

2. The violations stem from the manipulative activity that Chapman conducted between January and August 2005 in the common stock of First Community Bank of Georgia (“FCBG”).
3. During these eight months, FCBG shares were traded over the counter and quoted on the OTC Bulletin Board under the symbol “FBGA.” Because the shares were thinly traded, Chapman’s manipulative activity, including wash trades between Chapman’s IRA and his wife’s account, and other manipulative conduct, significantly inflated both the trading volume and price for FCBG shares.
4. Chapman knew and intended that his trading activity inflated both the volume and, occasionally, the price for FCBG shares or was severely reckless as to the consequences of his actions.

VIOLATIONS

5. Defendant has engaged, and unless restrained and enjoined by this Court, will continue to engage in acts and practices that constitute and will constitute violations of Section 10(b) Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5].

JURISDICTION AND VENUE

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 the defendant from engaging in the 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 civil penalties and for other equitable relief.

7. This Court has jurisdiction over 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, made use of the mails, the means and instruments of transportation and communication in interstate commerce and the means and instrumentalities of interstate commerce in connection with the transactions, acts, practices, and courses of business alleged in this complaint.

9. Certain of the transactions, acts, practices, and courses of business constituting violations of the Exchange Act occurred in the Middle District of Georgia. In addition, Defendant Chapman resides in the Middle District of Georgia. Defendant Chapman, unless restrained and enjoined by this Court, will continue to engage in the transactions, acts, practices, and courses of business alleged

in this complaint, and in transactions, acts, practices, and courses of business of similar purport and object.

THE DEFENDANT

10. **Chapman**, age 61, resides in Woodland, Georgia.

FACTS

11. Chapman first acquired shares in FCBG for around \$8 per share during 1998, shortly after the bank began operations.

12. By 2005, Chapman owned approximately 60,000 FCBG shares, which were held in various brokerage accounts that Chapman owned or controlled.

13. Chapman believed FCBG was an attractive acquisition target.

14. He intended to hold its shares until the price reached his target of \$20 per share.

15. During 2005, the market price for FCBG shares remained well below this target, generally ranging between \$11 and \$15 per share.

Chapman's Wash Trades

16. A wash trade, also called a wash sale, is a transaction involving no change in beneficial ownership. Transactions between Chapman's IRA and another account belonging to his wife, over which he had trading authority, are wash trades.

17. Between January and August 2005, Chapman entered approximately 100 wash trades in FCBG shares, buying and selling approximately 144,000 shares.

18. This volume comprised approximately 67% of the 215,000 total FCBG shares traded during those eight months.

19. When entering the wash trades, Chapman primarily used two accounts that he controlled at Charles Schwab, an IRA account in his own name and another account in his wife's name, over which he had trading authority.

20. The wash trades typically involved selling FCBG shares in his wife's account and buying shares in his IRA to create cash in his wife's account.

Subsequently, Chapman bought FCBG shares in his wife's account and sold shares in his IRA to transfer the FCBG shares back to the wife's account.

21. Chapman entered these trades through his on-line access to these two Schwab accounts.

22. Chapman's wash trades significantly increased the trading volume for FCBG shares.

23. The daily trading volume for FCBG shares averaged 1,300 shares during these eight months, compared to an average daily volume of approximately 420 shares between June and December 2004 and 680 shares between September and December 2005.

24. Chapman's wash trades were heavily concentrated between June and August 2005. During those three months, Chapman entered 52 wash trades, trading approximately 62,000 shares.

25. Chapman's 52 wash trades represented approximately 86% of the total share volume traded during that time.

26. During the June through August 2005 period, there were only 34 days when there was any trading of FCBG shares. On 16 of those 34 trading days, Chapman's wash trades comprised 100% of the trading.

27. On occasion, the frequency and magnitude of Chapman's wash trades caused the price for FCBG's shares to jump.

28. For example, during the roughly six week period between June 1 and July 19, 2005, Chapman entered 36 wash trades, transferring approximately 43,700 shares.

29. During that time, Chapman's wash trades comprised 86% of the total trading volume and FCBG's share price rose from \$12 to \$15.75, a 31% increase.

30. During this time period, FCBG made no public announcements that appear to have affected its share price.

31. After these six weeks, the frequency and magnitude of Chapman's wash trades declined as did the market price for FCBG shares.

32. Specifically, between July 20th and August 31st, Chapman entered 16 wash trades for 17,800 shares, representing 89% of the total trading. During that time, the price for FCBG shares dropped from \$15.75 to \$14, an 11% decline.

