MELANIE SENTER LUBIN, Securities Commissioner for the State of Maryland 200 St. Paul Place, Baltimore, Maryland 21202	* * *	IN THE CIRCUIT COURT FOR BALTIMORE CITY
Plaintiff,	*	
v.	*	Case No.
NATHAN A. CHAPMAN, JR., World Trade Center 401 East Pratt Street, 28th Floor Baltimore, Maryland 21202,	* * *	
EARL U. BRAVO, SR. World Trade Center 401 East Pratt Street, 28th Floor Baltimore, Maryland 21202,	* *	
DANIEL BALDWIN, JR. World Trade Center 401 East Pratt Street, 28th Floor Baltimore, Maryland 21202,	* * *	
CHAPMAN CAPITAL MANAGEMENT, INC., World Trade Center 401 East Pratt Street, 28th Floor Baltimore, Maryland 21202,	* *	
THE CHAPMAN COMPANY, World Trade Center 401 East Pratt Street, 28th Floor Baltimore, Maryland 21202,	* * *	
eCHAPMAN, INC., (f.n.a. eChapman.com, Inc.) World Trade Center 401 East Pratt Street, 28th Floor Baltimore, Maryland 21202,	* * *	
Defendants.	*	

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COMPLAINT

SUMMARY OF THIS ACTION

1. Plaintiff Melanie Senter Lubin, Securities Commissioner for the State of Maryland (the "Commissioner"), by her attorneys J. Joseph Curran, Jr., Attorney General, Assistant Attorneys General Lucy A. Cardwell, Julie L. Tewey and Katharine M. Weiskittel, complains that defendants Nathan A. Chapman, Jr. ("Chapman"), Earl U. Bravo, Sr. ("Bravo"), Daniel Baldwin, Jr. ("Baldwin"), Chapman Capital Management, Inc. ("CCM"), The Chapman Company ("TCC"), eChapman, Inc. (f.n.a. eChapman.com, Inc.) ("eChapman") (collectively the "defendants") engaged in a scheme to defraud in connection with their investment advisory and brokerage business in order to keep the public offering of eChapman from failing.

2. Specifically, Chapman initiated a public offering of eChapman, the holding company for his various financial services affiliates, at a time when the market for high-tech and dot-com stock was declining. Chapman's own brokerage firm, The Chapman Company, served as the lead underwriter for the initial public offering ("IPO"). As the market declined, Chapman reduced the proposed offering price and number of shares he expected to offer in the IPO. The offering date also was delayed as Chapman responded to comments and waited for approvals from the SEC and NASDAQ for the IPO. In spite of continuing negative indications in the market, Chapman initiated an IPO of 1,260,000 shares of eChapman at $13 a share on June 15, 2000.

3. When he and his brokerage firm had trouble placing eChapman shares, Chapman turned to a pension trust fund that he managed and for which his investment advisory firm served as a fiduciary. Chapman placed as much as 31% of the eChapman shares with that trust fund. He did not notify his pension clients of their purchase of the eChapman stock or seek their approval for this self-serving transaction in which he personally had a substantial financial interest. Some of the

stock was sold to the trust fund at almost twice the market price, after trading began on the secondary market.

4. Chapman and TCC, through the registered representative Daniel Baldwin, placed additional shares with unsophisticated and trusting retail clients. Although these retail accounts are nominally non-discretionary, in fact they are controlled by TCC and Baldwin. Many of these retail clients were not consulted about the transactions and did not authorize the purchase of eChapman stock. Nor were these investments in Chapman's high risk IPO suitable for the clients in light of the clients' risk profile and investment objectives.

5. Chapman tried to bolster his IPO with apparent support from various underwriting firms. According to the final prospectus, the outside underwriters were responsible for the placement of 950,000 shares. The underwriters purchased, however, only 80,000 shares at the time of the IPO. Moreover, three firms listed as underwriters in the final prospectus declined to participate in the IPO.

6. Notwithstanding these efforts to place shares, the IPO was unsuccessful. Not only were the IPO shares not entirely sold before secondary trading began, but there was insufficient demand for the stock in the secondary market. The stock never traded on the secondary market at the IPO price of $13 a share. The highest price ever reached was $9 19/64 a share on June 20, 2000, the day secondary trading began. TCC supported the price at around $7 a share until late November 2000, when the price fell to about $3 a share. The stock now is trading for pennies.

7. By engaging in the conduct described in this Complaint, defendants have violated sections 11-301 and 11-302 of the Maryland Securities Act, Title 11, Md. Code Ann, Corps. & Ass'ns. (1999 Repl. Vol. and Supp. 2002) (the "Act"). Pursuant to Section 11-702 of the Act, the Commissioner brings this action to seek injunctive relief, an order of restitution, and civil monetary

penalties.

8. The Commissioner deems it appropriate and in the public interest that this action be instituted to seek the requested relief.

