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UNITED STATES DISTRICT COURT
DISTRICT OF CONNECTICUT

SECURITIES AND EXCHANGE COMMISSION,	)	
Plaintiff,	)	
v.	)	Civil Action No.
COMPETITIVE TECHNOLOGIES, INC., CHAUNCEY D. STEELE, JOHN R. GLUSHKO, THOMAS C. KOCHERHANS, RICHARD A. KWAK, SHELDON A. STRAUSS, STEPHEN J. WILSON and FRANK R. McPIKE,	)	August 11, 2004
Defendants.	)	

COMPLAINT

Plaintiff Securities and Exchange Commission (the "Commission") alleges the following against defendants Competitive Technologies, Inc. ("CTT"), Chauncey D. Steele, John R. Glushko, Thomas C. Kocherhans, Richard A. Kwak, Sheldon A. Strauss, Stephen J. Wilson, and Frank R. McPike:

SUMMARY

1. This case involves a prolonged, multi-faceted scheme to manipulate and inflate the price of CTT stock. CTT is based in Connecticut, and its stock is listed on the American Stock Exchange ("AMEX"). The ringleader of the scheme was a broker operating out of the Hyannis, Massachusetts office of Prudential Securities, Inc. ("Prudential"). He was assisted by

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several brokers and former brokers across the country and also by CTT's own chief executive officer ("CEO"). From at least July 1998 to June 2001, the defendants artificially raised and maintained the price of CTT's stock and created a false or misleading appearance with respect to the market for CTT stock through manipulative practices such as placing buy orders at or near the close of the market in order to inflate the reported closing price (a practice known as "marking the close"), placing successive buy orders in small amounts at increasing prices (a practice known as "painting the tape"), and using accounts they controlled or serviced to place pre-arranged buy and sell orders in virtually identical amounts (a practice known as "matched trades") and to place other buy orders intended to minimize the negative impact on CTT's price from sales of the stock. The defendants also used CTT's own stock purchase plan to offset selling pressure, place late-day orders, and maintain the stock price. The defendants carried out their scheme in an attempt to enrich themselves and avoid losses, including margin calls, by artificially inflating and maintaining the price of CTT stock.

2. Steele, a broker at Prudential in Hyannis, Massachusetts until he resigned in April 2001, orchestrated the scheme. Steele exchanged thousands of telephone calls with the other defendants in which they discussed the timing, sequence and quantity of manipulative trades. Steele also directed CTT's CEO to make trades that furthered the manipulative scheme through CTT's stock repurchase plan. Steele's own trading in CTT stock for his customers was so extensive that Prudential prohibited him from soliciting further purchases, and that his late-day purchases of CTT stock were so numerous that Prudential prohibited him from placing buy orders after 3:30 p.m. Nevertheless, Steele continued to place buy orders after 3:30 p.m., asked certain customers to buy CTT stock using accounts with other brokers he knew (including

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Glushko and Kwak), and falsely told Prudential that his customers' purchases were unsolicited (when in fact he routinely induced his customers to buy CTT stock).

3. The other defendants actively participated in the manipulative scheme. Glushko, Kwak and Wilson were brokers at other firms who traded in CTT stock for themselves, their families, and their customers. Kocherhans and Strauss were former brokers who traded in CTT stock for themselves and their families. McPike, the CEO of CTT, was responsible for implementing the company's stock repurchase plan.

4. To carry out their scheme, the defendants placed hundreds of buy orders for CTT stock between July 1998 and June 2001, usually timed in an attempt to maximize the positive effect on the price, particularly the closing price, of CTT's stock. On many days, the defendants "painted the tape," that is, made multiple small purchases at arranged times and prices in order to give the misleading appearance of investor interest in the stock. Their favored "painting" technique was "marking the close," placing numerous orders at or near the close of the market in order to inflate the reported closing price. Their transactions accounted for more than 10% of all trading volume in CTT stock during this period, more than 20% of the volume during nine different months, and more than 70% of the volume on certain days. Forty percent of their purchases were made during the last hour of trading, more than 20% were made during the last thirty minutes, and on nearly 40% of the trading days, one of the defendants placed the day's last trade, thus setting the closing price. In addition, the defendants arranged numerous matched trades involving accounts they owned or serviced in order to minimize the downward effect of sell orders on the stock price. The defendants' systematic efforts were intended to – and did – raise or at least maintain the closing price of CTT stock and create a false or misleading

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appearance with respect to the market for CTT stock. Indeed, one of the defendants' trades established the closing price for CTT stock, or the stock closed at a price greater than or equal to the defendants' last trade, on nearly 60% of all trading days during the relevant period, on more than 80% of the days when the defendants traded after 3:15 p.m., and on more than 90% of the days when the defendants placed the last trade. The scheme did not collapse until mid-2001, when the defendants became aware that the Commission was investigating their activities.

