



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, option recipients were to profit only if the Company's stock price rose after options were awarded.

3. During this period of time, Engineered Support regularly issued proxy statements, annual reports, and registration statements, approved and in many cases signed by the Shanahans, which represented that the Company's stock options had been and would be issued with an exercise price equal to the closing market price on the date of the award. These representations were false.

4. Shanahan was Engineered Support's Chief Executive Officer ("CEO") and Chairman of the Board of Directors ("Chairman"), and Shanahan Jr. was a member of Engineered Support's Board of Directors and the Board's Compensation Committee during the relevant period. On a number of occasions, the Shanahans directed the issuance of stock options that were backdated to coincide with low points in the closing market price for the Company's common stock. This practice concealed Engineered Support's grants of improper in-the-money options, where the options actually had a lower exercise price than the market price of the Company's common stock on the date those options were awarded. Because the Company's stock options vested immediately, the Shanahans and other option recipients could realize an immediate profit on the option grants that had not been authorized by Company shareholders.

5. On at least two occasions, Shanahan approved the cancellation and reissuance of previously issued Engineered Support options with new backdated grant

dates and exercise prices to compensate for a decline in the Company's stock price. These efforts were intended to bring options that had fallen out-of-the-money back in-the-money, and circumvented Engineered Support's stated goal of tying executive compensation to increases in the Company's stock price. Engineered Support never disclosed to shareholders that it had repriced its stock options in those instances.

6. Shanahan also granted more stock options to non-employee directors than those directors were authorized to receive under Engineered Support's stock option plans. Engineered Support's proxy statements never disclosed to shareholders that the Company had awarded this additional unauthorized compensation to its non-employee directors.

7. The backdating of Engineered Support stock options improperly increased the compensation paid to the officers, employees and directors of Engineered Support by approximately \$20 million. Shanahan personally received ill-gotten gains, including \$8,916,562 in backdated profits, from his participation in this scheme.

8. The unauthorized option grants to Engineered Support's non-employee directors improperly increased their compensation as well. In total, Engineered Support's directors profited by approximately \$6 million from the exercise or redemption of their unauthorized options. Shanahan Jr. personally received profits of \$379,738 from his receipt of unauthorized options.

9. Between 1997 and 2003, the Shanahans signed annual reports and registration statements filed with the Commission, and approved proxy statements that they caused to be filed with the Commission, which they knew, or were reckless in not knowing, contained materially false and misleading statements and omissions of material facts concerning Engineered Support's stock option program.

## **JURISDICTION AND VENUE**

10. 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 defendants have, 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.

11. 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 transactions, acts, practices and courses of business constituting the violations alleged herein occurred within the Eastern District of Missouri. Furthermore, Shanahan Jr. resides in this district, and Shanahan owns a home in this district.

## **THE DEFENDANTS**

12. Michael F. Shanahan, Sr., age 67, resides in Naples, Florida and St. Louis, Missouri. Shanahan was the founder of Engineered Support and served as its Chairman and Chief Executive Officer until April 2003, when he stepped down as CEO. Shanahan continued to serve as the Company’s Chairman until his retirement in May 2005, when he became non-executive Chairman.

13. Michael F. Shanahan, Jr., age 40, is a resident of Chesterfield, Missouri. Shanahan Jr. served on Engineered Support’s Board of Directors from 1994 through January 31, 2006, and served on the Compensation Committee of the Board of Directors

from 1995 through 2002. Shanahan Jr. is currently President and CEO of Huntleigh McGehee, an insurance brokerage firm.