JURISDICTION AND VENUE

9. This Court has jurisdiction over the subject matter of this action pursuant to section 11-702 of the Act, which authorizes the Commissioner, in her discretion, to bring an action to enjoin any act or practice that constitutes a violation of any provision of the Act or any rule or order under the Act, and to enforce compliance with the Act. Section 11-702(b) of the Act authorizes the Commissioner to seek a permanent injunction, an order of restitution, civil monetary penalties and such other relief as the Court deems just.

10. This Court has personal jurisdiction over the defendants pursuant to Md. Code Ann., Cts. & Jud. Proc. §6-102(a) (2002 Repl. Vol.). Venue is properly in this Court pursuant to Md. Code Ann., Cts. & Jud. Proc. §6-201.

THE PLAINTIFF

11. Plaintiff is the Securities Commissioner for the State of Maryland, acting pursuant to the authority granted her under sections 11-101 *et seq*. of the Act to administer and enforce the Act's provisions.

DEFENDANTS

12. The Chapman Company is a Maryland corporation organized in 1986. Its corporate status was forfeited in October 2002, for failure to pay a penalty. TCC is a subsidiary of Chapman Holdings, Inc. ("Chapman Holdings"), which became a wholly-owned subsidiary of eChapman on June 20, 2000. TCC maintains a place of business at the World Trade Center, 401 East Pratt Street, 28th Floor, Baltimore, Maryland 21202.

13. TCC is a full-service brokerage and investment banking company that engages in retail and institutional brokerage, public finance services, research and market-making activities and trading. TCC has been registered as a broker-dealer with the NASD and in Maryland since February 1987.

14. Chapman promoted TCC as "the first and currently the only African-American controlled publicly traded investment bank."

15. Chapman Capital Management, Inc. ("CCM") is a corporation organized in the District of Columbia in 1989. It is a subsidiary of Chapman Capital Management Holdings, Inc. ("CCM Holdings"), which became a wholly-owned subsidiary of eChapman on June 20, 2000. CCM maintains a place of business at the World Trade Center, 401 East Pratt Street, 28th Floor, Baltimore, Maryland 21202.

16. CCM is an investment adviser registered with the Securities and Exchange Commission ("SEC"). CCM filed with the Maryland Division of Securities ("Division") in January 1991. CCM acts or acted as a financial adviser to individual accounts, a group trust and a family of mutual funds. CCM currently has no investment adviser representatives registered in Maryland.

17. Chapman promoted CCM as "the first and currently the only African-American controlled publicly traded investment management company."

18. Chapman incorporated eChapman as eChapman.com, Inc. in Maryland on May 14, 1999. The name changed to eChapman, Inc. in January 2002. TCC and CCM through their holding companies, together with the privately-held Chapman Insurance Agency, Inc., became wholly owned subsidiaries of eChapman in June 2000. eChapman maintains a place of business at the World Trade Center, 401 East Pratt Street, 28th Floor, Baltimore, Maryland 21202.

19. Nathan A. Chapman, Jr. is a Maryland resident and maintains a place of business at

the World Trade Center, 401 East Pratt Street, 28th Floor, Baltimore, Maryland 21202.

20. Chapman is registered with the National Association of Securities Dealers, Inc. ("NASD") in various capacities for TCC, including since February 1987, as a general securities representative and a general securities principal. He has been registered in Maryland as a broker-dealer agent affiliated with TCC from February 11, 1987 to the present. He was registered in Maryland as an investment adviser representative of CCM from January 1991 until December 31, 2002.

21. Chapman is a control person, the President, the Chief Executive Officer and the Chairman of the Board for eChapman, CCM and TCC.

22. Chapman is the majority shareholder of eChapman and was the majority shareholder of Chapman Holdings and CCM Holdings. After its initial public offering on February 17, 1998, Chapman controlled at least 64% of Chapman Holdings' shares. After the initial public offering for CCM Holdings on August 11, 1998, Chapman controlled more than 61% of those shares. After the initial public offering for eChapman in June 2000, Chapman controlled approximately 65% of eChapman shares.

23. Bravo is a Maryland resident and maintains a place of business at the World Trade Center, 401 East Pratt Street, 28th Floor, Baltimore, Maryland 21202.

24. Bravo is registered with the NASD in various capacities for TCC, including since March 1990, as a general securities representative and since November 1990 as a general securities principal. He has been registered in Maryland as a broker-dealer agent affiliated with TCC from March 20, 1990, to the present. He was registered in Maryland as an investment adviser representative of CCM from January 1991, until December 31, 2002.

25. Bravo is Senior Vice President, Secretary, Assistant Treasurer and director of

eChapman. He is a Senior Vice President, Secretary, Assistant Treasurer, Chief Operating Officer and head of equity trading at TCC. He is Secretary and Assistant Treasurer of CCM.

