

FILED

07 MAY -2 AM 11:20

CLERK, U.S. DISTRICT COURT
SOUTHERN DISTRICT OF CALIFORNIA

DEPUTY

BY:

1 BRIANE NELSON MITCHELL, Cal. Bar No. 116037
 Email: mitchellbn@sec.gov
 2 KELLY C. BOWERS, Cal. Bar No. 164007
 Email: bowersk@sec.gov
 3 VICTORIA A. LEVIN, Cal. Bar No. 166616
 Email: levinv@sec.gov
 4 MORGAN B. WARD DORAN, Cal. Bar No. 246107
 Email: warddorann@sec.gov
 5

6 Attorneys for Plaintiff
 Securities and Exchange Commission
 7 Randall R. Lee, Regional Director
 Michele Wein Layne, Associate Regional Director
 8 Andrew G. Petillon, Associate Regional Director
 9 5670 Wilshire Boulevard, 11th Floor
 Los Angeles, California 90036
 10 Telephone: (323) 965-3998
 11 Facsimile: (323) 965-3908

12 **UNITED STATES DISTRICT COURT**
 13 **FOR THE SOUTHERN DISTRICT OF CALIFORNIA**
 14

15 **SECURITIES AND EXCHANGE**
COMMISSION,

Plaintiff,

vs.

18 **VENCENT A. DONLAN,**

Defendant,

and

21 **ROBIN D. COLLS DONLAN,**

Relief Defendant.

Case No.

07 CV 793

JAH(LSP)

**COMPLAINT FOR VIOLATIONS OF
THE FEDERAL SECURITIES LAWS**

24
25
26
27
28

1 Plaintiff Securities and Exchange Commission (the "Commission") alleges as follows:

2 **Jurisdiction and Venue**

3 1. The Court has jurisdiction over this action pursuant to Sections 21(d)(1),
4 21(d)(3)(A), 21(e), and 27 of the Securities Exchange Act of 1934 ("Exchange Act"), 15 U.S.C.
5 §§ 78u(d)(1), 78(d)(3)(A), 78u(e), and 78aa. Defendant Vencent A. Donlan ("Donlan") has,
6 directly or indirectly, made use of the means or instrumentalities of interstate commerce, or of
7 the mails, or of the facilities of a national securities exchange, in or in connection with the
8 transactions, acts, practices, and courses of business alleged in this Complaint.

9 2. Venue is proper in this district pursuant to Section 27 of the Exchange Act, 15
10 U.S.C. § 78aa, because certain of the transactions, acts, practices, and courses of business
11 constituting violations of the federal securities laws occurred within this district.

12 **Summary**

13 3. During the 2002 to 2003 time period, Donlan, while he was the stock options
14 administrator at Wireless Facilities, Inc. ("WFI"), engaged in a fraudulent scheme by which he
15 took more than 700,000 shares of the company's stock and stock options. Donlan directed
16 WFI's brokerage firm and transfer agent to issue WFI stock and stock options in the name of his
17 wife, relief defendant Robin D. Colls Donlan ("Colls"), and transfer the securities to a brokerage
18 account held in Colls' name. Donlan later created false entries in WFI's stock plan management
19 and reporting software to hide these transactions. Donlan and Colls made at least \$7.7 million
20 through the sale and exercise of the fraudulently issued WFI securities.

21 4. By engaging in the conduct described in this Complaint, defendant has violated
22 Section 10(b) of the Exchange Act, 15 U.S.C. § 78j(b), and Rule 10b-5 thereunder, 17 C.F.R. §
23 240.10b-5. The Commission seeks a permanent injunction, disgorgement with prejudgment
24 interest, and civil penalties against defendant Donlan, and disgorgement with prejudgment
25 interest against relief defendant Colls.

