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**UNITED STATES DISTRICT COURT
DISTRICT OF NEVADA**

**U.S. SECURITIES AND EXCHANGE
COMMISSION,
100 F Street, N.E.
Washington, D.C. 20549**

Plaintiff,

v.

**JIMMY J. McGHAN and
DONALD K. McGHAN,**

Defendants.

CV No. _____

COMPLAINT

Plaintiff, U.S. Securities and Exchange Commission (“Commission”) alleges as follows:

SUMMARY

1. This case concerns fraud committed by defendants Donald K. McGhan (“Don McGhan”) and Jimmy J. McGhan (“Jim McGhan”), the former chairman and the former chief operating officer (“COO”) of MediCor, Ltd. (“MediCor”), respectively, who concealed material information about MediCor’s funding from MediCor investors and its auditor.

2. From 2004 through 2006, Don McGhan and Jim McGhan signed or approved MediCor annual reports and proxy statements filed with the Commission that they knew or were reckless in not knowing were materially false and misleading because they did not disclose the true, primary and precarious source of MediCor's funding. The filings stated that MediCor, a start-up company with no revenues, was funded in substantial part by Don McGhan or one of his affiliates, and relied upon Don McGhan for the company's continued capital funding. MediCor's filings failed to disclose that, in fact, a primary source of the company's funding were moneys illegally removed from Southwest Exchange Corp. ("Southwest"), a so-called Section 1031 accommodator controlled by MediCor's chairman. Under Nevada state law, the Southwest clients' funds had to be deposited into a qualified escrow or trust account, and could not be moved without the clients' written consent. During 2004, 2005, and 2006, Don McGhan illegally transferred over \$54 million out of Southwest for MediCor's use, without the knowledge or consent of the Southwest clients. Jim McGhan knew that Southwest client funds were being used for MediCor.

3. MediCor's public filings also failed to disclose that unless Southwest continued to receive new deposits, MediCor would lose a significant source of its funding. Southwest was contractually obligated to return its clients funds to the clients within a maximum of 180 days. Don McGhan and Southwest primarily relied on new deposits, however, to repay Southwest's existing clients. When the real estate market in Nevada and elsewhere contracted in 2006, new deposits dwindled, and Southwest eventually defaulted on its obligations and closed in January 2007. Southwest's clients lost approximately \$97 million. MediCor consequently lost Southwest as a funding source and filed for bankruptcy in June 2007.

4. MediCor investors did not know that a significant source of MediCor's funding was money illegally removed from Southwest. Nor did they know the short-term nature of the deposits that the Southwest clients had made, or the fact that any inability of Southwest to repay its clients timely could have a direct impact on MediCor's current and future funding.

5. Don McGhan and Jim McGhan each knew of MediCor's use of Southwest as a primary funding source and the nature of that funding. They each signed MediCor's annual reports on Form 10-KSB for fiscal years 2004 through 2006, and approved the company's definitive proxy statements on Form DEF 14A for those years, none of which had any information about the funding from or relationship with Southwest. In addition, they each signed management representation letters to MediCor's auditor for fiscal years 2004 through 2006, in which they omitted all information about the funding from and relationship with Southwest. By their conduct, Don McGhan and Jim McGhan violated Sections 10(b) and 14(a) of the Securities Exchange Act of 1934 ("Exchange Act") [15 U.S.C. §§ 78j(b) and 78n(a)] and Exchange Act Rules 10b-5, 13b2-2 and 14a-9 [17 C.F.R. §§ 240.10b-5, 240.13b2-2(a) and 240.14a-9], and aided and abetted violations by MediCor of Section 13(a) of the Exchange Act [15 U.S.C. § 78m] and Exchange Act Rules 12b-20 and 13a-1 [17 C.F.R. §§ 240.12b-20 and 240.13a-1]. Accordingly, as to each of Don McGhan and Jim McGhan, the Commission seeks a final judgment (a) permanently restraining and enjoining him from (i) violating Sections 10(b) and 14(a) of the Exchange Act and Exchange Act Rules 10b-5, 13b2-2(a) and 14a-9, and (ii) from aiding and abetting violations of Section 13(a) of the Exchange Act and Exchange Act Rules 12b-20 and 13a-1; (b) barring him from serving as an officer or director of a public company; (c) ordering him to pay a civil penalty; and (d) granting such other relief as the Court deems appropriate.