#### **RELATED ENTITY**

14. Engineered Support Systems, Inc. is a Missouri corporation with its principal place of business in St. Louis, Missouri. Engineered Support is a holding company for a number of wholly-owned subsidiaries that design and manufacture military support equipment and electronics, primarily for the U.S. Department of Defense. The Company and its subsidiaries employ more than 3,000 people and its main products include tank trailers, heavy cargo loading equipment, portable generators, field shelters, distribution systems for fuel, water and air, and radar and other electronics systems. Engineered Support's common stock was traded on the NASDAQ NMS, and was registered with the Commission pursuant to Section 12(g) of the Exchange Act, until it was acquired by DRS Technologies, Inc. ("DRS") on January 31, 2006. DRS had no ownership interest in Engineered Support during the time periods relevant to this proceeding.

#### **FACTS**

##### **Engineered Support's Stock Option Plans**

15. Between at least 1985 and January 2006, Engineered Support issued stock options to employees and non-employee directors pursuant to shareholder-approved stock option plans. From 1997 through 2002, the Company had two types of stock option plans in effect: one for officers, key employees and consultants ("Stock Option Plan"), and another for non-employee directors ("Non-employee Director Plan"). Copies of these plans were included in the Company's proxy statements filed with the Commission, and the plans were approved by the Company's shareholders at annual shareholder meetings.

The Report of the Compensation Committee included in Engineered Support's proxy statements stated that these plans served to "ensure that management's interests are directly tied to shareholder return."

16. Engineered Support's Stock Option Plan set a total amount of options to be allocated among officers, key employees, and consultants. The Stock Option Plan charged Engineered Support's Compensation Committee, a committee of the Board of Directors consisting of three or four non-employee directors, with administration of the plan. The Compensation Committee had the exclusive power to grant options under the plan, subject to approval by the Chairman of the Board, Shanahan.

17. Engineered Support's Non-employee Director Plan provided for non-employee directors to receive a fixed number of options each year immediately following the annual shareholder meeting in March. Non-employee directors were not eligible to receive any additional option grants under any of Engineered Support's stock option plans. This limitation was intended to ensure that stock options issued under this plan comported with the Rule 16b-3 exemption from Section 16(b) of the Exchange Act. As Chairman of the Board, Shanahan had the exclusive power to grant options under this plan.

18. All options granted under both plans vested immediately. The Company explicitly stated in both plans that all options were to be granted with an exercise price equal to the closing price of Engineered Support's common stock on the date that the options were granted.

19. As a member of Engineered Support's Compensation Committee, Shanahan Jr. assumed a leading role in making recommendations regarding executive

compensation, including the award of options to Company employees under the Stock Option Plan. On one occasion, when Shanahan Jr. was asked whether Engineered Support had a Compensation Committee, he replied “you’re looking at it.”

20. Shanahan was ultimately responsible for authorizing all of Engineered Support’s stock option awards from 1997 through 2002. Shanahan also reviewed and exchanged lists of proposed option recipients with Company executives, and made adjustments to the potential option recipients and the number of shares to be awarded. From 1997 through 2001, Shanahan personally signed option award letters and certificates for virtually all recipients of Company stock options. In 2002, Shanahan used an electronic signature for the award letters and certificates.

**Engineered Support’s Backdating of Stock Option Grant Dates**

21. Between 1997 and 2002, with the Shanahans’ participation, knowledge, and consent, Engineered Support repeatedly issued backdated stock options that contained a lower exercise price than the price of the Company’s common stock on the date the options were awarded. This practice violated the terms of Engineered Support’s stock option plans and was contrary to representations made to shareholders. In fact, most of Engineered Support’s option grants during this period contained false grant dates that predated the actual date of the award and corresponded to low points in the Company’s stock price. The backdated option grants included those with purported grant dates of: December 2, 1996; February 1, March 10 and September 4, 1998; July 1 and December 9, 1999; May 4, 2000; March 29, 2001; and July 24 and October 17, 2002.

22. Because Engineered Support’s options vested immediately, the backdating of option grants conferred immediately realizable compensation upon each option

recipient. During the relevant period, options backdating increased the compensation received by Engineered Support officers, employees and directors by approximately \$20 million. Shanahan, members of his family, and other top executives received more than \$15 million of this additional compensation.