26. Bravo handles the day-to-day compliance requirements of TCC and serves, in effect, as branch manager of the firm's brokerage business. Bravo supervises both the retail and institutional registered representatives. He oversaw the brokers in their sale of eChapman at the IPO.

27. Bravo supervises Baldwin, who has both retail and institutional clients.

28. Baldwin is a Maryland resident and maintains a place of business at the World Trade Center, 401 East Pratt Street, 28th Floor, Baltimore, Maryland 21202.

29. Baldwin has been registered with the NASD and in Maryland since March 1989, as a broker-dealer agent affiliated with TCC.

STATEMENT OF FACTS

The Initial Public Offering For eChapman

A. Background

30. Starting in the mid-1990s, Chapman emphasized a management strategy that focused on investing in and through companies controlled by minorities and women, or as Chapman describes them, members of the Domestic Emerging Market or "DEM" community. He also marketed his financial services to the DEM community.

31. eChapman was formed ostensibly to bring together the financial services of its subsidiaries while taking advantage of the growth of the internet.

32. Chapman planned to take eChapman public, initiating this process by filing a registration statement with the Securities and Exchange Commission on November 18, 1999. Chapman filed his registration statement at a time when the market for internet companies was beginning to sour. As optimism for the offering dampened, Chapman reduced both the proposed

number of shares and the price for the offering. The initial filing proposed to sell 3,333,333 shares at a price in the range of $14 to $16. By May 22, 2000, the proposed offering was reduced to 1,700,000 shares at a price between $12 and $14 a share. The final prospectus on June 15, 2000, was for an offering of 1,260,000 shares at $13 a share.

33. The offering was plagued with delay. Although the initial registration statement was filed in November 1999, the registration was not made effective until June 15, 2000.

34. When Chapman Holdings and CCM Holdings merged into eChapman, each share of Chapman Holdings was exchanged for 1.933 shares of eChapman; and each share of CCM Holdings was exchanged for 2.233 shares. Before the merger terms were announced in November 1999, Chapman Holdings stock traded between about $5.375 and $8.00 and CCM Holdings stock traded between about $5.00 and $6.75. On June 19, 2000, the day before the shares were exchanged, Chapman Holdings and CCM Holdings traded between about $15 and $16 a share. Neither the original estimated offering price of $14 to $16 per share nor the actual IPO price of $13 a share for eChapman appears to be related to the stock prices of the underlying companies. On the contrary, the market prices of the stock of those companies could not justify an IPO price as high as $13 a share.

35. Chapman incurred substantial offering expenses leading up to the IPO. For example, he incurred attorneys fees of more than $400,000 and almost $800,000 in printing costs. Underwriting fees in excess of $1 million were expected. Altogether, offering expenses were approximately $4.1 million. These expenses created pressure on Chapman to go forward with the offering. Without the proceeds from the IPO, Chapman would have had difficulty paying his offering expenses.

B. The Underwriters

36. Chapman planned to sell his IPO through a syndicate of underwriters to both retail and institutional investors.

37. The participating underwriters agreed to sell the stock on a firm commitment basis. According to the June 15, 2000 final prospectus, eight firms agreed to underwrite the IPO, with a firm commitment to purchase the 1,260,000 shares offered. Chapman's own firm, TCC, was the lead underwriter. According to the prospectus, the underwriters were committed to underwrite the offering as follows:

Underwriters	Number of Shares Underwritten
The Chapman Company	310,000
Salomon, Smith Barney Inc.	250,000
Ferris, Baker Watts, Inc.	200,000
Stephens Inc.	200,000
First Colonial Securities Group, Inc.	75,000
Doley Securities, Inc.	75,000
M.R. Beal & Co.	75,000
Pryor & Co., LLC	75,000

38. Doley Securities, M.R. Beal and Pryor & Co. never agreed to participate as underwriters. Although each of the three firms told Chapman that they would not participate in the offering, TCC sent the firms checks for their "underwriting fees." The firms returned the checks.

39. Although Pryor & Co. never agreed to participate as an underwriter and did not agree to purchase eChapman stock at the IPO, 18,000 shares were placed in its account at $13 a share. Pryor & Co. did not retain or pay for these shares.

40. The participating underwriters indicated they would purchase far less of the stock at the IPO than they had underwritten. For example, First Colonial agreed to purchase 20,000 shares but, in fact, purchased nothing. Salomon, Smith Barney purchased 30,000 shares. Stephens purchased 50,000 shares. The remaining outside underwriters purchased nothing. Because of the

relatively small number of shares purchased by the underwriters, TCC, as lead underwriter, was forced to sell most of the shares offered.