5. Through the activities alleged in this Complaint, (a) each of the defendants violated Sections 9(a) and 10(b) of the Securities Exchange Act of 1934 ("Exchange Act") and Rule 10b-5 thereunder; (b) Steele, Glushko, Kocherhans, Kwak, Strauss and Wilson violated Section 17(a) of the Securities Act of 1933 ("Securities Act"); and (c) Steele aided and abetted Prudential's uncharged violations of the record-keeping provisions in Section 17(a) of the Exchange Act and Rule 17a-3 thereunder. Alternatively as to these defendants, Glushko, Kocherhans, Kwak, Strauss, Wilson and McPike aided and abetted Steele's violations of Sections 9(a) and 10(b) of the Exchange Act and Rule 10b-5.

6. Accordingly, the Commission seeks: (a) the entry of a permanent injunction prohibiting the defendants from further violations of the relevant provisions of the Exchange Act, the Securities Act, and the rules thereunder; (b) disgorgement of all ill-gotten gains, plus pre-judgment interest, from each defendant except CTT; (c) the imposition of a civil penalty against each defendant due to the egregious nature of their violations; and (d) the entry of an order barring McPike from serving as an officer or director of a public company.

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JURISDICTION

7. The Commission seeks a permanent injunction and disgorgement of ill-gotten gains pursuant to Section 20(b) of the Securities Act [15 U.S.C. §77t(b)] and Section 21(d)(1) of the Exchange Act [15 U.S.C. §78u(d)(1)]. The Commission seeks the imposition of civil 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)]. The Commission seeks an officer and director bar pursuant to Section 21(d)(2) of the Exchange Act [15 U.S.C. §78u(d)(2)].

8. This Court has jurisdiction over this action pursuant to Sections 20(d) and 22(a) of the Securities Act [15 U.S.C. §§77t(d), 77v(a)] and Sections 21 and 27 of the Exchange Act [15 U.S.C. §§78u, 78aa]. CTT is based in this District, McPike resides in this District, and many of the acts and transactions alleged in this Complaint occurred in this District.

9. In connection with the conduct described in this Complaint, the defendants directly or indirectly made use of the mails or the means or instruments of transportation or communication in interstate commerce.

DEFENDANTS

10. **CTT** is a Delaware corporation with its headquarters in Fairfield, Connecticut. CTT, which was formerly known as University Patents, assists its customers in developing recent inventions in science and technology. Its stock (ticker symbol CTT) is listed on the AMEX and is registered with the Commission pursuant to Section 12(b) of the Exchange Act.

11. **Steele**, age 60, lives in Cohasset, Massachusetts. From 1988 until he resigned in April 2001, he was a broker at Prudential in Massachusetts. He is currently playing professional tennis on the Senior Men's Tour.

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12. **Glushko**, age 74, lives in Las Vegas, Nevada. He has been a broker at various firms for many years. Since 1995, he has been employed by Finance 500, Inc. ("Finance 500") in Nevada.

13. **Kocherhans**, age 47, lives in Orem, Utah. From 1982 to 1995, he was a broker at several brokerage firms. In 1995, the National Association of Securities Dealers suspended him for one year and ordered him to pay a $50,500 fine for marking the close in Wicat Systems stock. He is currently the director of marketing for a real estate firm in Utah.

14. **Kwak**, age 67, lives in Escondido, California. He has been a broker at various firms for many years. Since March 1998, he has been employed by Morgan Stanley Dean Witter ("Morgan Stanley") in California.

15. **Strauss**, age 59, lives in Cleveland, Ohio. From 1984 to 1987, he was a broker at Shearson Lehman. Since 1993, he has been the treasurer of a physical therapy firm in Ohio.

16. **Wilson**, age 59, lives in Pompano Beach, Florida. From 1997 to August 2001, he was a broker at Shamrock Partners ("Shamrock"). He is currently the director of investment banking for a financial services firm based in Massachusetts.

17. **McPike**, age 54, lives in Ridgefield, Connecticut. From 1983 to July 2003, he was the CFO of CTT. In addition, from August 1998 to November 2000, he was the interim CEO of CTT, and from November 2000 to June 2002, he was the company's CEO.