23. Shanahan personally received unauthorized compensation of \$8,916,562 as a result of backdating. Engineered Support's President and Chief Operating Officer received \$2,322,362 in backdated profits. The Company's Chief Financial Officer ("CFO") received \$1,938,900 in backdated profits. The Company's President of Business Development received \$1,864,112 in backdated profits. Engineered Support's General Counsel, who also was Shanahan's son-in-law, received backdated profits of \$501,417. Shanahan Jr. received backdated profits of \$104,092.

24. Shanahan and Shanahan Jr. knew, or were reckless in not knowing, that awards of in-the-money options were not permitted by Engineered Support's stock option plans. The Shanahans and others concealed the fact that these options were granted at an exercise price that was lower than the closing price of Engineered Support's common stock on the date the options were awarded and hid this additional, unauthorized compensation from shareholders.

25. Shanahan actively participated in Engineered Support's efforts to conceal the dates on which it granted backdated options. For each option grant, the Company provided the recipient with a letter announcing the award and an award certificate. The letters contained an "Issuance Date" for the options, and both the letter and the issuance date were backdated, creating the appearance that the letters and certificates had been generated and signed at an earlier date. These letters and certificates were maintained by

the Company as a record of its option grants. Between 1997 and 2001, Shanahan personally signed approximately 300 falsely dated award letters and the corresponding option award certificates. Copies of these letters and certificates were subsequently provided to the Company's auditors, who relied upon them as evidence of each stock option award date.

26. Shanahan Jr. also assisted in the Company's concealment of its backdating and caused the Company to fail to keep proper records reflecting its option grants. As a member of the Compensation Committee, Shanahan Jr. failed to ensure that the Compensation Committee kept records reflecting the dates on which the committee authorized the Company's option grants.

27. The Shanahans' participation in Engineered Support's backdating is documented in various contemporaneous writings. For example, on April 8, 1998, Engineered Support's CFO wrote a note to the Company's Controller, which stated, "IAW previous discussions with MFS Sr. please issue/authorize the following stock options", and provided a list of recipients, the number of shares for each recipient, and the "Effective Date" for those options, which was either February 1 or March 10 for each recipient.

28. On July 12, 2000, Shanahan Jr. received a list of potential option recipients containing a date, "4-May-00," and a price, "10 13/16," which was the closing price of the stock on that date. On July 17, Shanahan Jr. transmitted changes to this list to the Company's CFO. Engineered Support subsequently issued options with a May 4, 2000 grant date and a 10 13/16 exercise price, which was the lowest possible exercise price for that quarter. When the option grant was finalized in late July, Shanahan Jr. signed the option award letter for his father, which contained a false date of May 5, 2000.

29. On April 11, 2001, Shanahan Jr. sent his father an email containing changes to a list of potential option recipients that were made by the Compensation Committee at an April 5 meeting. That same day, Shanahan made several changes to the Compensation Committee's list, and increased the number of options he was to receive from 641,640 to 645,000. These options were backdated to March 29, 2001, and Shanahan later signed option award letters and certificates using that grant date and exercise price. As of April 11, 2001, Shanahan's options were in-the-money by \$3,547,500.

30. On July 16, 2002, Shanahan Jr. sent an email to Engineered Support's CFO and instructed him to issue options at a previously agreed upon price. Shanahan Jr. provided the number of options for four top executives and instructed the CFO to issue those options that day, writing, "we can issue the others when the final list is completed." The options were to be issued with a June 14, 2002 grant date, which was the low point in Engineered Support's stock price so far that quarter. However, the Company's stock price hit a new low on July 24. The next day, Shanahan Jr. contacted Engineered Support's Controller and CFO to suggest using July 24 date as the option grant date. As late as August 8, Shanahan Jr. and the Company's CFO were modifying the number of options each recipient was to receive by adding new recipients and reducing the number of options the top executives were to receive as of July 16. The final option certificates were created on August 9 with a July 24, 2002 grant date and exercise price.