41. Chapman did not insist that the participating underwriters purchase the shares they had underwritten. It was important to Chapman to maintain the underwriting syndicate's goodwill and to protect his ability to obtain future investment banking business from the syndicate members. As a minority-owned investment banking firm, TCC was an attractive participant in other underwriting syndicates which, in turn, were required or encouraged to use minority-owned firms. Chapman relied on his continued business relationships with other investment banking firms. Thus, as a business decision, Chapman decided to place, and if necessary, push the IPO shares with his own clients rather than to rely on the other underwriters.

42. In anticipation of the IPO, TCC solicited both retail and institutional clients to determine their level of interest in the eChapman IPO. TCC maintained lists showing clients' "indications of interest" in the IPO. These indications of interest would not, however, be binding on the clients unless the indication was confirmed after receipt of a final prospectus. TCC continued to update the lists as the IPO date approached. The indications of interest for the eChapman offering were not strong. In a typical IPO, the lead underwriter seeks indications of interest much greater than the number of shares being offered, in order to assure a strong after market. In the case of eChapman, however, the indications of interest barely matched the number of shares offered. When the indications of interest fell short of the proposed offering, underwriters were not asked to step forward to fulfill their commitments.

C. Sales to Retail Clients

43. TCC sold more than 240,000 shares of eChapman to its retail clients at the time of the IPO.

44. TCC's agents solicited their clients to buy eChapman shares at the IPO. Retail client names were included on lists showing indications of interest before the IPO. Some retail clients, however, purchased fewer eChapman shares than the amounts identified on the lists maintained by TCC. For example, Rosa Whitehead reduced her purchase by 40,000 shares. Asia Pacific and Clear Lake also reduced their purchases.

45. Because TCC prohibits its agents from having discretionary authority over client accounts, agents are required by company policy to obtain client approval before engaging in any securities transactions for the client.

46. eChapman shares were purchased for the accounts of some retail clients without the clients' knowledge or consent.

47. Baldwin is one of TCC's largest producers and handles the accounts for many clients who started as Chapman's own clients. More than 180 of Baldwin's clients purchased shares in eChapman.

48. Baldwin purchased eChapman stock for a number of his clients without their authorization. The unauthorized purchases of eChapman stock were in keeping with Baldwin's earlier management of these client accounts. Many of these clients trusted and relied on Baldwin to handle their accounts. Despite TCC's prohibition on discretionary trading, Baldwin routinely undertook transactions for clients without specific client authorization or written discretionary authority.

49. In the case of some of his clients who did not authorize the purchase of the eChapman stock, Baldwin also liquidated other securities positions in order to generate funds for the eChapman stock purchase. For example, he sold clients' interests in mutual funds in early June 2000, in order to have funds available to purchase eChapman stock at the time of the IPO. These earlier stock sales

also were unauthorized.

50. For many of TCC's retail clients who purchased eChapman stock, the purchase was unsuitable, in light of the clients' investment objectives, risk profile and financial resources.

51. TCC was aware that an investment in eChapman stock was risky. Bravo instituted a policy that TCC agents discuss the risks with all clients who did not indicate a high risk tolerance on their New Account Form. The policy required that sales agents place a note confirming the disclosure in client files.

52. In spite of the risky nature of the eChapman investment, it appears that no client files contain such a note. At a time when the firm was under a lot of pressure to make the eChapman IPO successful, Bravo did not enforce the company policy, did not supervise Baldwin to ensure that his clients authorized the purchase of eChapman stock and did not ensure that investment in eChapman stock was suitable for TCC clients.

53. TCC's agents also did not inform many eChapman investors that TCC was affiliated with eChapman and that, as the lead underwriter, it had a special incentive to market the stock. Disclosure of these relationships would have been material to the clients' investment decision.

54. Some clients who purchased eChapman stock tried unsuccessfully to sell their shares in the secondary market. TCC agents avoided their calls. At Bravo's direction, the requested sales were sometimes delayed or discouraged.

D. <u>Sales to Institutional Clients</u>

55. TCC's agents tried to sell eChapman stock to its institutional clients. Several institutional clients either reduced their indications of interest as the IPO date approached or decided altogether against participating. According to company documents, none of the institutional clients increased their indications of interest between June 15 and the first day of trading on the secondary

market, June 20, 2000.

56. Chapman identifies his institutional client, International Management Associates, as having an interest in buying 130,000 shares at the IPO price, or more than 10% of the offering, for $1,690,000. On June 13, 2000, Chapman opened a brokerage account at The Chapman Company for International Management Associates and placed 130,000 shares in the account on June 15, 2000.

57. International Management Associates did not sign a new account form until June 29, 2000, and did not authorize the purchase of 130,000 shares of eChapman at the IPO price. With Bravo's assistance, the 130,000 share transaction was canceled on June 26, 2000.

58. Several other institutional clients of TCC, including Gross Venture, Thomas Systems, Hewitt, Glencoe Capital, Fidelity Funds, and Menlo Capital, reduced their indications of interest in the eChapman IPO, ultimately buying fewer shares than their initial indications of interest reflected.