JURISDICTION and VENUE

6. This Court has jurisdiction over this action pursuant to Sections 21(d) and 27 of the Exchange Act [15 U.S.C. §§ 78u(d) and 78aa]. In connection with the transactions, acts, practices, and courses of business described in this Complaint, Don McGhan and Jim McGhan, directly or indirectly, made use of the means or instruments of transportation or communication in interstate commerce or of the mails.

7. Venue is proper in this Court pursuant to Section 27 of the Exchange Act [15 U.S.C. §78aa] because certain of the acts, practices, and courses of business occurred within this District.

DEFENDANTS

8. **Donald K. McGhan**, age 75, resident of Texas, is the founder of MediCor and served as chairman of its board of directors from the time of its formation through his resignation on January 24, 2007. At all relevant times, he also was a member of MediCor's executive committee. He pleaded guilty on June 8, 2009, to criminal wire fraud charges filed by the United States Attorney for the District of Nevada for defrauding Southwest clients of \$95 million. On September 14, 2009, Don McGhan was sentenced to ten years in prison. He began serving that sentence in January 2010.

9. **Jimmy Joe McGhan**, age 56, resident of Texas, is the son of Don McGhan and is currently a self-employed consultant. At all relevant times, he was MediCor's COO, a member of the company's executive committee, and a member of the company's board of directors.

RELEVANT ENTITIES

10. **MediCor, Ltd.**, at all relevant times, was a Delaware corporation headquartered in Las Vegas, Nevada that manufactured breast implants and other medical devices. MediCor was created in 2003 by the merger of International Integrated Industries, Inc., a British Virgin Islands holding company owned by Don McGhan, and Scientio, Inc., a public shell company. Following the merger, the company's name was changed to MediCor. MediCor reported on a fiscal year basis that ended on June 30 and its stock was traded on the OTC Bulletin Boards beginning in September 2001. MediCor began restructuring efforts in January 2007 and formally filed for Chapter 11 bankruptcy in June 2007. MediCor and certain related entities submitted a plan of liquidation in January 2009. That plan was approved by the bankruptcy court and MediCor was dissolved on November 24, 2010.

11. **Southwest Exchange Corp.**, at all relevant times, was a Nevada corporation and qualified intermediary ("QI") under Section 1031 of the Internal Revenue Code, 26. U.S.C. § 1031. On June 28, 2004, Southwest was acquired by a private company controlled by Don McGhan known as Capital Reef Management Corp. ("Capital Reef"), a Delaware corporation. Under I.R.C. § 1031, a taxpayer may defer capital gains tax when he or she sells business or investment property and purchases a like-kind replacement property, if, among other things, the exchange of properties closes within 180 days and the taxpayer places the proceeds of the sale of the original property with a QI. The QI must keep the proceeds out of the control of the taxpayer during the exchange period. Southwest's client contracts stated explicitly that all sums deposited by its clients would be deposited "in one or more financial institutions whose accounts are insured by the Federal Deposit Insurance Corporation or as otherwise directed by Exchanger." Under Nevada law, proceeds from the sale of an exchange client's property are required to be

deposited in a qualified escrow account as defined in 26 C.F.R. § 1.1031(k)-1(g)(3) and could not be withdrawn without the written approval of the exchange client. Nev. Rev. Stat. §205.960 (2010).

12. **International Integrated Industries, LLC (“III”)** was a Nevada holding company owned and funded by Don McGhan. Don McGhan used III to fund MediCor via a revolving loan note and a commitment to cover any operating or capital shortfalls of the company.

13. **Blackstone LLC** was a Delaware shell company formed by Don McGhan’s wife and daughter. Blackstone was controlled by Don McGhan and was used as an intermediary to move money from Southwest to III. The “Blackstone” entity identified herein is not the same entity as, and bears no relation to, the well known investment and advisory firm known as the Blackstone Group LP.

FACTS

14. As a start-up company, MediCor initially was financed primarily by a revolving loan from International Integrated Industries, LLC (“III”), a private McGhan family holding company funded personally by Don McGhan.

15. MediCor’s strategy was to grow through the acquisition of other companies while patent approval was obtained for MediCor’s primary medical device. Its first significant acquisition was to be a French breast implant manufacturer, Laboratoires Eurosilicone, S.A. (“Eurosilicone”). Don McGhan, however, did not have the personal wealth to finance such acquisitions. As a result, he and Jim McGhan began to look for outside funding sources.

16. In the spring of 2004, Don McGhan and Jim McGhan were introduced to a senior vice president at Southwest responsible for managing Southwest's investments (the "Southwest SVP"). They discussed the possibility of having Southwest invest in MediCor. The Southwest SVP, however, concluded that an investment in MediCor was not an appropriate use of Southwest client funds because such an investment would be too risky.