#### **Repricing of Engineered Support Stock Options**

31. On occasion, Engineered Support's stock price fell shortly after the issuance of backdated stock options. The decline in the stock price caused the options to fall out-of-the-money. On two occasions, Shanahan approved the cancellation and

reissuance of the options with a new backdated grant date and lower corresponding exercise price, which restored the lost financial benefit to recipients. In these instances, both the original options issuance and the subsequent, repriced issuance contained backdated grant dates. This double-backdating provided option recipients with the lowest possible exercise price for the options so far that year. These repriced options were issued with purported grant dates of September 4, 1998 and July 1, 1999. Engineered Support never disclosed its repricing of stock options to shareholders, instead reporting only the reissued options as if the original issuance had never occurred.

32. For example, on May 6, 1999, Shanahan provided Engineered Support's Controller with a list of potential option recipients. On May 7, Shanahan and Shanahan Jr. made revisions to the Controller's list. On June 1, Shanahan instructed the Controller to issue stock options for 295,000 shares of Company stock to Engineered Support executives, with one change from the May 7 instructions. Shanahan then signed option award letters backdated to April 22, 1999 announcing the issuance of these options with an April 21, 1999 grant date, which was a low point in the Company's stock price. Shanahan received options for 150,000 shares as part of this grant, which were in-the-money by \$141,375 as of June 1, 1999.

33. After June 1, Engineered Support's stock price fell below the previous April 21 low point, causing the stock options to fall out-of-the-money. By July 15, 1999, the stock price recovered, and the April 21 options were out-of-the-money by only \$0.06 per share. Nevertheless, on July 15, Engineered Support canceled and reissued these options with a new grant date of July 1, 1999 and the corresponding exercise price, which was the new low point for Engineered Support's common stock so far that year.

Shanahan signed new option award letters and certificates reflecting the new July 1, 1999 grant date. This repricing brought Shanahan's options back in-the-money by \$169,500. Engineered Support never disclosed this repricing in its proxy statements.

**Additional Grants to Non-employee Directors**

34. From 1997 through 2001, Shanahan granted additional stock options for thousands of shares of Company stock to non-employee directors in excess of the numbers authorized by shareholders under any of Engineered Support's stock option plans. As administrator of the Non-employee Director Plan, Shanahan knew, or was reckless in not knowing, that these additional option grants were not permitted.

35. These additional options also were backdated and contained purported grant dates of December 2, 1996; February 1, 1998; July 1, 1999; and March 29, 2001. In total, Engineered Support issued backdated options for 132,000 shares of Company stock to non-employee directors that had not been authorized by shareholders. Non-employee directors received options for a total of 200,000 shares of Company stock from 1997 through 2001, which was nearly three times the 68,000 shares non-employee directors were authorized to receive under the Non-employee Director Plan during that period.

36. As a result, Engineered Support's non-employee directors profited by approximately \$6 million from the exercise or redemption of their unauthorized stock options, approximately \$600,000 of which was due to the backdating of those options. One of these board members was Shanahan Jr.'s father-in-law, who profited by \$627,009 from his unauthorized options, including \$65,030 in backdated profits. Shanahan Jr.

profited by \$379,738 from his receipt of unauthorized options (including the \$104,092 attributable to backdating).

**False and Misleading Proxy Statements**

37. From 1997 through 2003, Shanahan and Shanahan Jr. caused Engineered Support to file official documents with the Commission that they knew, or were reckless in not knowing, contained materially false and misleading statements and omissions of material facts relating to the Company's stock option program.

38. From 1997 through 2003, Shanahan and Shanahan Jr. approved Engineered Support's proxy statements and caused them to be filed with the Commission and distributed to shareholders. These proxy statements also were incorporated by reference in the Company's registration statements filed with the Commission. These proxy statements contained materially false and misleading statements and omissions of material fact regarding the Company's stock option grants. Each proxy statement contained a Report of the Compensation Committee, of which Shanahan Jr. was a member, which stated that all options had been granted at an exercise price equal to the fair market value of the stock on the date of the award. The Shanahans both knew, or were reckless in not knowing, that these representations were false.