33. The following table shows that the weeks in which FCBG's share price changed the most between June and August 2005, generally correspond to the weeks in which Chapman had the heaviest volume of wash trades:

Week Starting	Volume from Chapman's Wash Trades	Total Trading Volume	Percent of Volume From Wash Trades	Weekly Low/High FCBG Shares	% Price Change
6/1/05*	5,812	8,012	72%	\$11.75 / \$12.01	6.4%
6/6/05	9,200	10,100	91%	\$12.00 / \$14.25	18.7%
6/13/05	500	1,000	50%	\$13.25 / \$13.50	1.8%
6/20/05	10,975	12,775	86%	\$13.44 / \$14.00	4.1%
6/27/05	1,800	2,500	72%	\$13.25 / \$13.50	1.8%
7/5/05	2,600	2,600	100%	\$13.50 / \$14.49	7.3%
7/11/05	10,000	10,800	93%	\$14.50 / \$18.00	24.1%
7/18/05	7,850	9,450	83%	\$15.00 / \$15.76	5.1%
7/25/05	8,400	8600	98%	\$14.76 / \$15.50	5.0%
8/1/05	200	200	100%	\$15.50 / \$15.50	0%
8/8/05	200	650	31%	\$15.00 / \$15.25	1.7%
8/15/05	2,750	3,350	82%	\$14.25 / \$15.00	5.3%
8/22/05	1,250	1,250	100%	\$14.00 / \$14.00	0%

* Week beginning Wednesday

34. Chapman used limit buy orders to increase the price of FCBG shares by frequently entering buy orders with limit prices that exceeded the highest pending bid price offered by FCBG's market makers ("the inside bid"), and entering either a market sell order or a limit sell order that specified a price that matched the limit buy order price.

35. Almost all of Chapman's 52 wash trades between June and August 2005 included limit buy orders, and 28 of these buy orders specified a limit price that exceeded the existing inside bid. In response to 17 of these buy orders, the inside bid price jumped by more than \$0.05. The other 11 limit buy orders were executed within seconds after being entered, and thus did not affect the inside bid.

Price Manipulation – Entering and Cancelling Limit Buy Orders

36. In addition to his wash trades, between June and August 2005, Chapman entered an additional 39 limit buy orders for FCBG shares with a limit price that exceeded the existing inside bid, and quickly cancelled those orders before they were executed. In response to 25 of these limit orders, the inside bid increased by 5 cents or more. The following table shows on a weekly basis the instances where Chapman placed such limit orders:

Week Starting	Cancelled Limit Buy Orders Exceeding Inside Bid	Instances Where Inside Bid Increased Due to Chapman's Cancelled Limit Buy Order	% of Cancelled Limit Buy Orders That Increased Inside Bid
6/1/05*	4	1	25%
6/6/05	9	8	88.9%
6/13/05	3	3	100%
6/20/05	0	0	n/a
6/27/05	0	0	n/a
7/5/05	3	1	33%
7/11/05	10	6	60%
7/18/05	2	1	50%
7/25/05	7	5	71.4%
8/1/05	0	0	n/a
8/8/05	0	0	n/a
8/15/05	1	0	0%
8/22/05	0	0	n/a
Total	39	25	Avg. 64%

* Week beginning Wednesday

37. On occasion, Chapman entered several of these limit buy orders in rapid succession on the same day, gradually inflating the inside bid. For example, on June 7, 2005, Chapman entered an order to buy 200 FCBG shares at 10:50 a.m., with a limit price of \$12.50.

38. Almost immediately, the inside bid jumped from \$12.25 to \$12.50. Chapman cancelled this buy order at 10:51 a.m. and simultaneously entered a new order to buy 200 FCBG shares with a limit price of \$12.75.

39. In response, the inside bid jumped to \$12.75. At 10:52 a.m., Chapman cancelled his pending buy order and simultaneously entered yet another order to buy 200 shares with a limit price of \$13.25. That order was filled at 11:41 a.m. at \$13.25 per share.

40. Between June and August 2005, Chapman entered a total of 72 limit buy orders with a price that exceeded the inside bid. Chapman's brokerage firm, Charles Schwab, had the existing inside bid in 58% (42 out of 72) of the instances when Chapman entered these limit buy orders.

41. Because no other Schwab customers traded FCBG shares during this time period, Schwab's bid represented a Chapman buy order in almost all of these 42 instances. Thus, when Chapman placed these limit buy orders with a limit price that exceeded the inside bid, and the inside bid was held by Schwab, Chapman was essentially bidding against himself and increasing his cost to purchase FCBG shares.

**Chapman Knew or Must Have Known that His Trading Impacted
the Price and Trading Volume for FCBG Shares**

42. Chapman actively monitored the price for FCBG shares while entering his wash trades.

43. When Chapman decided to make a trade, he would go online and analyze the current bid and ask quotes at the time, and he frequently entered his limit buy orders with a price that just exceeded the inside bid.

44. By monitoring the prevailing price for FCBG shares, Chapman saw the price increases resulting from his trading activity.

45. Chapman was also aware, or was severely reckless in not knowing, that his trades significantly inflated the trading volume for FCBG shares.

46. The Schwab on-line trading screen that Chapman used to enter his FCBG trades displayed the current volume of FCBG shares traded.

47. Thus, Chapman could easily see how the volume of his trades compared with the total trading volume for FCBG shares.

48. Chapman's wash trades lured other traders into the market for FCBG shares.

49. During 2004, before Chapman's wash trades began, an average of 500 FCBG shares were traded in non-Chapman accounts per month.

