mangan as his share of the HLM profits. McColl has no legitimate claim to that money. Accordingly, McColl has no legal right to the \$87,069.



**FIRST CLAIM FOR RELIEF**  
**Violations of Section 10(b) of the Exchange Act and Rule 10b-5**  
(Mangan)

69. The Commission realleges and incorporates by reference each and every allegation in paragraphs 1 through 68 above, as if the same were fully set forth herein.

70. Mangan, by engaging in the conduct described above, directly or indirectly, in connection with the purchase or sale of a security, and by use of a means or instrumentality of interstate commerce, the mails or a facility of a national securities exchange, has:

- (a) Employed a device, scheme, or artifice to defraud;
- (b) Made an untrue statement of a material fact or omitted to state a material fact necessary in order to make the statement made, in light of the circumstances under which it was made, not misleading; and/or
- (c) Engaged in an act, practice, or course of business which operated or would operate as a fraud or deceit upon any person.

71. By reason of the foregoing, Mangan violated 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].

**SECOND CLAIM FOR RELIEF**  
**Violations of Section 17(a) of the Securities Act**  
(Mangan)

72. The Commission realleges and incorporates by reference each and every allegation in paragraphs 1 through 71, above, as if the same were fully set forth herein.

73. Mangan, by engaging in the conduct described above, in the offer or sale of a security, by the use of a means or instrument of transportation or communication in interstate commerce or by use of the mails, directly or indirectly, has:

(a) employed a device, scheme or artifice to defraud;

(b) obtained money or property by means of an untrue statement of a material fact or an omission to state a material fact necessary in order to make the statement made, in light of the circumstances under which it was made, not misleading; and/or

(c) engaged in a transaction, practice, or course of business which operated or would operate as a fraud or deceit upon the purchaser.

74. By reason of the foregoing, Mangan violated Section 17(a) of the Securities Act [15 U.S.C. § 77q(a)].

**THIRD CLAIM FOR RELIEF**  
**Violations of Section 5 of the Securities Act**  
(Mangan)

75. The Commission realleges and incorporates by reference each and every allegation in paragraphs 1 through 74, above, as if the same were fully set forth herein.

76. Mangan, by engaging in the conduct described above, directly or indirectly, in connection with a security for which no registration statement was in effect, and in the absence of any applicable exemption from registration:

(a) made use of a means or instrument of transportation or communication in interstate commerce or of the mails to sell such security through the use or medium of any prospectus or otherwise;

(b) carried or caused to be carried through the mails or in interstate commerce, by any means or instrument of transportation, such security for the purpose of sale and/or for delivery after sale; and/or

(c) made use of a means or instrument of transportation or communication in interstate commerce or of the mails to offer to sell or offer to buy such security through the use or medium of a prospectus or otherwise.

77. By reason of the foregoing, Mangan violated Sections 5(a) and 5(c) of the Securities Act [15 U.S.C. §§ 77e(a) and 77e(c)].

#### **FOURTH CLAIM FOR RELIEF**

##### **Relief Defendant**

(McColl)

78. The Commission realleges and incorporates by reference each and every allegation in paragraphs 1 through 77, above, as if the same were fully set forth herein.

79. The Commission has named McColl herein solely as a relief defendant in this action, in connection with his receipt of \$87,069 in trading profits from Mangan.

80. Specifically, Mangan engaged in unlawful insider trading and conducted unregistered sales of securities through the account of HLM, accruing ill-gotten gains of \$178,870 through the illegal activity described above.

81. Mangan gave \$87,069 of his ill-gotten gains to McColl.

82. McColl has no legitimate claim to any of this money. He was a recipient, without consideration, of the profits from Mangan's illegal activity.

83. As a result, McColl received the \$87,069 under circumstances in which it is not just or equitable for him to retain those proceeds.

**WHEREFORE**, the Commission respectfully requests that this Court enter a final judgment:

**I.**

Permanently enjoining Mangan from any future violations of Sections 5 and 17(a) of the Securities Act of 1933 [15 U.S.C. §§ 77e and 77q(a)], and Section 10(b) of the Securities Exchange Act of 1934 [15 U.S.C. § 78j(b)] and Rule 10b-5 promulgated thereunder [17 C.F.R. § 240.10b-5];

**II.**

Ordering Mangan to disgorge all of his ill-gotten gains, including the profit that he obtained as a result of the illegal activity described herein, and to pay prejudgment interest on such disgorgement;

**III.**

Ordering Mangan to pay civil penalties pursuant to Section 20(d) of the Securities Act [15 U.S.C. §77t(d)], Section 21(d)(3) of the Exchange Act [15 U.S.C. §§ 78u(d)(3)], and Section 21A(a)(2) of the Exchange Act [15 U.S.C. § 78u-1(a)(2)] (permitting a penalty of up to three times profits gained from illegal insider trading);

**IV.**

Ordering McColl to pay \$87,069, plus prejudgment interest of \$28,574;

**V.**

Granting such other and further relief as the Court deems just and proper; and

**VI.**

Retaining jurisdiction of this action for purposes of enforcing any Final Judgment(s) and Order(s).

Respectfully submitted,

Dated: December 28, 2006

\_\_\_\_\_  
s/  
Daniel M. Hawke  
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