STATEMENT OF FACTS

General Description of the Scheme

18. CTT began operating in the early 1980s. Within ten years it went public and began acquiring the right to market various technologies that appeared poised for large profit

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(*e.g.*, a test for homocysteine, recognized as a marker for cardiovascular disease). Steele, Glushko, Kocherhans, Kwak, Strauss and Wilson each learned about CTT during the 1980s and became enthusiastic about the company's potential for future profitability. Long before 1998, Steele had become acquainted with Glushko, Kocherhans, Kwak, Strauss and Wilson through their common interest in CTT. Because of their enthusiasm for the company's prospects, Steele, Glushko, Kocherhans, Kwak, Strauss and Wilson each bought substantial amounts of CTT stock for himself and his family, and Steele, Glushko, Kwak and Wilson also induced many of their brokerage customers to buy substantial amounts of CTT stock.

19. Contrary to the defendants' belief in CTT's potential for spectacular growth, CTT did not achieve financial success, and the price of CTT stock drifted downward. In fact, after trading at $7 to $10 per share early in 1998, CTT stock had fallen to $3 per share by October 1998, when CTT's Board of Directors adopted a stock repurchase plan authorizing the company to buy up to 250,000 shares and put McPike, the CFO and interim CEO, in charge of implementing the plan.

20. With the price of CTT stock at $3 per share, the defendants faced the very real prospect of significant personal and professional losses. As a result, they engaged in the manipulative scheme described below in an attempt to maintain an artificially high price of CTT stock until such time as CTT would finally generate substantial profits, the stock price would soar, and current CTT shareholders, including the defendants, their families and their customers, would strike it rich. In part because of the defendants' manipulation, the price of CTT stock stabilized in the fall of 1998 and rose significantly during the next two years, reaching $23 per share in early 2000. However, CTT's continued failure to achieve sustained profitability caused

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the price to fall to $6 per share later in 2000. The defendants kept up their efforts to maintain and increase the price of CTT stock until mid-2001, when they learned of the Commission's investigation. In late summer 2001, after the manipulation had ended, the price of CTT stock fell back to $3 per share.

<u>The Defendants' Incentive to Manipulate the Price of CTT Stock</u>

21. Steele bought and sold CTT stock for himself, his wife, his children, and his father. During the relevant period, Steele's personal and family accounts held between 10,000 and 15,000 shares. In addition, more than one hundred of Steele's customers at Prudential traded in CTT stock, generating approximately $50,000 in commissions for Steele. (Nearly one-half of Steele's stock purchases for his customers involved CTT; no other stock accounted for more than 3% of the total.) Steele, his family, and his customers collectively held about 10% to 12% of all CTT's outstanding shares, and trading in Steele's personal, family and customer accounts represented a significant percentage of all trading in CTT stock. In sixteen different months between July 1998 and December 2000, Steele's trading in CTT stock comprised more than 5% of the total volume, and in five of those months, his trading comprised more than 10% of the volume.

22. Glushko bought and sold CTT stock for himself, his wife, his daughter, and his son-in-law. The amount held in their accounts fluctuated during the relevant period, rising as high as 9,200 shares in May 2000. In addition, more than forty of Glushko's customers at Finance 500 traded in CTT stock, generating approximately $10,000 in commissions for Glushko.

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23. Kocherhans bought and sold CTT stock for himself, his wife and his father. During the relevant period, his personal and family accounts held between 8,000 and 50,000 shares.

24. Kwak bought and sold CTT stock for himself and his wife. During the relevant period, the holdings in their joint account rose from 16,000 to 53,000 shares. In addition, more than 75% of Kwak's customers at Morgan Stanley traded in CTT stock, generating approximately $47,000 in commissions for Kwak. Trading in Kwak's marital and customer accounts represented a significant percentage of all trading in CTT stock. In ten different months between July 1998 and June 2001, Kwak's trading in CTT stock comprised more than 5% of the total volume, and in three of those months, his trading comprised more than 10% of the volume.

25. Strauss bought and sold CTT stock for himself, his mother, and his girlfriend, often through accounts for which Steele or Glushko was the broker. The amount held in their accounts fluctuated during the relevant period, rising as high as 56,000 shares in April 2000.