50. Between September and December 2005, the four months after Chapman's wash trades, this monthly average for non-Chapman trades jumped to 12,500 shares.

51. During these four months, FCBG had no press releases or other public announcements that appear to have caused this rise in activity.

Chapman Ignored Warnings that His Trades Were Improper

52. Chapman continued to enter wash trades in 2006, albeit less frequently, despite warnings from both Schwab and the SEC enforcement staff.

53. For example, on February 13, 2006, a Schwab representative contacted Chapman and expressed concern about a wash trade involving 200 FCBG shares that Chapman had entered on February 8, 2006.

54. Schwab informed Chapman that he would no longer be allowed to place “cross trade” orders (i.e trades between two accounts that he controlled) during regular market hours and that he would have to enter any future cross orders either after the close of the market in the evening or in the morning at least 20 minutes prior to the opening of the market.

55. Schwab explained that this restriction would expose Chapman’s orders to the market and allow the market makers to view all pending buy and sell orders before determining the opening price.

56. On March 21 and 22, 2006, Chapman entered five additional wash trades for FCBG shares during market hours, selling a combined total of 1,600 FCBG shares from his IRA account and buying the same amount in his wife's account.

57. In response, Schwab sent Chapman a two page letter identifying the five wash trades, warning that:

Schwab does not permit customers to cross stock in an account or between related accounts, when such a transaction would result in no change of beneficial ownership. Such transactions may violate exchange rules and federal securities laws.

58. The letter further advised that Schwab had cancelled these trades and suspended Chapman's electronic access to these accounts for 21 days.

59. On May 3, 2006, SEC enforcement staff also expressed concerns to Chapman about his wash trades during his sworn testimony.

60. During Chapman's testimony, which focused on the wash trades during 2005, the SEC staff told Chapman that it was concerned that "there were clearly matched trades between [his] account and [his] wife's account."

61. The staff also advised Chapman that "when stock is traded on a public exchange [he] should be careful about matching orders because it looked like he was artificially creating volume in order to get the price up."

62. Despite warnings from Schwab and the SEC staff regarding the legality of wash trades, Chapman entered yet another wash trade on May 16, 2006, selling 3,000 FCBG shares in his wife's account and buying the same amount in his retirement account.

63. The shares traded through this wash trade comprised almost a third of the total trading volume for that day.

64. In response, Schwab sent yet another letter dated May 17, 2006, advising Chapman that it had cancelled the trades and suspended Chapman's on-line access until August 2006.

65. Shortly thereafter, Schwab told Chapman that it would only accept liquidating orders in his accounts.

66. Between May 2006 and mid-July 2006, Chapman liquidated almost half of his FCBG holdings, selling approximately 34,000 shares at prices around \$14.00 per share.

67. Chapman sold his remaining FCBG shares between late August 2006 and late September 2006 at an average price of \$21.60 per share.

68. The increased sales price was due in large part to the September 15, 2006 announcement that FCBG would be acquired by another bank at a purchase price equivalent to \$24.50 per share.

69. Chapman's wash trades incurred significant commissions despite the fact that none of the trades were profitable to Chapman or his wife.

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]**

70. Paragraphs 1 through 69 are hereby realleged and are incorporated herein by reference.

71. Defendant Chapman, in connection with the purchase and sale of securities described herein, 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.

72. The defendant knowingly, intentionally, and/or recklessly engaged in the aforementioned devices, schemes and artifices to defraud, made untrue statements of material facts and omitted to state material facts, and engaged in fraudulent acts, practices and courses of business. In engaging in such conduct, the defendant acted with scienter, that is, with an intent to deceive, manipulate or defraud or with a severe reckless disregard for the truth.

73. By reason of the foregoing, the 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].

PRAYER FOR RELIEF

WHEREFORE, Plaintiff Commission respectfully prays for:

I.

Findings of Fact and Conclusions of Law pursuant to Rule 52 of the Federal Rules of Civil Procedure, finding that the defendants named herein committed the violations alleged herein.

II.

A permanent injunction enjoining the defendant, his officers, agents, servants, employees, and attorneys, and those persons in active concert or participation with them who receive actual notice of the order of injunction, by personal service or otherwise, and each of them, from violating, directly or indirectly, Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 [17 C.F.R. 240.10b-5] promulgated thereunder.

III.

An order pursuant to Section 21(d)(3) of the Exchange Act [15 U.S.C. 78u(d)(3)] imposing a civil penalty against the defendant.

IV.

Such other and further relief as this Court may deem just, equitable, and appropriate in connection with the enforcement of the federal securities laws and for the protection of investors.

Dated June 11, 2008

Respectfully submitted,

/S/ Alex Rue, Esq.
Alex Rue
Senior Trial Counsel
Georgia Bar No. 618950
E-mail: ruea@sec.gov
Telephone 404 842-7616

COUNSEL FOR PLAINTIFF
Securities and Exchange
Commission
3475 Lenox Road, N.E. Suite 500
Atlanta, Georgia 30326-1232
Tel: (404) 842-7600
Fax: (404) 842-7679