39. By failing to disclose awards of in-the-money stock options, Engineered Support concealed material amounts of compensation paid to its top executives, particularly to Shanahan. For example, in 2001, Shanahan received options that were in-the-money by \$3.5 million at the time they were granted. The value of this undisclosed compensation was more than double his total reported compensation of \$1.6 million. The

same was true in 2002, when Shanahan received options that were in-the-money by \$3.9 million, and his total reported compensation was \$1.8 million.

40. Each time Engineered Support presented a stock option plan for shareholder approval, the proxy statements contained a detailed description of the Company's stock option plans and attached the plans as appendices. The plans and their descriptions stated that options granted under the plan would be granted at fair market value on the date of the award. Shanahan and Shanahan Jr. knew, or were reckless in not knowing, that these representations were misleading in light of the Company's practice of backdating its stock option awards.

41. Additionally, the proxy statements concealed the fact that the Company repriced top executives' stock options in 1998 and 1999. Finally, the proxy statements concealed the fact that the Company had granted additional options to non-employee directors that were not approved by shareholders under any of the Company's stock option plans. Shanahan knew, or was reckless in not knowing, that the proxy statements concealed these facts, as he authorized both instances of repricing and the additional grants to non-employee directors.

42. Engineered Support's shareholders considered executive compensation and stock options to be material to their investment and proxy voting decisions. On several occasions, shareholders questioned Engineered Support management regarding executive compensation, including stock option compensation. For example, in 2002, shareholders rejected an Engineered Support employee stock option plan due to the large number of shares allocated to the plan. One institutional shareholder informed Engineered Support management that it typically would not vote to approve stock option

plans that permitted grants of in-the-money options, allowed the repricing of stock options, or allowed discretionary option grants to non-employee directors. No one at Engineered Support informed that shareholder that the Company granted in-the-money options, repriced options, and made discretionary grants to non-employee directors.

**False and Misleading Annual Reports**

43. Shanahan and Shanahan Jr. also approved and signed Engineered Support's Form 10-K annual reports filed with the Commission from 1998 through 2003. Engineered Support's Forms 10-K also were incorporated by reference in the Company's registration statements filed with the Commission. These Forms 10-K contained material misstatements and omissions of material fact regarding Engineered Support stock options, in that Engineered Support falsely represented that the Company's stock options are granted at an option price equal to the market value on the date the option is granted. Engineered Support failed to disclose that it had granted in-the-money stock options. Shanahan and Shanahan Jr. knew, or were reckless in not knowing, that these representations were false and misleading.

44. For the Form 10-K filed in late 2002, Shanahan signed a certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, wherein he certified that he had reviewed the report and that, based on his knowledge, it did not contain any untrue statements of material fact or omit to state any material facts. Shanahan also certified that he had disclosed all instances of fraud involving management to the Company's Audit Committee and auditors. Shanahan knew, or was reckless in not knowing, that these certifications were false in light of the report's misrepresentations about option pricing and the undisclosed backdating.

**Other False and Misleading Filings with the Commission**

45. Shanahan and Shanahan Jr. also approved and signed Engineered Support's Form S-8 registration statements for the Company's stock option plans. These registration statements contained descriptions of the Company's stock option plans, as well as the plans themselves. The descriptions and the language of the plans expressly stated that options under each plan were to be granted at the fair market value of the Company's stock on the date of the award. In light of their personal involvement in the Company's backdating practices, Shanahan and Shanahan Jr. knew, or were reckless in not knowing, that these statements were false and misleading.

