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10	UNITED STATES DISTRICT COURT	
11	CENTRAL DISTRICT OF CALIFORNIA	
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13	SECURITIES AND EXCHANGE COMMISSION,	Case No.:
14	Plaintiff,	COMPLAINT FOR VIOLATIONS OF THE FEDERAL SECURITIES
15	v.	LAWS
16	JOHN D. HUTCHINSON,	
17	Defendant.	
18		
19	Plaintiff Securities and Exchange Commission ("Commission") alleges as	
20	follows:	
21	JURISDICTION AND VENUE	
22	1. This Court has jurisdiction over this action pursuant to Sections 20(b)	
23	and 22(a) of the Securities Act of 1933 ("Securities Act"), 15 U.S.C. §§ 77t(b) &	
24	77v(a), and Sections 21(d)(1), 21(e), 21A(a), and 27 of the Securities Exchange	
25	Act of 1934 ("Exchange Act"), 15 U.S.C. §§ 78u(d)(1), 78u(e),78u-1(a), & 78aa.	
26	Defendant has, directly or indirectly, made use of the means or instrumentalities of	
27	interstate commerce, of the mails, or of the facilities of a national securities	
28	exchange, in connection with the transactions, acts, practices, and courses of	

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business alleged in this complaint.

2. Venue is proper in this district pursuant to Section 22(a) of the Securities Act, 15 U.S.C. § 77v(a), and Section 27 of the Exchange Act, 15 U.S.C. § 78aa, because certain of the transactions, acts, practices, and courses of conduct constituting violations of the federal securities laws occurred within this district.

SUMMARY

- 3. This case involves unlawful insider trading in the securities of The Ryland Group, Inc. ("Ryland"). The trader, John D. Hutchinson ("Hutchinson"), is president of Ryland's Dallas division, one of the company's three sales divisions in Texas. During December 2003, Hutchinson, in the course of his duties as a division president of Ryland, became aware that Ryland's new housing orders for the fourth quarter of 2003 would decrease significantly compared to the fourth quarter of 2002. While aware of this non-public information, Hutchinson then exercised all of his exercisable options in Ryland stock, and sold the underlying shares shortly before this information was publicly announced, thereby avoiding a substantial loss.
- 4. By engaging in the conduct described in this complaint, Hutchinson, directly and indirectly, engaged in acts, practices and courses of business in violation of Section 17(a) of the Securities Act, 15 U.S.C. § 77q(a), and 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.
- 5. The Commission brings this action for an order permanently restraining and enjoining the defendant, ordering disgorgement of unlawful profits, and imposing civil penalties.

THE DEFENDANT

6. Hutchinson, age 53, is a resident of Coppell, Texas. He has been president of Ryland's Dallas sales division since 1995.

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RELATED ENTITY

7. Ryland is a home building and mortgage finance company, with operations nationwide. Ryland is headquartered in Calabasas, California. Ryland's securities are registered with the Commission and are traded on the New York Stock Exchange.

THE IMPROPER CONDUCT OF THE DEFENDANT

- 8. During the fourth quarter of 2003, Hutchinson routinely received summary weekly sales reports by e-mail from Ryland's headquarters on the Monday following the end of the week to which the report related, and these reports included information for all Ryland sales divisions nationwide. This sales information was non-public corporate information that Hutchinson received during the course of his duties as president of Ryland's Dallas sales division.
- 9. Hutchinson received the summary sales report for the week ended December 28, 2003 on December 29, 2003. That December 29 report showed nationwide home sales for the quarter-to-date and specifically stated that home sales for the quarter-to-date were down 9.1% from the fourth quarter of 2002.
- 10. Hutchinson knew, or was reckless in not knowing, that the information regarding Ryland home sales was material non-public information and that he owed a duty of trust and confidence to Ryland and its shareholders.
- Hutchinson knew, or was reckless in not knowing, that he should have 11. kept the information about Ryland home sales confidential and could not use or take advantage of the information.
- 12. On January 2, 2004, Hutchinson exercised options for 11,600 shares of Ryland common stock and sold the shares. Hutchinson sold Ryland shares in breach of his duty of trust and confidence to Ryland. By selling Ryland stock for his own benefit while aware of the negative sales information before it became public, Hutchinson violated Section 17(a) of the Securities Act and Section 10(b) of the Exchange Act and Rule 10b-5 thereunder.

