

**IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF MISSOURI
EASTERN DIVISION**

Securities and Exchange Commission,)	
)	
Plaintiff,)	
)	
vs.)	Civil Action No.
)	
Steven J. Landmann,)	
)	
Defendant.)	

COMPLAINT

Plaintiff, the United States Securities and Exchange Commission (“the Commission”), for its Complaint, alleges as follows:

SUMMARY

1. From 1997 through 2003, Steven J. Landmann was a participant in a fraudulent scheme that enriched himself and others at Engineered Support Systems, Inc. (“Engineered Support” or “the Company”). Engineered Support periodically issued stock options to its employees and directors as an incentive, purportedly tying the recipients’ compensation to the Company’s future stock price. Pursuant to Engineered Support’s stock option plans, the Company was required to grant these options “at-the-money,” which means that the option exercise price would be equal to the closing market price of the Company’s common stock on the date of the award. Thus, employees and directors would profit only if the Company’s stock price rose after options were awarded.

2. During this period of time, Engineered Support regularly issued proxy statements and annual reports which represented that the Company’s stock options were

issued with exercise prices equal to the closing market prices on the dates of the awards. However, these statements were false.

3. As Engineered Support's Controller, and at the direction of others, Landmann backdated the grant dates of certain of Engineered Support's stock options to coincide with low points in the closing market price for the Company's common stock. This undisclosed practice resulted in grants of disguised in-the-money options, where the options had a lower exercise price than the market price of Engineered Support's common stock on the actual date of the award. Because the Company's stock options vested immediately, this practice conveyed immediate compensation to options recipients which had not been authorized by shareholders.

4. As part of this scheme, on two occasions Landmann also was directed to cancel and reissue previously issued Engineered Support options with a new backdated grant date and exercise price when the Company's stock price fell after the Company had granted those options. The purpose was to bring options that fell out-of-the-money back in-the-money.

5. As part of this scheme, and at the direction of others, Landmann also improperly issued options to non-employee directors beyond what those directors were authorized to receive under Engineered Support's stock option plans. The violation of these plan provisions was never disclosed by the Company.

6. In connection with the scheme, Landmann also prepared portions of proxy statements and periodic reports filed with the Commission from 1997 through 2003 which he knew, or was reckless in not knowing, contained materially false and misleading statements and omissions of material facts concerning Engineered Support's

stock option grants, as well as portions of materially misstated financial statements that understated compensation expense required by Generally Accepted Accounting Principles (“GAAP”). As a result, Engineered Support materially overstated its pretax operating income of \$148 million (for the fiscal years 1997 through 2002) by approximately \$26 million, or 21%.

7. Landmann also was involved in the preparation and review of the stock option award letters and certificates, as well as stock option schedules, which contained false grant dates. These documents were provided to Engineered Support’s auditors as evidence of the actual grant dates.

8. In total, these manipulative options granting practices resulted in approximately \$20 million of unauthorized compensation to Engineered Support insiders. Landmann’s personal ill-gotten gains from this scheme totaled \$518,972.50.

JURISDICTION AND VENUE

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

10. This is an appropriate venue under 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]. The