E. Sales to the DEM-MET Trust

59. Chapman found a buyer for his eChapman shares in a pension fund client, known as the DEM-MET Trust.

60. In November 1996, CCM established the DEM-MET Group Trust for Employee Benefit Plans (the "DEM-MET Trust" or "Trust"), a tax exempt trust that permitted institutional pension funds to pool funds for investment purposes. "DEM-MET" stands for Domestic Emerging Markets-Minority Equity Trust.

61. CCM served as the investment adviser to manage assets in the Trust and as a fiduciary to the DEM-MET Trust and each of its participants. In connection with its advisory activities for the Trust, CCM entered into agreements with the Trust participants. As of June 2000, the Trust had three participants: the State Retirement and Pension System of Maryland ("Maryland Retirement System"), Wisconsin Power and Light (subsequently Alliant Energy Corp.), and Bankers

Trust Company.

62. In CCM's December 1996 agreement with Trust participants, CCM acknowledges that it is a "fiduciary," as that term is defined by ERISA, with respect to each participating plan. The agreement also provides that CCM will disclose in writing to its clients any recommendations to invest in entities affiliated with CCM.

63. The DEM-MET Trust supported minority and female-owned investment advisory firms by operating as a "fund of funds," with as many as fourteen investment advisory firms, each managing part of the pooled funds. Each of the sub-advisers was minority or female-owned. CCM supervised and was responsible for the sub-advisers.

64. In particular, CCM contracted with Bond Procope Capital Management ("Bond Procope"), a partnership organized under the laws of the State of New York, to manage funds for the DEM-MET Trust. Alan B. Bond ("Bond") was the President and Chief Investment Officer of Bond Procope. After Bond Procope dissolved, Bond formed Albriond Capital Management, LLC ("Albriond") in 1999. Albriond continued to provide investment advisory services to the DEM-MET Trust on behalf of CCM until August 2001.

65. Bond was indicted for securities fraud in December 1999. After his indictment, Bond became increasingly dependent on Chapman's continued support for his investment advisory business. As other clients began to pull their accounts from Albriond, the fees for managing DEM-MET Trust assets became a growing percentage of Albriond's total revenue.

66. CCM also contracted with Zevenbergen Capital, Inc. ("Zevenbergen") to serve as a sub-adviser for the DEM-MET Trust.

67. On February 26, 1998, Bond Procope invested $560,000 of its DEM-MET Trust allocation to purchase 70,000 shares of Chapman Holdings. This purchase occurred during

Chapman Holdings' IPO.

68. In June 2000, Albriond and Zevenbergen purchased 395,000 shares of eChapman for the DEM-MET Trust, at $13 a share for a total of $5,135,000. This purchase accounted for about 31% of the shares offered during eChapman's IPO.

69. Albriond purchased the eChapman stock in three lots. It purchased one lot of 200,000 shares, one of 45,000 shares and one of 130,000 shares. In addition, the DEM-MET Trust's existing holding of Chapman Holdings was converted, at a ratio of 1.933 per share of Chapman Holdings stock, to 135,306 shares of eChapman as a result of the merger of the companies. Altogether, Albriond then held 510,306 shares of eChapman for the Trust.

70. TCC documents show that Albriond had indicated an interest in purchasing only 200,000 shares of eChapman before the IPO. As is typical with most securities transactions, the confirmation slips for this 200,000 share purchase show that the transaction was electronically processed on the trade date when the brokerage client agreed to buy the securities. The 200,000 share transaction has both a trade date and a process date of June 15, 2000, at a price of $13 a share.

71. Albriond's purchase of 45,000 shares was not included on TCC lists showing indications of interest in the IPO until it was added in a hand-written note to a computer-generated list some time after the list was printed on June 20, 2000, at 5:24 p.m., after secondary trading of the IPO stock began. That purchase was not processed electronically until June 26, 2000, "as of" a trade date of June 15, 2000, when Albriond allegedly agreed to the purchase. The shares were billed at the IPO price of $13 each, although shares were trading on the secondary market at about $7 on the process date.

72. Albriond's 130,000 share purchase was never listed in TCC's lists showing indications of interest for the IPO. In fact, the purchase of 130,000 shares for Albriond's account

with the DEM-MET Trust was not processed until after the 130,000 share purchase on behalf of International Management Associates was canceled on June 26, 2000. Bravo prepared the order ticket transferring the 130,000 shares to Albriond's account. The Albriond trade was processed on June 26, 2000, "as of" a trade date of June 15, 2000. Again, the shares were billed at the IPO price of $13 each, although shares were trading at about $7 on the process date.