46. From 1997 through 2003, the Shanahans also signed and filed Forms 4 and 5 with the Commission reflecting their receipt of stock options, which concealed the backdating of their option grants. Shanahan and Shanahan Jr. falsely reported that their options had been granted on the backdated grant dates. Shanahan and Shanahan Jr. both knew, or were reckless in not knowing, that these Forms 4 and 5 contained false dates for their options.

**Misstated Financial Statements that Required Restatement**

47. In its consolidated financial statements filed with the Commission, Engineered Support applied the intrinsic value method of accounting under Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees ("APB 25"), in accounting for its stock options. APB 25 required the Company to recognize compensation expense for any options that were in-the-money at the time they were granted. Therefore, Engineered Support was required to recognize compensation expense

for its stock options equal to the difference between the market price of the Company's stock on the date of the award and the exercise price of those options.

48. In addition, Generally Accepted Accounting Principles required Engineered Support to recognize additional compensation expense due to its repricing of previously issued stock options in 1998 and 1999.

49. Engineered Support failed to recognize any compensation expense for its grants of in-the-money stock options or for its repricing of stock options. By failing to recognize compensation expense, Engineered Support filed consolidated financial statements contained in its Forms 10-K that were materially misstated.

50. In Engineered Support's Form 10-K filed for its 2002 fiscal year, the Company failed to recognize approximately \$9.8 million in compensation expense associated with its stock option grants in its 2002 financial statements, which caused pretax operating income for 2002 to be overstated by approximately 25%. Due to this material overstatement of income, Engineered Support was required to restate its 2002 financial statements contained in the 2002 Form 10-K. The requirement to restate resulted from Shanahan's and others' misconduct in connection with the granting of stock options.

51. During the twelve months following the filing of the misstated 2002 financial statements in its 2002 Form 10-K, Engineered Support paid Shanahan bonus compensation of at least \$1.5 million. During this same period of time, Shanahan also profited from his own sales of Company stock by nearly \$37 million.

**FIRST CLAIM FOR RELIEF**  
**Violations of Section 17(a) of the Securities Act**

52. The Commission realleges and incorporates by reference the allegations of paragraphs 1 through 51 as if fully set forth herein.

53. Defendants Shanahan and Shanahan Jr., directly or indirectly, knowingly, recklessly or negligently, in the offer or sale of a security, by the use of means or instruments of transportation or communication in interstate commerce or by use of the mails: (a) employed devices, schemes or artifices to defraud; (b) obtained money or property by means of untrue statements of a material fact or the omission of a material fact necessary in order to make the statements, 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 purchasers of securities.

54. By engaging in the conduct described above, Shanahan and Shanahan Jr. violated Section 17(a) of the Securities Act [15 U.S.C. § 77q(a)].

**SECOND CLAIM FOR RELIEF**  
**Violations of Section 10(b) of the Exchange Act**  
**and Exchange Act Rule 10b-5**

55. The Commission realleges and incorporates by reference the allegations of paragraphs 1 through 54 as if fully set forth herein.

56. Defendants Shanahan and Shanahan Jr., knowingly or recklessly, directly or indirectly, by the use of means or instrumentalities of interstate commerce or of the mails, or of a facility of a national securities exchange, in connection with the purchase or sale of a security: (a) employed devices, schemes or artifices to defraud; (b) made untrue statements of a material fact or omitted a material fact necessary in order to make the

statements, in light of the circumstances under which they were made, not misleading; or (c) engaged in acts, practices or course of business which operated or would operate as a fraud or deceit upon other persons.

57. By engaging in the conduct described above, Shanahan and Shanahan Jr. violated Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Exchange Act Rule 10b-5 [17 C.F.R. § 240.10b-5].

**THIRD CLAIM FOR RELIEF**  
**Violations of Section 14(a) of the Exchange Act**  
**and Exchange Act Rule 14a-9**

58. The Commission realleges and incorporates by reference the allegations of paragraphs 1 through 57 as if fully set forth herein.