13. On the morning of January 8, 2004, Ryland announced that new housing orders for the fourth quarter of 2003 had decreased 8.9% compared to the fourth quarter of 2002. That day, Ryland stock closed at a stabilized price of \$72.89 per share, a 12% price drop from the previous day's close, with a trading volume increase of 371%. Hutchinson avoided a loss of \$101,778.

FIRST CLAIM FOR RELIEF

FRAUD IN THE OFFER OR SALE OF SECURITIES

Violations of Section 17(a) of the Securities Act

- 14. The Commission realleges and incorporates by reference ¶¶ 1 through 13 above.
- 15. Defendant Hutchinson, by engaging in the conduct described above, directly or indirectly, in the offer or sale of securities by the use of means or instruments of transportation or communication in interstate commerce or by use of the mails:
 - a. with scienter, employed devices, schemes, or artifices to defraud;
 - b. obtained money or property by means of untrue statements of a
 material fact or by omitting 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 transactions, practices, or courses of business which operated or would operate as a fraud or deceit upon the purchaser.
- 16. By engaging in the conduct described above, defendant violated, and unless restrained and enjoined will continue to violate, Section 17(a) of the Securities Act, 15 U.S.C. § 77q(a).

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SECOND CLAIM FOR RELIEF FRAUD IN CONNECTION WITH THE

PURCHASE OR SALE OF SECURITES

Violations of Section 10(b) of the Exchange Act and Rule 10b-5 thereunder

- 17. The Commission realleges and incorporates by reference \P ¶ 1 through 13 above.
- 18. Defendant Hutchinson, by engaging in the conduct described above, directly or indirectly, in connection with the purchase or sale of a security, by the use of means or instrumentalities of interstate commerce, of the mails, or of the facilities of a national securities exchange, with scienter:
 - a. employed devices, schemes, or artifices to defraud;
 - 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
 - engaged in acts, practices, or courses of business which
 operated or would operate as a fraud or deceit upon other
 persons.
- 19. By engaging in the conduct described above, defendant 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 thereunder, 17 C.F.R. § 240.10b-5.

PRAYER FOR RELIEF

WHEREFORE, the Commission respectfully requests that the Court:

I.

Issue a final judgment, in a form consistent with Fed. R. Civ. P. 65(d), permanently enjoining defendant Hutchinson and his officers, agents, servants,

1 employees, and attorneys, and those persons in active concert or participation with 2 any of them, who receive actual notice of the final judgment by personal service or otherwise, and each of them, from violating Section 17(a) of the Securities Act, 3 4 15 U.S.C. § 77q(a), and Section 10(b) of the Exchange Act, 15 U.S.C. § 78j(b), 5 and Rule 10b-5 thereunder, 17 C.F.R. § 240.10b-5. 6 II. 7 Order defendant Hutchinson to disgorge all ill-gotten gains from his illegal 8 conduct, together with prejudgment interest thereon. 9 III. 10 Order defendant Hutchinson to pay civil penalties under Section 21A(a) of the Exchange Act, 15 U.S.C. § 78u-1(a). 11 12 IV. 13 Retain jurisdiction of this action in accordance with the principles of equity 14 and the Federal Rules of Civil Procedure in order to implement and carry out the 15 terms of all orders and decrees that may be entered, or to entertain any suitable application or motion for additional relief within the jurisdiction of this Court. 16 V. 17 18 Grant such other and further relief as this Court may determine to be just and 19 necessary. 20 21 22 DATED: February 28, 2005 Victoria A. Levin 23 Attorney for Plaintiff Securities and Exchange Commission 24 25 26 27

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