73. Under pressure from Chapman, Zevenbergen purchased 20,000 shares for the DEM-MET Trust on June 15, 2000, at $13 a share. Chapman assured Zevenbergen that there would be no conflict of interest if it purchased the shares for the DEM-MET Trust. Zevenbergen sold the shares at a loss soon after public trading began.

74. Chapman compensated Bond for accepting eChapman shares in the DEM-MET Trust account. On June 27, 2000, eChapman transferred $1.5 million from the IPO proceeds to an account managed for eChapman by Albriond. Albriond was compensated for managing the funds. That account suffered trading losses of more than $800,000. In July 2000, CCM reallocated funds among the DEM-MET Trust sub-advisers, giving Albriond an additional $10 million to manage.

75. Albriond purchased an additional 90,000 shares of eChapman stock for the DEM-MET Trust in several transactions in May 2001, at prices of approximately $2.50 per share.

76. CCM had a fiduciary duty to act in the best interests of the Trust participants. In particular, CCM had a duty to disclose to its clients any conflicts of interest. Chapman was a majority owner in both Chapman Holdings and eChapman at the time that the DEM-MET Trust purchased shares of Chapman Holdings stock in February 1998, and eChapman stock in June 2000 and May 2001, and had a fiduciary duty to disclose the relationships to his advisory clients.

77. Neither CCM, Chapman, Albriond, Bond Procope nor Zevenbergen gave any of the Trust participants advance written notice of the purchases of shares in affiliated companies. CCM

neither sought nor obtained consent from the Trust participants for the purchase of those shares.

78. CCM also had a fiduciary duty as investment adviser to the Trust to obtain the "best execution" price on its securities transactions. Best execution is determined by examining actual market information at the time of the transaction.

79. The Trust paid $13 a share for 175,000 shares of eChapman stock at a time when the stock was trading at approximately $7 a share.

80. CCM, through its sub-adviser Albriond, failed to satisfy its obligation to obtain the best execution price on its purchase of eChapman stock for the Trust.

81. ERISA prohibits a pension plan fiduciary from dealing in assets of the plan for its own interest. The purchases of Chapman Holdings and eChapman stock on behalf of the DEM-MET Trust are prohibited transactions under ERISA.

82. CCM had a duty to supervise its sub-adviser Albriond. The DEM-MET Trust participants paid CCM a fee that was higher than their standard investment advisory fees in order to compensate CCM for these supervisory responsibilities.

83. After Bond was indicted in December 1999, CCM retained Albriond as a sub-adviser. CCM's duty to supervise Albriond was, at a minimum, heightened as a result of the indictment.

84. After this first indictment, Albriond began a "cherry-picking" scheme in which Bond steered profitable trades to his own account and unprofitable ones to his clients', including the DEM-MET Trust. This cherry-picking scheme resulted in a second indictment in August 2001.

85. During the period of January 1, 2001 until the end of July 2001, Albriond engaged in significant trading activity in the DEM-MET Trust account, with no apparent benefit to the account. The cost of the securities he purchased in that account during this seven-month period aggregated $107 million, when the average market value of the account was $21,564,217. In May

2001 alone, when the market value of assets under Albriond's management approximated $19.7 million, Albriond purchased and sold approximately $23 million in securities for the DEM-MET Trust. The transactions were not tailored to shift the DEM-MET Trust portfolio from one sector of the economy to another, reflecting changes in business outlook, but rather were in the nature of short-term trades, often in the same securities. For example, in May 2001, Albriond engaged in 10 transactions in BEA Systems, 17 transactions in Check Point Software, 14 transactions in Ciena Corporation, 9 transactions in Comverse Technology, 7 transactions in eChapman, 12 transactions in Juniper Networks, 12 transactions in PMC-Sierra, 9 transactions in Qualcomm Inc., 11 transactions in Veritas Software Corp., and 11 transactions in Xilinx Inc. The trades were inconsistent with Albriond's sub-advisory agreement with CCM and with Albriond's own disciplined buy/sell strategy, and were not suitable for the pension fund clients.

86. Albriond lost more than $19 million in short-term trading from the beginning of January until the end of August 2001, and more than $22 million in short-term losses from April 1, 2000 to the end of August 2001.

87. Chapman did not supervise Albriond to prevent its unsuitable trading activity.

F. The IPO's Aftermath

88. eChapman sent a letter to the NASDAQ on June 20, 2000 stating that the IPO had closed, so that trading on the secondary market could begin that day.

89. eChapman stock never traded on the secondary market at a price as high as the IPO price. On the opening day, the stock price reached $9.30 but closed at a little more than $7 a share.

90. TCC filed with the NASDAQ for permission to stabilize the price. TCC continued to support eChapman's price at around $7 a share until late November 2000, when the price fell to around $3 a share. It appears that TCC then supported eChapman's price at around $3 a share until

November 2001, when the price again fell sharply. Because the stock was trading at less than a dollar a share, NASDAQ delisted the company effective August 20, 2002. The stock currently trades for pennies over the counter.