59. Defendants Shanahan and Shanahan Jr., directly or indirectly, knowingly, recklessly or negligently, by the use of means or instrumentalities of interstate commerce or of the mails, or of a facility of a national securities exchange or otherwise, solicited by means of a proxy statement, form of proxy, notice of meeting or other communication, written or oral, containing statements which, at the time and in the light of the circumstances under which they were made, were false and misleading with respect to material facts, or omitted to state material facts necessary in order to make the statements therein not false or misleading or necessary to correct statements in earlier communications with respect to the solicitation of the proxy for the same meeting or subject matter which were false or misleading.

60. By engaging in the conduct described above, Shanahan and Shanahan Jr. violated Section 14(a) of the Exchange Act [15 U.S.C. § 78n(a)] and Exchange Act Rule 14a-9 [17 C.F.R. § 240.14a-9].

**FOURTH CLAIM FOR RELIEF**  
**Violations of Section 13(b)(5) of the Exchange Act**  
**and Exchange Act Rule 13b2-1**

61. The Commission realleges and incorporates by reference the allegations of paragraphs 1 through 60 as if fully set forth herein.

62. Defendant Shanahan knowingly, directly or indirectly, falsified or caused to be falsified, books, records or accounts subject to Section 13(b)(2)(A) of the Exchange Act [15 U.S.C. § 78m(b)(2)(A)].

63. By engaging in the conduct described above, Shanahan violated Section 13(b)(5) of the Exchange Act [15 U.S.C. § 78m(b)(5)] and Exchange Act Rule 13b2-1 [17 C.F.R. § 240.13b2-1].

**FIFTH CLAIM FOR RELIEF**  
**Violations of Exchange Act Rule 13a-14**

64. The Commission realleges and incorporates by reference the allegations of paragraphs 1 through 63 as if fully set forth herein.

65. Defendant Shanahan signed false personal certifications under Rule 13a-14 of the Exchange Act, indicating, in part, that he reviewed certain Engineered Support periodic reports filed with the Commission and that, based on his knowledge, these reports did not contain any untrue statement of material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by the report.

66. By engaging in the conduct described above, Shanahan violated Exchange Act Rule 13a-14 [17 C.F.R. § 240.13a-14].

**SIXTH CLAIM FOR RELIEF**  
**Aiding and Abetting Engineered Support's Violations**  
**of Section 13(a) of the Exchange Act and**  
**Exchange Act Rules 12b-20 and 13a-1**

67. The Commission realleges and incorporates by reference the allegations of paragraphs 1 through 66 as if fully set forth herein.

68. Section 13(a) of the Exchange Act [15 U.S.C. § 78m(a)], and Exchange Act Rules 13a-1 [17 C.F.R. §§ 240.13a-1], require issuers of registered securities to file with the Commission factually accurate annual reports. Exchange Act Rule 12b-20 [17 C.F.R. § 240.12b-20] further provides that, in addition to the information expressly required to be included in a statement or report, there shall be added such further material information, if any, as may be necessary to make the required statements, in light of the circumstances under which they were made not misleading.

69. Engineered Support violated Section 13(a) of the Exchange Act [15 U.S.C. § 78m(a)] and Exchange Act Rules 12b-20 and 13a-1 [17 C.F.R. §§ 240.12b-20, 240.13a-1].

70. By engaging in the conduct described above, Shanahan and Shanahan Jr. knowingly provided substantial assistance to Engineered Support in its violations of the aforementioned provisions, thereby aiding and abetting the Company's violations of Section 13(a) of the Exchange Act [15 U.S.C. § 78m(a)] and Exchange Act Rules 12b-20, 13a-1 and 13a-13 [17 C.F.R. §§ 240.12b-20, 240.13a-1 and 240.13a-13].

**SEVENTH CLAIM**  
**Aiding and Abetting Engineered Support's Violations**  
**of Sections 13(b)(2)(A) of the Exchange Act**

71. The Commission realleges and incorporates by reference the allegations of paragraphs 1 through 70 as if fully set forth herein.

