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UNITED STATES DISTRICT COURT

CENTRAL DISTRICT OF CALIFORNIA

SECURITIES AND EXCHANGE COMMISSION, Plaintiff, vs. JOHN E. MARTIN, Defendant.	Case No. **COMPLAINT ALLEGING INSIDER TRADING BY DEFENDANT JOHN E. MARTIN**

Plaintiff Securities and Exchange Commission ("Commission") alleges:

JURISDICTION AND VENUE

1. This Court has jurisdiction over this action pursuant to Sections 21(d), 21(e), 21A, and 27 of the Exchange Act [15 U.S.C. §§ 78u(d), 78u(e), 78u-1, and 78aa]. Defendant, directly or indirectly, has made use of the means and instrumentalities of interstate commerce or of the mails in connection with the acts, transactions, practices, and courses of business alleged in this Complaint.

2. This district is an appropriate venue for this action under Section 27 of the Exchange Act [15 U.S.C. § 78aa] because Defendant resides in Irvine, California.

SUMMARY OF THE ACTION

3. Defendant John E. Martin, while a member of the board of directors of electronics retailer Good Guys, Inc., made over $73,000 in illegal insider trading profits by purchasing Good Guys stock based on advance knowledge that the Company was about to be acquired by CompUSA.

4. In August 2003, Martin was called to a special meeting of the Good Guys board of directors to discuss a potential acquisition of the Company. Martin participated in the meeting by telephone. The morning of August 5, just hours before the special board meeting, Martin bought 100,000 shares of Good Guys stock on margin. Following the August 5 meeting, during which the board authorized the Company to continue with merger negotiations with CompUSA and instructed its investment bankers to explore other strategic alternatives. Martin continued to acquire Good Guys stock. These purchases were based on material nonpublic information.

5. Good Guys announced the merger with CompUSA on September 29, 2003. Upon news of the merger, Good Guys' stock price jumped 33%, from $1.50 to $2.00. Soon after the Company announced the merger, Martin sold his Good Guys stock, making an illegal profit of $73,625.

AUTHORITY TO BRING THIS ACTION

6. The Commission brings this action pursuant to Sections 21(d), 21(e), and 21A of the Exchange Act [15 U.S.C. §§ 78u(d), 78u(e), and 78u-1].

DEFENDANT

7. John E. Martin ("Martin" or "Defendant"), age 59, is a resident of Irvine, California. Martin joined the Good Guys board of directors in 1990 and remained on its board until December 2003. He also served on the boards of Williams Sonoma, Inc. from 1994 to 2002, Diedrich Coffee, Inc. from 1998 to 2000, and Easyriders, Inc. from 1998 to 2000. In addition to his board seats, Martin held several executive positions at Taco Bell Corp. between 1983 and 1997, the last of which was Chief

Executive Officer. Martin currently is the chairman of a privately held restaurant business headquartered in Newport Beach, California.

RELATED ENTITY

8. Good Guys, Inc. ("Good Guys" or the "Company"), an Alameda, California-based electronics chain, is a wholly-owned subsidiary of Dallas-based, privately held CompUSA, Inc. Since its acquisition by CompUSA in September 2003, Good Guys has continued to use its name in operation. Until December 31, 2003, the Company's shares were registered with the Commission pursuant to Section 12(g) of the Exchange Act and quoted on the Nasdaq National Market.

FACTUAL ALLEGATIONS

9. Beginning in September, 1999, Good Guys initiated efforts to seek a strategic transaction. In July, 2002, CompUSA approached Good Guys concerning the possibility of a merger. At that time the Good Guys' board of directors rejected the valuation of the Company proposed by CompUSA as inadequate.

10. CompUSA reopened discussions with Good Guys in July, 2003. Specifically, on July 17, 2003, Good Guys CEO Ken Weller and President Tom Herman met with CompUSA executives regarding a potential acquisition of Good Guys by CompUSA.

11. On or about July 20, 2003, Weller and Herman held a conference call with the Good Guys board of directors, during which they informed the board that Good Guys was considering a merger with CompUSA. During this call, they cautioned the board that information about the merger talks was confidential.

12. On the afternoon of Friday, August 1, 2003, Weller scheduled an August 5, 2003 meeting of the board of directors. Weller contacted the board members, including Martin, via e-mail that afternoon.

13. Early in the morning of August 5, Martin began buying large amounts of Good Guys stock on margin at $1.30 per share. By the time the specially-called board meeting started at 1 p.m., Martin had purchased 100,000 shares of Good Guys stock.

Martin had attempted to make these purchases on August 4, but the trades did not go through.

14. At the August 5th meeting, Martin and the other attendees discussed the Company's potential merger with CompUSA. Martin attended this meeting by telephone. The board authorized the company to continue with confidential merger negotiations and due diligence. The board also instructed its investment banker to look for other strategic alternatives. The board members, including Martin, continued to discuss the merger during August and September 2003.