91. During the course of supporting the stock price, TCC repurchased much of the eChapman public offering. In the fall of 2000, the eChapman Board of Directors voted to retire more than 1.8 million shares of eChapman stock held by TCC. TCC spent more than $11 million, almost as much as the net offering proceeds, to re-purchase eChapman stock.

92. Most of the offering proceeds were not available for the planned and disclosed uses outlined in the prospectus. The final prospectus for eChapman emphasizes the use of the IPO proceeds for the internet brokerage business. The prospectus describes the use of proceeds as follows:

Use	Amount
Complete the design and development of the eChapman.com web site	$2,850,000
Promote the eChapman.com brand and continue to promote the DEM and DEM Multi-Manager strategies	4,750,000
Provide capital to Chapman On-Line for on-line trading	1,900,000
Provide capital to The Chapman Co. in connection with trading for its own account and for use in underwriting activities	1,900,000
Further explore the establishment of an Internet-based DEM-oriented bank	200,000
Pay consideration to stockholders in Chapman Insurance Holdings merger	125,000
Fund working capital and for general corporate purposes	1,000,000

93. Very little was spent to develop the firm's internet capability. In fact, eChapman no longer operates as an internet brokerage business. Chapman On-Line, an on-line brokerage business, terminated its registration in Maryland effective December 31, 2002, and with the SEC and NASD effective February 16, 2003.

COUNT I

(Fraud in Connection with the Offer or Sale of Securities, Section 11-301)

The allegations contained in paragraphs 1 through 93 are realleged and incorporated by

reference herein.

94. Under Section 11-301 of the Act, it is unlawful for any person, in connection with the offer, sale or purchase of any security, directly or indirectly to:

(1) employ any device, scheme or artifice to defraud;

(2) make any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; or

(3) engage in any act, practice or course of business which operates or would operate as a fraud or deceit on any person.

95. The Chapman Company, through Nathan Chapman, Earl Bravo, Daniel Baldwin and other agents, engaged in fraud in the offer and sale of eChapman stock in order to place the stock at the IPO and close the offering, including but not limited to:

(1) The Chapman Company, as lead underwriter for eChapman, was responsible for material errors in the prospectus, including the erroneous listing of underwriters and the misstatement of the use of offering proceeds.

(2) Nathan Chapman and The Chapman Company opened an account for International Management Associates without the permission of the client and placed 130,000 shares of eChapman in that account at the time of the IPO.

(3) Nathan Chapman and The Chapman Company redistributed 130,000 shares after their sale was canceled from the account for International Management Associates, to a pension fund account managed on behalf of Chapman Capital Management by Albriond Capital Management. The pension fund paid the IPO price, although the market price was approximately half that at the time the shares were redistributed.

(4) Nathan Chapman and The Chapman Company redistributed an additional 45,000 shares to the same pension fund account managed on behalf of Chapman Capital Management by Albriond Capital Management when other clients refused shares previously billed to them. Again, The Chapman Company billed the pension fund for the IPO price, although the market price was approximately half that at the time the shares were redistributed.

(5) The Chapman Company, through its registered agent Daniel Baldwin, sold eChapman stock to naive investors who did not authorize the sale and for whom the purchase was unsuitable. These unauthorized sales violated Maryland law, NASD

rules and TCC's own procedures.

(6) The Chapman Company sold eChapman stock to naive investors without disclosing the risks or the affiliations between The Chapman Company and eChapman.

(7) The Chapman Company, with Bravo's approval and involvement, refused to follow clients' instructions to sell, or delayed selling, shares of eChapman.

(8) Bravo failed to supervise TCC's registered agent Baldwin, allowing Baldwin to make unauthorized and unsuitable purchases for his clients in order to close the IPO.

96. Defendants knowingly, intentionally and to investors' detriment, employed a device, scheme or artifice to defraud in violation of section 11-301(1) of the Act.

97. Defendants made misstatements of fact and omissions of material facts in violation of section 11-301(2) of the Act.

98. Defendants engaged in an act, practice or other course of business which operated as a fraud or deceit on investors in violation of sections 11-301(3) of the Act.

COUNT II

(Fraud in Connection with the Offer of Investment Advice, Section 11-302 and COMAR 02.02.05.03B)

The allegations contained in paragraphs 1 through 98 are realleged and incorporated by reference herein.

99. Under Section 11-302 (a) of the Act, it is unlawful for any person who receives directly or indirectly any consideration from any person for advising the other person as to the value of securities or their purchase or sale, or for acting as an investment adviser or representative under § 11-101 (h) and (i) of this title, . . . to:

(1) employ any device, scheme or artifice to defraud;

(2) engage in any act, practice or course of business which operates or would operate as a fraud or deceit on any person;

(3) engage in dishonest or unethical practices as the Commissioner may define by rule; or

(4) when acting as principal for the person's own account knowingly sell any security to or purchase any security from a client, . . . without disclosing to such client in writing before the completion of such transaction the capacity in which the person is acting and obtaining the consent of the client to such transaction.