26. Wilson bought and sold CTT stock for himself, his wife, and his son. Between July 1998 and June 2000, he bought more than 100,000 shares, which were retained through September 2001. In addition, about five of Wilson's customers at Shamrock traded in CTT stock, generating approximately $25,000 in commissions for Wilson. Trading in Wilson's family and customer accounts represented a significant percentage of all trading in CTT stock. In four different months between April 1999 and February 2001, Wilson's trading in CTT stock comprised more than 5% of the total volume, and in one of those months, his trading comprised almost 10% of the volume.

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27. Steele, Glushko, Kocherhans, Kwak, Strauss and Wilson had a significant financial interest in the performance of CTT stock due to their substantial personal and family holdings and, in the case of Steele, Glushko, Kwak and Wilson, the substantial holdings of their brokerage customers. Indeed, from July 1998 to June 2001, the defendants collectively accounted for more than 10% of all trading in CTT stock, more than 20% of the volume during nine different months, and more than 70% of the volume on certain days

28. McPike also had a strong financial interest in the performance of CTT stock. Prior to November 2000, he held the title of interim CEO and hoped to be named permanent CEO, and he believed that increasing the price of CTT stock would help him to achieve that goal. Also, he received 100,000 stock options in December 1999, half of which would vest nine years sooner if CTT's stock price rose to specified levels.

The Defendants' Use of Late-Day
Purchases to "Mark the Close"

Summary

29. The principal focus of the defendants' manipulative scheme was an attempt to "mark the close" – that is, the placing of buy orders at or near the close of trading in order to raise or maintain the reported closing price. (The movement of the closing price is a common measure of a stock's performance, and the closing price is used by brokerage firms to value the securities in a customer's account and to determine the need for margin calls.)

30. More than 40% of the defendants' purchases were placed after 3:00 p.m. – one hour before the close of trading on AMEX. More than 20% of their purchases were placed after 3:30 p.m. – the last thirty minutes of trading. On many occasions, the defendants placed a series

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of small late-day buy orders, often at incrementally rising prices. Attached hereto as **Exhibit A** is a table listing 25 examples of the defendants' multiple late-day purchases.

31. The defendants placed so many late-day buy orders that one of them made the last trade of the day – the trade which determined the closing price – on nearly 40% of the trading days from July 1998 to June 2001 (about 300 days). As a result, the defendants' late-day trading had the effect of raising the closing price or at least preventing it from dropping. Indeed, one of the defendants' trades established the closing price for CTT stock, or the stock closed at a price greater than or equal to the defendants' last trade, on nearly 60% of all trading days during the relevant period, on more than 80% of the days when the defendants traded after 3:15 p.m., and on more than 90% of the days when the defendants placed the last trade.

Steele

32. Steele placed more than 2,200 orders to buy CTT stock for himself, his family, and his customers at Prudential between July 1998 and October 2000. More than 45% of Steele's buy orders were placed after 3:00 p.m., more than 20% were placed after 3:30 p.m., and Steele placed the last order of the day on more than 20% of the trading days between July 1998 and October 2000.

33. To obtain orders to enter at the end of the day, Steele telephoned his customers almost daily, urging them to buy CTT. For example, he called one of his principal customers more than 2,000 times during the period. On some occasions, he placed buy orders without even obtaining the customer's authorization. For example, Steele told one customer that he had made an unauthorized purchase because the customer's account contained cash that was not being used.

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34. Steele divided many of his late-day purchases into multiple orders in a single customer's account. For example, on March 30, 2000, he placed four orders to buy CTT stock for one customer during the last fourteen minutes of trading (at 3:45, 3:48, 3:49 and 3:55 p.m.). The next day, he placed orders for the same customer at 3:45 and 3:47 p.m. Attached hereto as **Exhibit B** is a table identifying twelve days on which Steele placed multiple small buy orders for his customers late in the trading day, usually at steadily increasing prices.

35. Steele's late-day purchases had a direct impact on the price of CTT stock. More than 90% of his purchases after 3:15 p.m. either raised the price – because they were executed on an "uptick" (i.e., a price higher than that of the last previous purchase) – or at least maintained the price – because they were executed on a "zero plus tick" (i.e., a price equal to a high set by the last previous purchase).

36. Steele's late-day purchases also helped his customers to avoid margin calls. For example, on October 18, 2000, two of Steele's customers received margin calls. Steele traded heavily during the next two days, accounting for 41% of all CTT volume on October 19 and 33% of the volume on October 20, and on both days, he placed the last trade of the day. As a result of Steele's efforts, the closing price rose from $8.00 on October 18 to $8.25 on October 20, and the value of the customers' accounts rose so much that they no longer needed to make any sales to meet the margin requirements. Attached hereto as **Exhibit C** is a table listing 25 occasions when one of Steele's customers received a margin call and Steele's subsequent late-day purchases raised the closing price enough to avert the margin call.