17. In the process of discussing the investment by Southwest and in subsequent conversations with the Southwest SVP and others, however, Don McGhan learned, and later informed Jim McGhan about, information regarding Southwest's business and the amount of client funds on deposit with Southwest. Among other things, they learned that Southwest had over \$40 million in highly liquid deposits.

**Don McGhan Buys Southwest and
Immediately Uses Southwest Client Funds to Acquire Eurosilicone**

18. On May 19, 2004, MediCor announced that it had signed an agreement to acquire French breast implant manufacturer Eurosilicone. The closing date was eventually set for June 30, 2004.

19. Don McGhan did not have the ability to pay the \$40 million price to acquire Eurosilicone. He, Jim McGhan, and others, therefore, tried to raise the funds necessary for MediCor to acquire Eurosilicone. None of the potential sources of financing identified would commit to funding the Eurosilicone acquisition.

20. In early June 2004, Don McGhan learned that Southwest was available for purchase. The weekend of June 12, 2004, Don McGhan and others flew to Chicago, Illinois to meet with the owner of Southwest, and negotiated an agreement for the purchase of Southwest. Under the agreement, Capital Reef would purchase Southwest; Don McGhan would pay \$3

million for a 75% interest in Capital Reef; Capital Reef would pay \$3 million to Southwest's owner; and Southwest's owner would receive a 25% interest in Capital Reef. Don McGhan thus would control Southwest.

21. Don McGhan, however, did not have the cash to pay the \$3 million needed to gain control of Southwest. As a result, after returning from Chicago, he and MediCor's CEO immediately began working (a) to raise \$3 million to gain control of Southwest, and (b) to establish a way to use Southwest's deposits to fund the Eurosilicone acquisition and MediCor's operations. The Eurosilicone acquisition was scheduled to close on June 30, 2004.

22. Don McGhan obtained half of the amount needed to gain control of Southwest from a third-party investor and, with no other options, on June 26, 2004, pledged all of his MediCor stock to secure a seven-day loan of \$1.5 million from MediCor's CEO and two other individuals. He completed the transaction and gained control of Southwest on June 28, 2004.

23. On June 29, 2004, Don McGhan, with assistance from MediCor's CEO, and without the knowledge or consent of Southwest's clients, began to transfer funds from Southwest's accounts to an account in the name of Blackstone, LLC ("Blackstone"), another McGhan family company. Money was then wired from Blackstone's account directly to the seller of Eurosilicone. In total, \$37 million was wired from Southwest for MediCor's acquisition of Eurosilicone between June 30 and July 2, 2004. Jim McGhan knew that Southwest funds had been used to acquire Eurosilicone.

24. After the Eurosilicone transaction closed, at the instigation of Don McGhan, documents were created to give the appearance that III, rather than Blackstone, had paid for Eurosilicone on MediCor's behalf. These documents were created so that anyone reading

disclosures about funding sources in MediCor's filings with the Commission would not learn that \$37 million of Southwest client funds had been used to purchase Eurosilicone.

**Don McGhan and Jim McGhan Sign or Approve MediCor's 2004 Annual Report,
Proxy Statement, and a Management Representation Letter
That Are Materially False and Misleading**

25. On August 20, 2004, Don McGhan and Jim McGhan each signed a management representation letter to MediCor's auditor in connection with the audit of MediCor's financial statements for fiscal year 2004. In that letter, they represented, among other things, that all related party transactions had been properly recorded or disclosed.

26. At the time, they each knew, but failed to disclose, that Don McGhan had acquired control of Southwest and that Don McGhan had used Southwest client funds to acquire Eurosilicone for MediCor.

27. On September 20, 2004, MediCor filed its annual report on Form 10-KSB with the Commission. Don McGhan and Jim McGhan each reviewed and signed the annual report and approved its filing with the Commission. MediCor's 2004 annual report provided that the "financing for the Eurosilicone acquisition was provided through additional loans from [III]" and that the company had received "a written commitment from [III], an affiliate of our chairman, to provide sufficient cash to fund any operating expenses and capital expenditures" through the following fiscal year. A footnote to the company's financial statements in the annual report regarding related party transactions stated only that III had funded "significant expenses" for MediCor and made no disclosure regarding Southwest. As such, there was no disclosure in MediCor's annual report that MediCor had received and used Southwest client funds for the acquisition of Eurosilicone, nor was there any disclosure of the relationship of Southwest to MediCor and Don McGhan.

