

UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF NEW YORK

Judge Berman

SECURITIES AND EXCHANGE  
COMMISSION,

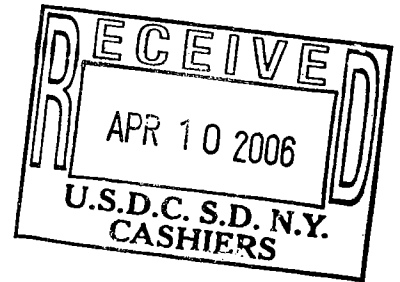
Plaintiff,

v.

DIANE KARAOLIS,

Defendant.

06 CV 2768  
Civil No.



COMPLAINT

Plaintiff, the United States Securities and Exchange Commission  
("Commission"), alleges as follows:

NATURE OF THE ACTION

1. This is an insider trading action against Diane Karaoulis for directing the purchase of SunSource, Inc. ("SunSource") stock in advance of the June 19, 2001, announcement of a definitive merger agreement between SunSource and Allied Capital Corporation ("Allied"). On or shortly before April 12, 2001, Karaoulis, while serving as a SunSource employee and based on material, nonpublic information about the merger, directed her spouse to buy SunSource stock. On April 12, 2001, Karaoulis's spouse bought 255 shares of SunSource, Inc. As a result of the trading, the Karaoulises had profits of \$1,428.

2. By these actions, Karaoulis violated Section 10(b) of the Securities Exchange Act of 1934 (“Exchange Act”) [15 U.S.C. §78j(b)] and Exchange Act Rule 10b-5 [17 C.F.R. 240.10b-5]. Accordingly, the Commission seeks a final judgment (1) permanently enjoining defendant Karaoulis from further violation Section 10(b) and Rule 10b-5, (2) requiring her to disgorge the amount of the profit from the trade, plus prejudgment interest, (3) imposing a monetary penalty, and (4) granting such other relief as the Court deems just and proper.

### **JURISDICTION AND VENUE**

3. This Court has jurisdiction over this action under Sections 21(d)(1), 21(e), 21A, and 27 of the Exchange Act [15 U.S.C. §§ 78u(d)(1), 78u(e), 78u-1 and 78aa]. In connection with the transactions, acts, practices, and courses of business described in this Complaint, defendant Karaoulis, directly or indirectly, made use of the means or instrumentalities of interstate commerce or of the mails or the facilities of a national securities exchange.

4. Venue is proper under Section 27 of the Exchange Act because a substantial part of the events giving rise to the claim detailed below occurred in this District.

### **DEFENDANT**

5. **Diane Karaoulis**, age 63, resides in Philadelphia, Pennsylvania. At all relevant times, she was the secretary to the chief financial officer (“CFO”) of SunSource.

## RELEVANT ENTITIES

6. **SunSource, Inc.** was a Delaware corporation headquartered in Philadelphia, Pennsylvania. From 1997 through June 19, 2001, shares of SunSource common stock were traded on the New York Stock Exchange. From June 20, 2001, through September 25, 2001, SunSource stock was traded on the American Stock Exchange. At all relevant times, SunSource's stock was registered with the Commission under Section 12(b) of the Exchange Act [15 U.S.C. § 78l(b)].

7. **Allied Capital Corporation** is a Maryland corporation headquartered in Washington, D.C. Allied provides long-term investment capital to support the expansion of growing middle-market companies. Allied's common stock is registered with the Commission pursuant to Section 12(b) of the Exchange Act and is traded on the New York Stock Exchange.

## FACTS

8. Karaoulis worked as a secretary at SunSource from March 1987 until May 2002. At all times relevant to this Complaint, Karaoulis was the secretary to SunSource's CFO.

9. In the fall of 2000, SunSource began to consider the sale or merger of the company. Senior management of SunSource informed company personnel, including Karaoulis, that a potential transaction was being considered, that they would be involved in the due diligence that would be performed, and that they were precluded from trading in SunSource stock.

10. Among the entities that considered acquiring or merging with SunSource was Allied. In February 2001, Allied contacted SunSource about a potential acquisition. The SunSource board of directors agreed to go forward with discussions and thereafter the companies began negotiating a transaction.

11. As a result of her position as the secretary to SunSource's CFO, Karaoulis knew of the ongoing merger negotiations between SunSource and Allied.

12. On or shortly before April 12, 2001, while she knew that merger negotiations between SunSource and Allied were continuing, Karaoulis directed her spouse to buy SunSource stock. As a result of that instruction, on April 12, 2001, Karaoulis's spouse purchased 255 shares of SunSource stock at \$3.90 per share.

13. On June 19, 2001, SunSource and Allied publicly announced that they had signed a definitive merger agreement pursuant to which Allied would pay approximately \$72 million, or approximately \$10.38 per share in cash or stock for all of the outstanding common stock of SunSource. Following that announcement, SunSource's stock price closed on June 19, 2001, at \$9.50 per share, an increase of \$4.54 per share over the prior day's closing price.

14. The Karaoulises had profits of \$1,428 from the trade in advance of the announcement of the transaction with Allied.

15. As a SunSource employee, Karaoulis owed a fiduciary duty to SunSource and its shareholders not to misuse information that she learned as an employee of the company. Karaoulis knew or was reckless in not knowing that the information that she learned about SunSource's merger with Allied was material, nonpublic information.

Karaoulis further knew or was reckless in not knowing that by directing her spouse to trade in advance of the public announcement of the merger, she was breaching the duty that she owed to SunSource and its shareholders.

### **CLAIM FOR RELIEF**

#### **Violation of Section 10(b) of the Exchange Act and Exchange Act Rule 10b-5**

16. Paragraphs 1 through 15 of this Complaint are re-alleged and incorporated by reference herein as though fully set forth in this paragraph.

17. As detailed above in this Complaint, Karaoulis, directly or indirectly, by the use of the means or instrumentalities of interstate commerce or of the mails and/or of the facilities of a national securities exchange, in connection with the purchase or sale of a security registered on a national securities exchange or a security not so registered, (a) employed devices, schemes, and/or artifices to defraud; (b) made untrue statements of material fact, or omitted 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/or (c) engaged in acts, practices, or courses of business which operated or would have operated as a fraud or deceit on other persons in violation of Section 10(b) of the Exchange Act and Exchange Act Rule 10b-5.

18. Karaoulis, unless restrained and enjoined, will continue to engage in the transactions, acts, practices and courses of conduct alleged in this Complaint, or in similar transactions, acts, practices and courses of conduct, in violation of the federal securities laws.

## PRAYER FOR RELIEF

WHEREFORE, the Commission respectfully requests that the Court enter judgment:

A. permanently enjoining Karaoulis, her agents, servants, employees, representatives, attorneys, affiliates and all persons in active concert or participation with them who receive actual notice of the Court's judgment, from future violations of Section 10(b) of the Exchange Act and Exchange Act Rule 10b-5;

B. ordering Karaoulis to disgorge the illicit profits made from the unlawful conduct described in this Complaint, plus prejudgment interest thereon;

C. imposing a civil penalty against Karaoulis under Section 21A of the Exchange Act; and

D. granting such other relief as the Court deems just and proper.

Dated: April 7, 2006

Respectfully submitted,

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