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The Other Defendants

37. Glushko placed more than 260 orders to buy CTT stock for himself, his family, or his customers between July 1998 and June 2001. Glushko and Steele made more than 1,500 phone calls to each other during this period, and Glushko placed many of his orders shortly after a call with Steele. More than 30% of Glushko's orders were entered after 3:00 p.m., more than 20% were entered after 3:30 p.m., and Glushko placed the last trade of the day on more than twenty occasions. Approximately 75% of Glushko's purchases after 3:15 p.m. raised or maintained the price.

38. Kocherhans placed more than 180 orders to buy CTT stock for himself and his family between July 1998 and June 2001. Kocherhans and Steele made more than 2,500 calls to each other during this period, and Kocherhans placed many of his orders shortly after a call with Steele. More than 40% of Kocherhans's orders were entered or executed after 3:00 p.m., 30% were entered or executed after 3:30 p.m., and Kocherhans placed the last trade of the day on nearly twenty occasions. He sometimes placed several small orders in rapid succession. For example, on January 30, 2001, he placed buy orders that were executed at 3:48, 3:49 and 3:59 p.m. Approximately 90% of Kocherhans's purchases after 3:15 p.m. raised or maintained the stock price.

39. Kwak placed more than 190 orders to buy CTT stock for himself, his family, and his customers between July 1998 and June 2001. Kwak and Steele made more than 2,500 calls to each other during this period, and Kwak placed many of his orders shortly after a call with Steele. More than 40% of Kwak's orders were entered after 3:00 p.m., more than 30% were entered after 3:30 p.m., and Kwak placed the last trade of the day on 55 occasions. He

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sometimes placed several small orders in rapid succession. For example, on June 16, 2002, he placed orders for one customer at 3:54, 3:56 and 3:58 p.m. Approximately 90% of Kwak's purchases after 3:15 p.m. raised or maintained the stock price. In fact, Kwak placed so many late-day purchases that in March 2001, Morgan Stanley prohibited him from buying CTT stock during the last fifteen minutes of trading.

40. Strauss placed more than 150 orders to buy CTT stock for himself, his mother, and his girlfriend between January 1999 and May 2001. Strauss and Steele called each other more than 1,300 times during this period, and Strauss placed many of his orders shortly after a call with Steele. More than 25% of Strauss's orders were entered after 3:15 p.m., and nearly 20% were entered after 3:30 p.m.

41. Wilson placed more than 150 orders to buy CTT stock for himself, his family, and his customers between July 1998 and February 2001. Wilson and Steele called each other more than 1,100 times during this period, and Wilson placed many of his orders shortly after a call with Steele. More than 30% of Wilson's orders were entered or executed after 3:00 p.m., more than 20% were entered or executed after 3:30 p.m., and Wilson placed the last trade of the day on twelve occasions. He sometimes placed several small orders in rapid succession. For example, on March 8, 2000, he placed orders that were executed at 3:57 and 3:59 p.m. Approximately 75% of Wilson's purchases after 3:15 p.m. raised or maintained the stock price.

42. McPike placed more than 250 orders to buy CTT stock for the repurchase plan between October 1998 and March 2001. McPike placed virtually no orders after 3:30 p.m. because CTT wanted to invoke the safe harbor in Rule 10b-18 under the Exchange Act, which limits an issuer's potential liability for market manipulation if its stock repurchases are made

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before the last thirty minutes of trading (and if certain other conditions are met). However, Steele repeatedly urged McPike to place an order shortly before the 3:30 p.m. deadline, and McPike frequently did so. More than 33% of CTT's repurchases were executed after 3:00 p.m., more than 20% were executed at or after 3:15 p.m., and CTT placed the last trade of the day on four occasions.

The Defendants' Use of Offsetting Buy and Sell Orders

43. Another focus of the defendants' manipulative scheme was an attempt to minimize any negative impact on CTT's price resulting from pending or anticipated sell orders by arranging for offsetting purchases. Sometimes the defendants made the purchases late in the day after they had determined how many sales were pending or anticipated. Sometimes the defendants arranged matching purchases and sales beforehand and placed both sides of the transaction at the same time.