15. While the confidential merger negotiations progressed, Martin continued to purchase Good Guys stock throughout August and September 2003. Between August 5 and September 19, 2003 Martin acquired a total of 109,500 shares of Good Guys stock on margin.

16. On the morning of September 29, 2003, prior to the open of the market, Good Guys and CompUSA publicly announced that they had reached an agreement for CompUSA to acquire Good Guys. Good Guys' stock price quickly climbed 33%, from $1.50 to $2.00.

17. On the afternoon of September 29 and throughout the next day, Martin sold the 109,500 shares of Good Guys stock he had accumulated in August and September. Selling at around $2.00 per share (or about a 50% premium over what he had paid), Martin netted profits of $73,625 on these trades.

18. Throughout his tenure on the Good Guys' board of directors, Martin received training regarding the insider trading laws and Good Guys' insider trading policy. On at least an annual basis, Good Guys circulated its "Statement of Company Policy on Insider Trading" ("Insider Trading Policy") to its officers, directors and employees. Martin received and reviewed the Insider Trading Policy during 2003. The Insider Trading Policy prohibited company officers, directors, and employees from trading in Good Guys stock based on nonpublic, material information about the Company.

19. Until the merger with CompUSA was finalized on December 31, 2003, Good Guys' officers and directors were required pursuant to Section 16 of the Exchange Act to file statements with the Commission reporting their holdings of, and transactions in, Good Guys securities. Martin failed to report his August and September Good Guys trades to the Commission. Nor did Martin inform anyone at the Company about these transactions.

<u>CLAIMS FOR RELIEF</u>

1. Violations 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] Thereunder

20. The Commission hereby incorporates Paragraphs 1 through 19 by reference.

21. As a director of Good Guys, Martin had a fiduciary duty to Good Guys and its securities holders not to trade in Good Guys securities, either directly or indirectly, based on material, nonpublic information concerning the Company. Defendant breached that duty when he purchased Good Guys stock during August and September 2003 based on material, nonpublic information concerning Good Guys' confidential merger negotiations with CompUSA.

22. Martin, by engaging in the conduct set forth above, with scienter, directly or indirectly:

(a) employed devices, schemes, or artifices to defraud;

(b) made untrue statements of a material fact or omitted to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; or

(c) engaged in acts, practices, or courses of business which operated or would operate as a fraud or deceit upon other persons, in connection with the purchase or sale of securities, by the use of means or instrumentalities of interstate commerce or of the mails, or of a facility of a national securities exchange.

23. By reason of the foregoing, Martin has violated, and unless restrained and enjoined will continue to violate, Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 [17 C.F.R. § 240.10b-5].

2. Violations of Section 16 of the Exchange Act [15 U.S.C. § 78p] and Rule 16a-3(g)(1) [17 C.F.R. 240.16a-3] Thereunder

24. The Commission hereby incorporates paragraphs 1 through 23 by reference.

25. As a director of Good Guys, Martin had a duty under Section 16 of the Exchange Act and Rule 16a-3(g)(1) thereunder to file with the Commission Form 4s reflecting his transactions in Good Guys securities. Defendant failed to file Form 4s reflecting his August and September 2003 transactions in Good Guys securities.

26. By reason of the foregoing, Defendant has violated Section 16 of the Exchange Act [15 U.S.C. § 780] and Rule 16a-3(g)(1) [17 C.F.R. 240.16a-3] thereunder.

PRAYER FOR RELIEF

WHEREFORE, the Commission respectfully requests that the Court:

I.

Permanently enjoin Defendant and Defendant's agents, servants, employees, attorneys, and all persons in active concert or participation with them who receive actual notice of the judgment by personal service or otherwise from violating, directly or indirectly, Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)], Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5], Section 16 of the Exchange Act and Rule 16a-3(g)(1) thereunder [17 C.F.R. 240.16a-3];

II.

Enter an Order requiring Defendant to disgorge an amount equal to his illegal trading profits from the securities transactions complained of herein, plus prejudgment interest;

III.

Enter an Order requiring Defendant to pay civil penalties under Section 21A of the Exchange Act [15 U.S.C. § 78u-l];

IV.

Enter an Order prohibiting Defendant from acting as an officer or director of a public company, pursuant to Section 21(d)(2) of the Exchange Act [15 U.S.C. § 78u]; and

V.

Grant such other and further relief as the Court may deem just, equitable, and appropriate.

Dated: April 25, 2005

Respectfully submitted,

By: ___________________________
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Marc J. Fagel
Michael S. Dicke
Susan Fleischmann

Attorneys for Plaintiff
SECURITIES AND EXCHANGE COMMISSION