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dealer pursuant to Section 15(b) of the Securities Exchange Act of 1934 with headquarters in Cleveland, Ohio.

3. Daly Holdings, Inc., was a Delaware corporation with its principal place of business in Huntington, New York and Keswick, Virginia. The defendant, SEAN M. DALY, was the President, Secretary, Treasurer, and sole shareholder, officer and director of Daly Holdings, Inc. Daly Holdings was an investment company that, among other things, engaged in the trading of stock in companies whose share values had recently experienced a significant decline in value, in the expectation that the price of the shares would rebound in the near future, permitting Daly Holdings to sell its short-term investment at a profit.

4. Tower Hill Holdings, Inc., was a New York corporation with its principal place of business in Tuxedo, New York and Keswick, Virginia. The defendant, SEAN M. DALY, was the President and Investment Manager of Tower Hill Holdings, Inc.

5. Event Driven Value, Inc., was a Delaware corporation with its principal place of business in Huntington, New York. The defendant, SEAN M. DALY, was the President, Secretary, Treasurer, and sole shareholder of Event Driven Value, Inc.

6. Technology Acquisitions, Inc., was a New York corporation with its principal place of business in New York, New York. The defendant, SEAN M. DALY, was the President of Technology Acquisitions, Inc.

II. RELEVANT LEGAL AND ECONOMIC PRINCIPLES

7. The federal securities laws are intended to ensure honest markets and to promote investor confidence. Some of the laws and regulations are designed to prevent excessive investor speculation.

8. The Securities Exchange Act of 1934 (the "Exchange Act") regulates the trading of issued and outstanding public securities. Among other things, the Exchange Act seeks to prevent the excessive use of credit for purchasing securities by authorizing the Federal Reserve Board ("FRB") to limit the amount of credit that may be initially extended and subsequently maintained on any security. A key provision in achieving this goal is Section 7(f)(1) of the Exchange Act, which prohibits borrowers from "obtain[ing], receiv[ing], or enjoy[ing] the beneficial use of a loan or other extension of credit from any [broker-dealer] . . . for the purpose of . . . purchasing or carrying . . . securities," unless the loan or credit complies with regulations promulgated by the Board of Governors of the FRB.

9. Regulation T, promulgated by FRB, prohibits a broker-dealer from extending any credit to a customer to effectuate securities purchases, but the broker is permitted to base its decision, in good faith, on the representations of the customer that he/she "will promptly make full cash payment for the security or asset before selling it and does not contemplate selling it prior to making such payment..."

10. Section 3(b) of Regulation X, promulgated by the FRB, prohibits borrowers from willfully causing broker-dealers to extend credit in ways that violate Regulation T.

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11. “Free-riding” involves a customer placing an order for stock for which he does not have sufficient funds to cover the purchase price. The customer then uses some or all of the proceeds of the sale of the same stock to cover the purchase price. The “free-rider” attempts to profit from short-term changes in market prices of securities, without placing significant personal funds at risk. “Free-riders” frequently place a buy order for securities, anticipating a near-term market price increase, and intending to pay for the securities with the proceeds from the sale of the same securities.

12. A Delivery-Versus-Payment account (sometimes referred to as a “DVP” account) is a form of cash account which allows a customer to order securities with payment due only when the securities are delivered either to the customer or to the customer’s custodial account. DVP accounts are generally available to institutional customers who have a Prime Brokerage Account to receive the securities and make the required payment upon delivery and an Executing Broker who orders the securities on the open market and delivers them to the customer’s Prime Brokerage account.

DALY’s Accounts used for “Free-Riding”

13. DALY held multiple DVP accounts at various broker-dealers including McDonald Investments, Inc. (n.k.a. KeyBanc Capital Markets, Inc.), Dain Rauscher, Inc. (n.k.a. RBC Dain Rauscher, Inc.), Ryan Beck & Co., Inc. (n.k.a. Stifel Nicolaus & Co.), Jesup & Lamont Securities Corp., Jeffries & Company, Inc., Raymond James & Associates, Inc., and Robert W. Baird & Co. In most instances, a customer such as DALY has three days to make the required payment. DALY held several Prime Brokerage Accounts in various company names at National Financial Services, Goldman Sachs Execution & Clearing, LP, and Charles Schwab. DALY also used the

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Prime Brokerage accounts of other individuals which were held at Lloyds of London Market Services and Goldman Sachs Execution & Clearing, LP.

III. FREE-RIDING SCHEME

14. From in or about September 2000, through in or about late December 2007, in the Northern District of Ohio, Eastern Division and elsewhere, SEAN M. DALY, the defendant, unlawfully, wilfully, and knowingly, by the use of the means and instrumentalities of interstate commerce and of the mails, directly and indirectly, used and employed, in connection with the purchase and sale of securities, manipulative and deceptive devices and contrivances in contravention of Title 17, Code of Federal Regulations, Section 240.10b-5, by (a) employing devices, schemes, and artifices to defraud, (b) making untrue statements of material facts and omitting to state material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading, and (c) engaging in acts, practices, and courses of dealing which operated as a fraud and deceit.