44. Steele placed many of the offsetting trades by himself. He routinely tried to discourage his customers from selling their CTT stock, usually by claiming that some sort of good news was just about to boost the stock price, and on a few occasions, he simply refused to execute a customer's sell order. When those tactics failed, or when a customer was forced to sell in order to meet a margin call, Steele often induced one of his other customers to place an offsetting buy order. In many instances, Steele then placed the matched buy and sell orders at the same time. Attached hereto as **Exhibit D** is a table listing 64 matched trades involving Steele's customers. Glushko and Kwak also arranged matched trades involving their own customers. Attached hereto as **Exhibit E** is a table listing certain matched trades by Glushko and Kwak.

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45. On other occasions involving pending or anticipated sell orders, Steele lined up offsetting buy orders through the other defendants. For example, on December 1, 2000, Steele made more than 100 phone calls to the other defendants, and his efforts resulted in several matched trades involving customers of Glushko, Kwak and Wilson, plus CTT through the repurchase plan. Attached hereto as **Exhibit F** is a table listing the phone calls and trading on December 1, 2000.

46. The largest matched trade was put together on late May 2000 because one of Steele's customers needed to sell 75,000 shares and several of his other customers also wanted to sell. To minimize the drop in price which such a large sale would almost certainly have caused, Steele and several of the other defendants lined up offsetting buy orders. One of Steele's customers bought 7,300 shares. Several of Kwak's customers bought 13,700 shares. Wilson's firm (Shamrock) bought 25,000 shares in its own trading account, and one of the firm's customers bought 20,000 shares. One of Steele's acquaintances bought 20,000 shares. The transaction was executed on June 1, 2000, as 91,000 shares were traded at $10 1/16 per share. Since the price had previously been $11 per share, the defendants were very successful in limiting the price impact of the large sale to less than $1 per share.

47. Overall, Steele arranged at least twenty matched trades between his customers and customers of Glushko, Kwak and Wilson. In each instance, the sell orders and the offsetting buy orders were entered after a series of phone calls between Steele and the other brokers. Attached hereto as **Exhibit G** is a table listing thirteen of these matched trades and the phone calls which preceded them.

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48. Steele also arranged offsetting buy orders from CTT through the repurchase plan. Steele made almost 3,000 calls to McPike from October 1998 to March 2001, consistently urging him to offset selling pressure by placing a buy order for CTT. McPike's secretary wrote more than 500 message slips about Steele's calls, and many of them identified the specific number of shares he wanted CTT to buy and/or the specific price he wanted CTT to pay. McPike frequently complied with Steele's requests. For example, on October 11, 2000, Steele left a message asking McPike to place an order at \$8 3/4, and less than an hour later, CTT bought 300 shares at \$8 3/4. Similarly, on November 15, 2000, Steele left a message asking McPike to buy 600 shares at \$7 3/4, and less than an hour later, CTT bought 600 shares at \$7 3/4. Less than ten minutes after CTT's order was executed, Steele left a second message asking McPike to buy 500 shares at \$7 7/8, and twenty minutes later, CTT bought 500 shares at \$7 7/8.

49. Overall, McPike and Steele called each other on more than 100 of the 120 days on which CTT repurchased its stock. More than 75% of CTT's repurchases were entered within one hour after a call from Steele, and more than 50% were entered within ten minutes after such a call. Attached hereto as **Exhibit H** is a table listing sixteen occasions on which McPike placed buy orders shortly after specific requests from Steele.

50. In addition, McPike caused CTT to place buy orders as part of matched trades with other defendants. The three occasions on which CTT bought more than 2,500 shares at one time all involved matched trades with the other brokers. Attached hereto as **Exhibit I** is a table listing twelve matched trades involving the CTT repurchase plan.

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FIRST CLAIM FOR RELIEF
(Violations of Section 9(a) of the Exchange Act by All Defendants)

51. The Commission repeats and realleges paragraphs 1 through 50 above.

52. Section 9(a) of the Exchange Act [15 U.S.C. §78i(a)] makes it unlawful for any person, directly or indirectly, by the use of the mails or any means or instrumentality of interstate commerce, or of any facility of any national securities exchange: (1) to enter an order or orders for the purchase or sale of a security registered on a national securities exchange with the knowledge that an order of substantially the same size, at substantially the same time and at substantially the same price, for the sale or purchase of such security, has been or will be entered by or for the same or different parties, for the purpose of creating a false or misleading appearance of active trading in such security or a false or misleading appearance with respect to the market for such security; or (2) to effect, alone or with one or more other persons, a series of transactions in any security registered on a national securities exchange creating actual or apparent active trading in such security, or raising or depressing the price of such security, for the purpose of inducing the purchase or sale of such security by others.