100. Under Section 11-302 (c) of the Act, it is unlawful for any person in dealings with advisory clients knowingly to make any untrue statement of a material fact, or omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which they are made, not misleading.

101. Under COMAR 02.02.05.03B, it is a dishonest and unethical practice to:

(1) recommend to a client to whom investment supervisory, management, or consulting services are provided the purchase, sale, or exchange of any security without reasonable grounds to believe that the recommendation is suitable for the client on the basis of information furnished by the client after reasonable inquiry concerning the client's investment objectives, financial situation and needs, and other information known or acquired by the investment adviser after reasonable examination of the client's financial records;

(5) induce trading in a client's account that is excessive in size or frequency in view of the financial resources, objectives, and character of the account; and

(11) fail to disclose to clients in writing before any advice is rendered a material conflict of interest relating to the investment adviser or any of its affiliates or employees that could reasonably be expected to impair the rendering of unbiased and objective advice.

102. CCM is registered with the SEC as an investment adviser.

103. Nathan Chapman and Earl Bravo were registered in Maryland until December 31, 2002, as investment adviser representatives. They have neither renewed nor withdrawn their registrations.

104. CCM, through Nathan Chapman and other agents, engaged in fraud in the offer of

investment advice, including but not limited to:

(1) CCM, through its sub-advisers, purchased on behalf of its investment advisory client, the DEM-MET Trust, shares in affiliated companies, Chapman Holdings, Inc. and eChapman, without disclosing the conflicts of interest to the Trust participants.

(2) CCM, through its sub-advisers, purchased on behalf of its investment advisory client, the DEM-MET Trust, shares in an affiliated company, eChapman, at a price that was almost double the market price at the time of the transaction.

(3) CCM failed to supervise its sub-adviser Albriond and allowed Albriond to engage in unsuitable, excessive and illegal transactions that violated its sub-advisory agreement with CCM and Albriond's self-professed "disciplined buy/sell strategy."

105. Defendants Chapman and CCM knowingly, intentionally and to the DEM-MET Trust's detriment, employed a device, scheme or artifice to defraud in violation of section 11-302 (a) (1) of the Act.

106. Defendants Chapman and CCM engaged in an act, practice or other course of business which operated as a fraud or deceit on the DEM-MET Trust in violation of sections 11-302 (a) (2) of the Act.

107. Defendants Chapman and CCM engaged in dishonest and unethical practices by, *inter alia*, failing to disclose to clients in writing before any advice was rendered a material conflict of interest relating to the investment adviser and its affiliates or employees that could reasonably be expected to impair the rendering of unbiased and objective advice, in violation of section 11-302 (a) (3) of the Act and of COMAR 02.02.05.03B.

108. Defendants Chapman and CCM made misstatements of fact and omissions of material facts in violation of section 11-302 (c) of the Act.

PRAYER FOR RELIEF

The Commissioner respectfully requests that an Order be issued granting the following relief:

A. An injunction, containing findings of fact and conclusions of law, permanently restraining and enjoining defendants Chapman, Bravo, Baldwin, TCC, CCM and eChapman, and the corporate defendants' officers, directors, agents, servants, employees, successors and assigns and all persons in active concert or participation with them, who receive notice of such Order by personal service or otherwise, from directly or indirectly engaging in acts and practices set forth herein that violate sections 11-301 and 11-302 of the Act.

B. An injunction, containing findings of fact and conclusions of law, permanently barring defendants Chapman, Bravo, Baldwin, TCC, CCM and eChapman from transacting securities or conducting investment advisory business for the account of others or from acting as principal or consultant in any entity so engaged in or from this State.

C. An Order, containing findings of fact and conclusions of law, requiring defendants Chapman, Bravo, Baldwin, TCC, CCM and eChapman to make restitution to all investors whose purchases of eChapman stock were unauthorized, unsuitable or made in violation of CCM's fiduciary duty or the Act.

D. An Order, containing findings of fact and conclusions of law, requiring defendants Chapman, Bravo, Baldwin, TCC, CCM and eChapman each to pay civil monetary fines of up to $5,000 per violation of the Act.

E. Such other and further equitable relief as this Court may find just and appropriate.

Respectfully submitted,

J. JOSEPH CURRAN, Jr.
Attorney General of the State of Maryland

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Lucy A. Cardwell
Julie L. Tewey
Katharine M. Weiskittel
Assistant Attorneys General
Division of Securities
200 St. Paul Place
Baltimore, Maryland 21202
(410) 576-6337

Attorneys for Plaintiff,
Securities Commissioner of Maryland

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