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16 **UNITED STATES DISTRICT COURT**
17 **CENTRAL DISTRICT OF CALIFORNIA**

18 SECURITIES AND EXCHANGE
19 COMMISSION,

20 Plaintiff,

21 v.

22 JOHN D. HUTCHINSON,

23 Defendant.

Case No.:

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

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

26 **JURISDICTION AND VENUE**

27 1. This Court has jurisdiction over this action pursuant to Sections 20(b)
28 and 22(a) of the Securities Act of 1933 (“Securities Act”), 15 U.S.C. §§ 77t(b) &
77v(a), and Sections 21(d)(1), 21(e), 21A(a), and 27 of the Securities Exchange
Act of 1934 (“Exchange Act”), 15 U.S.C. §§ 78u(d)(1), 78u(e), 78u-1(a), & 78aa.
Defendant has, directly or indirectly, made use of the means or instrumentalities of
interstate commerce, of the mails, or of the facilities of a national securities
exchange, in connection with the transactions, acts, practices, and courses of

1 business alleged in this complaint.

2 2. Venue is proper in this district pursuant to Section 22(a) of the
3 Securities Act, 15 U.S.C. § 77v(a), and Section 27 of the Exchange Act, 15 U.S.C.
4 § 78aa, because certain of the transactions, acts, practices, and courses of conduct
5 constituting violations of the federal securities laws occurred within this district.

6 **SUMMARY**

7 3. This case involves unlawful insider trading in the securities of The
8 Ryland Group, Inc. (“Ryland”). The trader, John D. Hutchinson (“Hutchinson”), is
9 president of Ryland’s Dallas division, one of the company’s three sales divisions in
10 Texas. During December 2003, Hutchinson, in the course of his duties as a
11 division president of Ryland, became aware that Ryland’s new housing orders for
12 the fourth quarter of 2003 would decrease significantly compared to the fourth
13 quarter of 2002. While aware of this non-public information, Hutchinson then
14 exercised all of his exercisable options in Ryland stock, and sold the underlying
15 shares shortly before this information was publicly announced, thereby avoiding a
16 substantial loss.

17 4. By engaging in the conduct described in this complaint, Hutchinson,
18 directly and indirectly, engaged in acts, practices and courses of business in
19 violation of Section 17(a) of the Securities Act, 15 U.S.C. § 77q(a), and Section
20 10(b) of the Exchange Act, 15 U.S.C. § 78j(b), and Rule 10b-5 thereunder, 17
21 C.F.R. § 240.10b-5.

22 5. The Commission brings this action for an order permanently
23 restraining and enjoining the defendant, ordering disgorgement of unlawful profits,
24 and imposing civil penalties.

25 **THE DEFENDANT**

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

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1 **RELATED ENTITY**

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

6 **THE IMPROPER CONDUCT OF THE DEFENDANT**

7 8. During the fourth quarter of 2003, Hutchinson routinely received
8 summary weekly sales reports by e-mail from Ryland's headquarters on the
9 Monday following the end of the week to which the report related, and these
10 reports included information for all Ryland sales divisions nationwide. This sales
11 information was non-public corporate information that Hutchinson received during
12 the course of his duties as president of Ryland's Dallas sales division.

13 9. Hutchinson received the summary sales report for the week ended
14 December 28, 2003 on December 29, 2003. That December 29 report showed
15 nationwide home sales for the quarter-to-date and specifically stated that home
16 sales for the quarter-to-date were down 9.1% from the fourth quarter of 2002.

17 10. Hutchinson knew, or was reckless in not knowing, that the
18 information regarding Ryland home sales was material non-public information and
19 that he owed a duty of trust and confidence to Ryland and its shareholders.

20 11. Hutchinson knew, or was reckless in not knowing, that he should have
21 kept the information about Ryland home sales confidential and could not use or
22 take advantage of the information.

23 12. On January 2, 2004, Hutchinson exercised options for 11,600 shares
24 of Ryland common stock and sold the shares. Hutchinson sold Ryland shares in
25 breach of his duty of trust and confidence to Ryland. By selling Ryland stock for
26 his own benefit while aware of the negative sales information before it became
27 public, Hutchinson violated Section 17(a) of the Securities Act and Section 10(b)
28 of the Exchange Act and Rule 10b-5 thereunder.

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
3 otherwise, and each of them, from violating Section 17(a) of the Securities Act,
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
11 the Exchange Act, 15 U.S.C. § 78u-1(a).

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
16 application or motion for additional relief within the jurisdiction of this Court.

17 **V.**

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

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21
22 DATED: February 28, 2005

23 S/
24 Victoria A. Levin
25 Attorney for Plaintiff
26 Securities and Exchange Commission
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