53. As set forth above and in the attached Exhibits, defendants Steele, Glushko, Kocherhans, Kwak, Strauss, Wilson and McPike each placed numerous late-day buy orders for CTT stock, including multiple successive small orders, in order to raise or maintain the closing price of CTT stock at an artificially high level. In addition, Steele, Glushko, Kwak, Wilson and McPike arranged numerous matching buy orders for CTT stock for the purpose of offsetting pending or anticipated sell orders, creating a false or misleading appearance with respect to the market for CTT stock, and inducing others to purchase CTT stock. McPike's conduct and intent as CEO of CTT can be imputed to defendant CTT.

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54. As a result, the defendants violated Section 9(a) of the Exchange Act, and their violations involved fraud, deceit, or deliberate or reckless disregard of regulatory requirements and resulted in substantial losses or significant risk of substantial losses to other persons, within the meaning of Section 21(d)(3) of the Exchange Act [15 U.S.C. §78u(d)(3)].

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

55. The Commission repeats and realleges paragraphs 1 through 54 above.

56. 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] make it unlawful for any person, directly or indirectly, acting intentionally, knowingly or recklessly, by the use of the means or instrumentalities of interstate commerce or of the mails, in connection with the purchase or sale of securities: (1) to employ any device, scheme or artifice to defraud; (2) to make any untrue statement of material fact or omit to state a material fact necessary to make the statements made, in the light of the circumstances under which they were made, not misleading; or (3) to engage in any act, practice or course of business which operates as a fraud or deceit upon any person.

57. As set forth above and in the attached Exhibits, defendants Steele, Glushko, Kocherhans, Kwak, Strauss, Wilson and McPike each placed numerous late-day buy orders for CTT stock, including multiple successive small orders, in order to raise or maintain the closing price of CTT stock at an artificially high level. In addition, Steele, Glushko, Kwak, Wilson and McPike placed numerous matching buy orders for CTT stock for the purpose of offsetting pending or anticipated sell orders, creating a false or misleading appearance with respect to the

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market for CTT stock, and inducing others to purchase CTT stock. McPike's conduct and intent as CEO of CTT can be imputed to defendant CTT.

58. As a result, the defendants violated Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, and their violations involved fraud, deceit, or deliberate or reckless disregard of regulatory requirements and resulted in substantial losses or significant risk of substantial losses to other persons, within the meaning of Section 21(d)(3) of the Exchange Act [15 U.S.C. §78u(d)(3)].

THIRD CLAIM FOR RELIEF
(Violations of Section 17(a) of the Securities Act by
Defendants Steele, Glushko, Kocherhans, Kwak, Strauss and Wilson)

59. The Commission repeats and realleges paragraphs 1 through 58 above.

60. Section 17(a) of the Securities Act [15 U.S.C. §77q(a)] makes it unlawful for any person, in the offer or sale of any securities, by the use of any means or instruments of transportation or communication in interstate commerce or by use of the mails, directly or indirectly: (1) to employ any device, scheme or artifice to defraud; (2) to obtain money or property by means of any untrue statement of material fact or any omission to state a material fact necessary to make the statements made, in light of the circumstances under which they were made, not misleading; or (3) to engage in any transaction, practice, or course of business which operates or would operate as a fraud or deceit upon the purchaser.

61. As set forth above and in the attached Exhibits, defendants Steele, Glushko, Kocherhans, Kwak, Strauss and Wilson placed sell orders for themselves, their families and, in the case of Steele, Glushko, Kwak and Wilson, their customers during the relevant period. Some of the sell orders were placed in connection with matching purchase orders which these

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defendants arranged for the purpose of creating a false or misleading appearance with respect to the market for CTT stock, and all of the sell orders were placed while the price of CTT stock was artificially inflated due to the defendants' ongoing pattern of placing late-day purchases in an attempt to raise or maintain the closing price of CTT stock at an artificially high level.

62. As a result, defendants Steele, Glushko, Kocherhans, Kwak, Strauss and Wilson violated Section 17(a) of the Securities Act, and their violations involved fraud, deceit, or deliberate or reckless disregard of regulatory requirements and resulted in substantial losses or significant risk of substantial losses to other persons, within the meaning of Section 20(d) of the Securities Act [15 U.S.C. §77t(d)].