26 **Defendant**

27 5. **Vencent A. Donlan**, age 44, resides in San Diego, California. Donlan was a
28 temporary employee at WFI from May to August 2002, and WFI's stock options administrator

1 from August 2002 to July 2004. Donlan's starting annual salary at WFI was \$60,000, which was
2 later increased to \$65,000 per year. WFI authorized the grant of 5,520 stock options to Donlan
3 during his tenure at the company. Donlan exercised 1,853 of these stock options in 2002, and
4 300 more in 2003. WFI cancelled the remainder when Donlan left the company in July 2004.

5 **Relief Defendant**

6 6. **Robin D. Colls Donlan**, age 44, resides in San Diego, California. Colls married
7 Donlan in Nevada in March 2002. Colls has never worked for WFI, and WFI has never
8 authorized the grant of its stock or stock options to her. Nonetheless, Colls was the primary
9 account holder of a brokerage account, held jointly with Donlan, that received 728,229 shares of
10 WFI stock and stock options.

11 **Other Relevant Entity**

12 7. **Wireless Facilities Inc.** is a Delaware corporation headquartered in San Diego,
13 California, and is a provider of outsourced engineering and network deployment services,
14 security systems engineering and integration services, and other technical services for the
15 wireless communications industry. WFI's common stock is registered pursuant to Section 12(g)
16 of the Exchange Act and is traded on the Nasdaq Stock Market.

17 **The Fraudulent Scheme**

18 **A. Donlan Fraudulently Caused WFI to Issue Stock and Options to Colls**

19 8. As WFI's stock options administrator, Donlan managed the process by which
20 WFI distributed stock options to its officers, directors, and employees. In particular, Donlan had
21 primary control over Equity Edge, the software program that WFI used to account for, and
22 transmit information about, its stock options. Through Equity Edge and related software, Donlan
23 created stock options grants and opened individual accounts with WFI's brokerage firm,
24 E*Trade Securities, so that WFI's officers, directors, and employees could access and exercise
25 those options. Donlan also used Equity Edge and related software to instruct E*Trade and WFI's
26 transfer agent, Wells Fargo Shareowner Services, to issue and transfer stock to WFI's officers,
27 directors, and employees.

1 9. During the relevant time period, Donlan had primary responsibility for entering
2 WFI's stock options data into Equity Edge. Because he had administrative level user rights on
3 Equity Edge, Donlan was able to issue and transfer stock options on his own authority, giving
4 him effective control over WFI's options distributions.

5 10. In June 2002, Donlan used Equity Edge to create a WFI options account with
6 E*Trade in Colls' name, but registered as a joint account (the "Joint Account"). In creating the
7 Joint Account, Donlan falsely stated on the account opening documents that Colls was a WFI
8 employee. Colls and/or Donlan later added Donlan to the Joint Account, but because Colls was
9 the primary account holder her name remained the first one listed.

10 11. Between November 2002 and November 2003, Donlan fraudulently caused WFI to
11 issue at least 728,229 shares of its stock and stock options to Colls. Donlan effected his fraudulent
12 scheme by making false entries in WFI's Equity Edge program to create and then hide stock options
13 grants to Colls and by providing false information to WFI's brokerage firm and transfer agent.

14 12. Donlan used two methods for fraudulently issuing the WFI stock and stock
15 options. First, Donlan sent emails from his WFI email account to E*Trade falsely stating that
16 Colls had performed cash exercises of WFI options (*i.e.*, paid WFI cash for shares of its stock)
17 and directing E*Trade to initiate the transfer of the resulting shares into the Joint Account in
18 Colls' name. Donlan fraudulently caused WFI to issue 548,229 shares of WFI stock using this
19 method, and the shares were transferred directly into the Joint Account as WFI stock. Second,
20 Donlan used Equity Edge to falsely inform E*Trade that WFI had awarded Colls stock options
21 and to request that E*Trade register them in the Joint Account in Colls' name. Donlan
22 fraudulently caused WFI to issue 180,000 stock options using this method, and E*Trade
23 registered the shares in the Joint Account as exercisable options. Donlan then faxed documents
24 to WFI's transfer agent directing it to issue the 728,229 shares of WFI stock in Colls' name and
25 to transfer the shares to E*Trade for the benefit of Colls.