28. The annual report incorporated by reference a section on “Certain Relationships and Related Transactions” in MediCor’s upcoming proxy statement.

29. On October 29, 2004, MediCor filed the definitive proxy statement on Form DEF 14A referenced in the company’s annual report and described in paragraph 28 of this Complaint. The section of the proxy statement on “Certain Relationships and Related Transactions” included a description of III and provided that (a) III “acted on behalf of MediCor by funding significant expenses,” (b) III would continue “to fund any operating shortfalls for fiscal 2005,” and (c) MediCor was indebted to III. As with MediCor’s annual report, there was no disclosure that the funding for the Eurosilicone acquisition actually had come from Southwest, or of the relationship of Southwest to MediCor and Don McGhan. Prior to the filing of the proxy statement, Don McGhan and Jim McGhan each were provided a copy of the proxy statement for review and approved its filing with the Commission.

30. At the times when they signed MediCor’s 2004 annual report on Form 10-KSB and approved the company’s 2004 proxy statement on Form DEF 14A, Don McGhan and Jim McGhan each knew that Southwest was a primary source of funding for MediCor and that Don McGhan personally was unable to continue to fund MediCor. Each of them also knew of the relationship of Southwest to MediCor and Don McGhan. Each of them further knew or was reckless in not knowing that MediCor’s disclosures misled investors because investors were not informed that Don McGhan was illegally using money from Southwest to fund MediCor. MediCor investors also did not know that any inability of Southwest to repay its clients on a timely basis could have a direct impact on MediCor’s existing and future funding. Don McGhan and Jim McGhan each, therefore, knew or were reckless in not knowing that MediCor’s 2004 annual report and proxy statement were materially false and misleading.

**Don McGhan Continues to Use Southwest Client Funds
to Pay MediCor Expenses in 2005 and 2006
and Exhausts Southwest as a Funding Source**

31. Throughout fiscal years 2005 and 2006, Don McGhan continued to use Southwest client funds to help pay MediCor expenses. By December 31, 2006, Don McGhan had used at least an additional \$17 million dollars of Southwest client funds for various MediCor expenses. Jim McGhan knew of the continued use of Southwest as a funding source for MediCor.

32. By late 2005 or early 2006, Don McGhan also knew that Southwest's deposits had become low enough that Southwest was in danger of not being able to return money to its clients. At Don McGhan's direction, Southwest changed its marketing strategy in order to garner new deposits to meet those obligations. By mid-2006, however, the real estate market had cooled, and new exchange deposits declined. As a result, Southwest's financial condition continued to deteriorate. Jim McGhan knew of Southwest's deteriorating financial condition.

**Don McGhan and Jim McGhan Approve MediCor's 2005 and 2006 Annual Reports and
Proxy Statements, and Sign Management Representation Letters
That Are Materially False and Misleading**

33. On June 30, 2005, Don McGhan and Jim McGhan each signed a management representation letter to MediCor's auditor in connection with the audit of MediCor's financial statements for fiscal year 2005. In that letter, they represented, among other things, that all related party transactions had been properly recorded or disclosed.

34. At the time, they each knew, but failed to disclose, that Don McGhan had acquired control of Southwest and that Don McGhan had used Southwest client funds to acquire Eurosilicone for MediCor and to help fund MediCor expenses.

35. On September 28, 2005, MediCor filed its annual report on Form 10-KSB with the Commission. Don McGhan and Jim McGhan each reviewed and signed the annual report

and approved its filing with the Commission. MediCor's 2005 annual report provided that the "financing for the Eurosilicone acquisition was provided through additional loans from [III]" and that the company had received "a written commitment from [III], an affiliate of our chairman, to provide sufficient cash to fund any operating expenses and capital expenditures" through the following fiscal year. The related party transactions footnote to the financial statements, however, provided only that III had funded "significant expenses" for MediCor, and made no disclosures regarding Southwest. As with MediCor's 2004 annual report, there was no disclosure in the 2005 annual report that MediCor was receiving and using Southwest client funds for MediCor expenses, or of the relationship of Southwest to Don McGhan and MediCor.

36. The section of the annual report for "Certain Relationships and Related Transactions" incorporated by reference information to be included in MediCor's upcoming proxy statement.