FOURTH CLAIM FOR RELIEF
(Aiding and Abetting Violations of Section 17(a)
of the Exchange Act and Rule 17a-3 by Steele)

63. The Commission repeats and realleges paragraphs 1 through 62 above.

64. Section 17(a) of the Exchange Act [15 U.S.C. §78q(a)] and Rule 17a-3 thereunder [17 C.F.R. §240.17a-3] require a registered brokerage firm to make and keep certain books and records, including accurate records of the securities trades which they place for their customers.

65. As set forth above and in the attached Exhibits, while Steele was a broker at Prudential, he marked almost every order ticket for his customers' purchases of CTT stock as "unsolicited", when in fact he had solicited almost all of the purchases. As a long-time broker, Steele knew that Prudential was required to keep accurate books and records of his securities trading for his customers, and he knew that by falsely indicating that his customers' purchases of CTT stock were "unsolicited", he was causing Prudential's books and records to be inaccurate.

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66. As a result, Prudential violated Section 17(a) of the Exchange Act and Rule 17a-3, and Steele aided and abetted Prudential's violations of those provisions.

FIFTH CLAIM FOR RELIEF
(Aiding and Abetting Steele's Violations of Sections 9(a) and 10(b) of the Exchange Act and Rule 10b-5 by Glushko, Kocherhans, Kwak, Strauss, Wilson and McPike)

67. The Commission repeats and realleges paragraphs 1 through 66 above.

68. As set forth above and in the attached Exhibits, Steele arranged numerous matching buy orders for CTT stock for the purpose of offsetting pending or anticipated sell orders, creating a false or misleading appearance with respect to the market for CTT stock, and inducing others to purchase CTT stock, and Steele placed sell orders for his customers in connection with certain of matching purchase orders and at a time when the price of CTT stock was artificially inflated due to his pattern of placing numerous late-day buy orders for CTT stock. Through this conduct, Steele violated Sections 9(a) and 10(b) of the Exchange Act and Rule 10b-5 thereunder.

69. As set forth above and in the attached Exhibits, Glushko, Kocherhans, Kwak, Strauss, Wilson and McPike participated in many of the matched trades for CTT stock and placed numerous late-day buy orders which raised or maintained the price of CTT stock at an artificially high level. Glushko, Kocherhans, Kwak, Strauss, Wilson and McPike knew from their hundreds of phone calls with Steele that he was attempting to influence the price of CTT stock, and they knew that by participating in the matched trades and placing the late-day buy orders, they were substantially assisting Steele in his efforts to influence the stock price.

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70. As a result, and as an alternative to the First, Second and Third Claims for Relief with respect to these defendants, Glushko, Kocherhans, Kwak, Strauss, Wilson and McPike aided and abetted Steele's violations of Sections 9(a) and 10(b) of the Exchange Act and Rule 10b-5.

PRAYER FOR RELIEF

WHEREFORE, the Commission requests that this Court:

A. Enter a permanent injunction restraining CTT, Steele, Glushko, Kocherhans, Kwak, Strauss, Wilson and McPike, and each of their respective agents, servants, employees and attorneys and those persons in active concert or participation with them who receive actual notice of the injunction by personal service or otherwise, including facsimile transmission or overnight delivery service, from directly or indirectly engaging in violations of:

1. Section 9(a) of the Exchange Act [15 U.S.C. §78i(a)];

2. 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];

3. as to Steele, Glushko, Kocherhans, Kwak, Strauss and Wilson only, Section 17(a) of the Securities Act [15 U.S.C. §77q(a)]; and

4. as to Steele only, Section 17(a) of the Exchange Act [15 U.S.C. §78q(a)] and Rule 17a-3 thereunder;

B. Order Steele, Glushko, Kocherhans, Kwak, Strauss, Wilson and McPike to disgorge their ill-gotten gains, plus pre-judgment interest;

C. Order each defendant to pay an appropriate civil penalty pursuant to Section 21(d)(3) of the Exchange Act [15 U.S.C. §78u(d)(3)] and, as to Steele, Glushko, Kocherhans, Kwak, Strauss and Wilson only, Section 20(d) of the Securities Act [15 U.S.C. §77t(d)];

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D. Enter an order, pursuant to Section 21(d)(2) of the Exchange Act [15 U.S.C. §78u(d)(2)], barring McPike from serving as an officer or director of any issuer required to file reports with the Commission pursuant to Sections 12(b), 12(g) or 15(d) of the Exchange Act [15 U.S.C. §§78l(b), 78l(g), 78o(d)];

E. Retain jurisdiction over this action to implement and carry out the terms of all orders and decrees that may be entered; and

F. Award such other and further relief as the Court deems just and proper.

Respectfully submitted,

/s/_________________________________
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