26 13. Donlan caused twenty-seven such issuances and transfers to the Joint Account over
27 a thirteen month period. WFI did not authorize the grant or issuance of any of these shares.
28

1 14. Donlan hid these unauthorized transactions from WFI by manipulating the
2 company's Equity Edge program to make it look like the stock options awards were authorized. For
3 example, Donlan parked a large number of purported stock option grants in Equity Edge accounts
4 that he created in the abbreviated names of real WFI employees (*e.g.*, "Tom" instead of
5 "Thomas"), but using Colls' social security number. Donlan later back-filled into Equity Edge
6 the names (and, at least once, the correct social security number) of WFI employees as the
7 recipients of the issued options, thereby making the grants appear to be valid.

8 **B. Sale of the WFI Shares**

9 15. When the fraudulently issued WFI securities became available for trade in the
10 Joint Account, Donlan and/or Colls directed E*Trade to exercise the options and sell the stock on
11 the open market. In connection with these transactions, E*Trade sought confirmation from WFI
12 that it had authorized the award of the shares of WFI stock and stock options to Colls. Donlan
13 used his position as stock options administrator at WFI to falsely verify that the options were
14 valid and authorized by WFI.

15 16. Donlan and/or Colls received at least \$7.7 million in net proceeds from the sale
16 and exercise of the fraudulently issued WFI securities.

17 **C. Transfer and Use of The Proceeds**

18 17. Between November 2002 and November 2004, Donlan and/or Colls transferred
19 all but 50¢ of the proceeds from the WFI stock sales and options exercises out of the Joint
20 Account using wire transfers, checks, and ATM transactions. A number of the wire transfers and
21 checks were directed to financial institutions, including banks, brokerages, and credit card
22 companies.

23 18. An unknown amount of the proceeds from Donlan and/or Colls' unauthorized sale
24 and exercise of WFI's securities is still in active accounts with these financial institutions. For
25 example, Donlan currently holds approximately \$1.83 million in securities and cash in an open
26 TD Ameritrade brokerage account. Donlan has recently withdrawn large sums from this
27 account; between January and April 2007, Donlan transferred approximately \$540,000 out of his
28 TD Ameritrade brokerage account. Donlan also has approximately \$15,000 in a Charles Schwab

1 **II.**

2 Issue a judgment, in a form consistent with Fed. R. Civ. P. 65(d), permanently enjoining
3 defendant, and those persons in active concert or participation with him who receive actual
4 notice of the judgment by personal service or otherwise, from violating Section 10(b) of the
5 Exchange Act, 15 U.S.C. § 78j(b), and Rule 10b-5 thereunder, 17 C.F.R. § 240.10b-5.

6 **III.**

7 Issue, in a form consistent with Fed. R. Civ. P. 65, a temporary restraining order and
8 preliminary injunction freezing the assets of defendant and relief defendant and orders
9 prohibiting them from destroying documents; directing an accounting; and expediting discovery.

10 **IV.**

11 Order defendant and relief defendant to disgorge all ill-gotten gains from defendant's
12 illegal conduct, together with prejudgment interest thereon.

13 **V.**

14 Order defendant to pay civil penalties pursuant to Section 21(d)(3) of the Exchange Act,
15 15 U.S.C. § 78u-(d)(3).


16 **VI.**

17 Retain jurisdiction of this action in accordance with the principles of equity and the
18 Federal Rules of Civil Procedure in order to implement and carry out the terms of all orders and
19 decrees that may be entered, or to entertain any suitable application or motion for additional
20 relief within the jurisdiction of this Court.

21 **VII.**

22 Grant such other and further relief as this Court may determine to be just and necessary.

23
24 DATED: May 2, 2007


BRIANE NELSON MITCHELL
KELLY C. BOWERS
VICTORIA A. LEVIN
MORGAN B. WARD DORAN
Attorneys For Plaintiff
Securities and Exchange Commission