37. On October 21, 2005, MediCor filed the definitive proxy statement on Form DEF 14A referenced in the company's 2005 annual report, described in paragraph 36 of this Complaint. The section on "Certain Relationships and Related Transactions" included a description of III and provided that (a) III "acted on behalf of MediCor by funding significant expenses," (b) III would continue "to fund any operating shortfalls for fiscal 2006," and (c) MediCor was indebted to III. As with MediCor's 2005 annual report, there was no disclosure that MediCor was receiving funding from Southwest, or of the relationship of Southwest to MediCor and Don McGhan. Prior to the filing of the proxy statement, Don McGhan and Jim McGhan each were provided a copy of the proxy statement for review and approved its filing with the Commission.

38. On August 25, 2006, Don McGhan and Jim McGhan each signed a management representation letter to MediCor's auditor in connection with the audit of MediCor's financial statements for fiscal year 2006. In that letter, they represented, among other things, that all related party transactions had been properly recorded or disclosed. At the time, however, they each knew, but failed to disclose, that Don McGhan had acquired control of Southwest and that Don McGhan and Jim McGhan had used Southwest client funds as a primary source of funding for MediCor.

39. On September 28, 2006, MediCor filed its annual report on Form 10-KSB with the Commission. Don McGhan and Jim McGhan each reviewed and signed the annual report and approved its filing with the Commission. MediCor's 2006 annual report provided that the "financing for the Eurosilicone acquisition was provided through additional loans from [III]" and that the company had received "a written commitment from [III], an affiliate of our chairman, to provide sufficient cash to fund any operating expenses and capital expenditures" through the following fiscal year. The related party transactions footnote to the financial statements in the annual report provided only that III had funded "significant expenses" for MediCor, and made no disclosures regarding Southwest. As with MediCor's 2004 and 2005 annual reports, there was no disclosure in MediCor's 2006 annual report that MediCor was receiving and using Southwest client funds for MediCor expenses, or of the relationship of Southwest to Don McGhan and MediCor.

40. The section of the annual report for "Certain Relationships and Related Transactions" incorporated by reference information to be included in MediCor's upcoming proxy statement.

41. On October 20, 2006, MediCor filed the definitive proxy statement on Form DEF 14A referenced in the company's annual report described in paragraph 40 of this Complaint. The section on "Certain Relationships and Related Transactions" included a description of III and provided that (a) III "acted on behalf of MediCor by funding significant expenses," (b) III would continue "to fund any operating shortfalls through July 30, 2007," and (c) MediCor was indebted to III. As with MediCor's 2006 annual report, there was no disclosure that MediCor was receiving and using Southwest funds, or of the relationship of Southwest to MediCor and Don McGhan. Prior to the filing of the proxy statement, Don McGhan and Jim McGhan each were provided a copy of the proxy statement for review and approved its filing with the Commission.

42. At the times when they signed MediCor's 2005 and 2006 annual reports on Form 10-KSB and approved the company's 2005 and 2006 proxy statements on Form DEF 14A, Don McGhan and Jim McGhan each knew that Southwest was a primary source of funding for MediCor and that Don McGhan personally was unable to fund MediCor. Each of them also knew of the relationship of Southwest to MediCor and Don McGhan. Each of them further knew or were reckless in not knowing that MediCor's disclosures misled investors because investors were not informed that a primary source of MediCor's funds was money deposited by Southwest clients on a short-term basis. MediCor investors also did not know that any inability of Southwest to repay its clients on a timely basis could have a direct impact on MediCor's existing and future funding. Don McGhan and Jim McGhan each, therefore, knew or was reckless in not knowing that MediCor's 2005 and 2006 annual reports and proxy statements were materially false and misleading.

**Southwest Becomes Unable to Pay Its Clients;
Don McGhan Resigns from MediCor;
and MediCor Enters Into Bankruptcy**

43. From June 2004 through Southwest's collapse in January 2007, the total amount of money taken from Southwest and used for MediCor exceeded \$54 million.

44. By January 2007, so much money had been transferred out of Southwest for MediCor expenses and other uses that Southwest was unable to fulfill its obligations and defaulted on its exchange contracts with clients. Southwest ceased operating in January 2007. At the time, Southwest had approximately \$97 million outstanding in exchange contracts.

45. Shortly after Southwest ceased operating, on January 24, 2007, Don McGhan resigned as the chairman and a director of MediCor. His resignation triggered the hiring on January 29, 2007, of a restructuring advisor for MediCor. On June 29, 2007, MediCor entered into voluntary Chapter 11 bankruptcy proceedings and began the process of liquidating its assets.