Scheme to Defraud

15. From in or about September 2000, through in or about late December 2007, SEAN M. DALY, the defendant, engaged in a "free-riding" scheme through at least seven different broker-dealers, resulting in an overall actual loss of approximately \$5.7 million.

16. To accomplish the fraudulent scheme, SEAN M. DALY, the defendant, set up multiple DVP accounts, along with multiple corresponding Prime Brokerage and Executing Broker accounts. DALY then purchased millions of dollars worth of securities through these nominee accounts, in the form of stock in publicly-traded companies, without sufficient funds in such accounts and without any good faith basis to believe that full cash payment for them would

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be made before the securities were sold. DALY intended to make money on an upward rise in the price of the stock from the time of the order to the time payment was required.

17. After ordering the stocks, DALY monitored the market price during the three-day waiting period. When the executing brokers attempted to deliver the stock to the Prime Brokerage account DALY designated, the Prime Brokerage would disqualify or "DK" (which is an industry term which means "don't know") the trade because DALY would not take delivery of stocks which had experienced a downward drop in price after the order date. In some instances, DALY caused accounts to initially "DK" a trade but later accept the trades if they "bounced" or became profitable. DALY sought to extend the settlement dates to give time for trades to rebound or "bounce" in value. DALY falsely represented that his "clients" did not have the funds to pay for the losing trades when, in truth and in fact, no such clients existed. DALY occasionally offered to pay for the trades but then placed stop payment orders on checks he sent to the broker-dealers.

Press Releases/Market Manipulation

18. In order to promote the scheme, DALY issued press releases which purported to be independent financial analyses and research reports which falsely promoted the stocks in which he had a pending order. These had no basis in fact but, rather, were used to artificially increase the price of the stock in which DALY had traded in order to avoid the required payment on a losing trade; that is, where the stock price had dropped since the time of the order to the time of the settlement date.

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Nominee Accounts/Fictitious Client Names

19. In order to conceal the scheme, DALY used the names of nonexistent clients or shell companies. When payment came due, DALY falsely represented that he was waiting for an "overseas" client to make payment when, in truth and in fact, there was no such client. DALY did this to further lull the broker-dealer into the belief that the required payment would be made.

IV. STATUTORY ALLEGATIONS

20. Paragraphs 1 through 19 are realleged as if fully set forth herein. One of the larger transactions that was part of the fraudulent scheme was as follows:

21. On or about April 21, 2005, in the Northern District of Ohio, Eastern Division, and elsewhere, the defendant, SEAN M. DALY, did willfully, directly and indirectly, by the use of means and instrumentalities of interstate commerce and of the facilities of a national securities exchange, use and employ manipulative devices and contrivances in connection with the purchase and sale of securities, namely, the common stock of Decker Outdoor Corporation (NASDAQ Ticker Symbol: DECK), in contravention of the rules and regulations prescribed by the Securities and Exchange Commission, namely, Securities Exchange Act Rule 10b-5, by (a) employing a device, scheme, and artifice to defraud; (b) omitting to state material facts necessary to make statements made, in light of the circumstances under which they were made, not misleading; and (c) engaging in acts, practices, and courses of dealing which operated as a fraud and deceit.

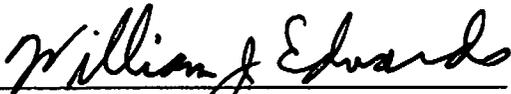
22. Specifically, on or about April 21, 2005, the defendant, SEAN M. DALY, doing business as Daly Holdings, Inc., placed an order to purchase 250,000 shares of DECK stock through McDonald Investments, Inc. These orders were placed through DALY's DVP account

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for the benefit of Event Driven Value, Inc. which, in fact, was an entity he controlled. DALY placed the orders knowing he did not have the funds necessary to promptly make full cash payment for acquiring the stock.

23. In order to conceal his violation of the FRB and his free-riding scheme, the defendant, SEAN M. DALY, contacted McDonald Investments, Inc., asking for an extension of time to pay on behalf of Event Driven Value, Inc., falsely stating that a purported "client" of Daly Holdings, Inc. in Europe failed to pay when he then and there well knew no such client existed. At that time, after further inability to provide funds, McDonald Investments, Inc. liquidated the DECK stock and suffered a loss of \$1,013,272.56.

All in violation of Title 15, United States Code, Sections 78j(b) and 78ff(a) and Title 17, Code of Federal Regulations, Section 240.10b-5.


WILLIAM J. EDWARDS
UNITED STATES ATTORNEY