72. Section 13(b)(2)(A) of the Exchange Act [15 U.S.C. § 78m(b)(2)(A)] requires issuers of registered securities to make and keep books, records and accounts which, in reasonable detail, accurately and fairly reflect the transactions and disposition of its assets.

73. Engineered Support violated Sections 13(b)(2)(A) of the Exchange Act [15 U.S.C. § 78m(b)(2)(A)].

74. By engaging in the conduct described above, Shanahan and Shanahan Jr. knowingly provided substantial assistance to Engineered Support in its violations of the aforementioned provisions, thereby aiding and abetting the Company's violations of Sections 13(b)(2)(A) of the Exchange Act [15 U.S.C. § 78m(b)(2)(A)-(B)].

#### **PRAYER FOR RELIEF**

Wherefore, the Commission respectfully prays that this Court:

##### **I.**

Permanently enjoin defendant Shanahan from violating Section 17(a) of the Securities Act [15 U.S.C. § 77q(a)], Sections 10(b), 13(b)(5), and 14(a) of the Exchange Act [15 U.S.C. §§ 78j(b), 78m(b)(5), 78n(a)] and Exchange Act Rules 10b-5, 13a-14, 13b2-1, and 14a-9 [17 C.F.R. §§ 240.10b-5, 240.13a-14, 240.13b2-1, 240.14a-9], and from aiding and abetting violations of Sections 13(a) and 13(b)(2)(A) of the Exchange Act [15 U.S.C. §§ 78m(a), 78m(b)(2)(A)] and Exchange Act Rules 12b-20 and 13a-1 [17 C.F.R. §§ 240.12b-20, 240.13a-1].

##### **II.**

Permanently enjoin defendant Shanahan Jr. from violating Section 17(a) of the Securities Act [15 U.S.C. § 77q(a)], Sections 10(b) and 14(a) of the Exchange Act [15

U.S.C. §§ 78j(b), 78n(a)] and Exchange Act Rules 10b-5 and 14a-9 [17 C.F.R. §§ 240.10b-5, 240.14a-9], and from aiding and abetting violations of Sections 13(a) and 13(b)(2)(A) of the Exchange Act [15 U.S.C. §§ 78m(a), 78m(b)(2)(A)] and Exchange Act Rules 12b-20 and 13a-1 [17 C.F.R. §§ 240.12b-20, 240.13a-1].

**III.**

Issue an order directing defendants Shanahan and Shanahan Jr. to disgorge all ill-gotten gains, compensation and benefits (whether realized, unrealized or received) obtained through the conduct described herein, plus prejudgment interest thereon.

**IV.**

Issue an order directing defendants Shanahan and Shanahan Jr. to pay civil money penalties pursuant to Section 20(d) of the Securities Act [15 U.S.C. § 77t(d)] and Section 21(d)(3) of the Exchange Act [15 U.S.C. § 78u(d)(3)].

**V.**

Issue an order permanently barring defendants Shanahan and Shanahan Jr. from acting as an officer or director of any public company pursuant to Section 20(e) of the Securities Act [15 U.S.C. § 77t(e)] and Section 21(d)(2) of the Exchange Act [15 U.S.C. § 78u(d)(2)].

**VI.**

Issue an order directing defendant Shanahan to repay bonuses or other incentive-based or equity-based compensation, and profits realized from the sale of Engineered Support securities within twelve months of the filing of Engineered Support's 2002 Form 10-K, pursuant to Section 304 of the Sarbanes-Oxley Act of 2002 [15 U.S.C. § 7243].

**VII.**

Retain jurisdiction over this action in accordance with the principles of equity and the Federal Rules of Civil Procedure in order to implement and carry out the 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.

**VIII.**

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

**IX.**

Pursuant to Rule 39 of the Federal Rules of Civil Procedure, Plaintiff demands that this case be tried to a jury.

Dated: July 12, 2007.

Respectfully submitted,

*/s/Robert M. Moye*

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