FIRST CLAIM

**Violations of Section 10(b) of the Exchange Act [15 U.S.C. 78i(b)]
and Exchange Act Rule 10b-5 [17 C.F.R. § 240.10b-5]**

46. The Commission realleges and incorporates by reference Paragraphs 1 through 45, above.

47. Defendants Don McGhan and Jim McGhan each, directly or indirectly, by the use of means or instrumentalities of interstate commerce, or of the mails, or of a facility of a national security exchange: (a) employed devices, schemes 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 light of the circumstances under which they were made, not misleading; or

(c) engaged in acts, practices or courses of business which operated or would operate as a fraud or deceit upon other persons, in connection with the purchase or sale of securities.

48. As set forth more fully above, Don McGhan and Jim McGhan each knew or were reckless in not knowing that by omitting all references to Southwest and its use as a MediCor funding source, the annual reports on Form 10-KSB for fiscal years 2004 through 2006, which each defendant signed, and the proxy statements on Form DEF 14A for fiscal years 2004 through 2006, which they each approved, were materially false and misleading.

49. By reason of the foregoing, Don McGhan and Jim McGhan each violated Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Exchange Act Rule 10b-5 [17 C.F.R. § 240.10b-5].

SECOND CLAIM

Violations of Section 14(a) of the Exchange Act [15 U.S.C. § 78n(a)] and Exchange Act Rule 14a-9 [17 C.F.R. §240.14a-9]

50. The Commission realleges and incorporates by reference Paragraphs 1 through 49, above.

51. Defendants Don McGhan and Jim McGhan each, directly or indirectly, by the use of the mails or by any means or instrumentality of interstate commerce or of any facility of a national securities exchange or otherwise, solicited or permitted the use of his name to solicit by means of a proxy statement, form of proxy, notice of meeting or other communication, written or oral statements which, at the time and in the light of the circumstances under which they were made, were false or misleading with respect to any material fact, or which omitted to state any material fact necessary in order to make the statements therein not false or misleading or

necessary to correct any statement in any earlier communication with respect to the solicitation of a proxy for the same meeting or subject matter which has become false or misleading.

52. As set forth more fully above, Don McGhan and Jim McGhan each knew or were reckless in not knowing that by omitting all references to Southwest and its use as a MediCor funding source, the proxy statements on Form DEF 14A for fiscal years 2004 through 2006, which they each approved, were materially false and misleading.

53. By reason of the foregoing, Don McGhan and Jim McGhan each violated Section 14(a) of the Exchange Act [15 U.S.C. § 78n(a)] and Exchange Act Rule 14a-9 [17 C.F.R. § 240.14a-9].

THIRD CLAIM

Violations of Exchange Act Rule 13b2-2(a) **[17 C.F.R. § 240.13b2-2(a)]**

54. The Commission realleges and incorporates by reference Paragraphs 1 through 53, above.

55. Defendants Don McGhan and Jim McGhan, each an officer and/or director of an issuer, directly or indirectly, made, or caused to be made, materially false or misleading statements to an accountant, or omitted to state, or caused another person to omit to state, a material fact necessary in order to make the statements made, in light of the circumstances under which such statements were made, not misleading to an accountant in connection with an audit, review, or examination of the financial statements of MediCor required to be made under the Exchange Act rules and regulations.

56. As set forth more fully above, Don McGhan and Jim McGhan each signed and presented to MediCor's auditor for fiscal years 2004 through 2006 management representation

letters that were materially false and misleading because they omitted any reference to the use of Southwest as a funding source for MediCor and the relationship of Southwest to MediCor and Don McGhan and instead misrepresented that all related party transactions had been properly recorded or disclosed

57. By reason of the foregoing, Don McGhan and Jim McGhan each violated Exchange Act Rule 13b2-2(a) [17 C.F.R. § 240.13b2-2(a)].

FOURTH CLAIM

Aiding and Abetting Violations of Exchange Act Section 13(a) [15 U.S.C. § 78m(a)] and Exchange Act Rules 12b-20 and 13a-1 [17 C.F.R. §§ 240.12b-20 and 240.13a-1]

58. The Commission realleges and incorporates by reference Paragraphs 1 through 57, above.

59. Section 13(a) of the Exchange Act [15 U.S.C. § 78m(a)] and Exchange Act Rules 12b-20 and 13a-1 [17 C.F.R. §§ 240.12b-20 and 240.13a-1] require every issuer of securities registered pursuant to Section 12 of the Exchange Act [15 U.S.C. §78l] to file with the Commission annual reports that accurately reflect the issuer's financial performance and provide other true and accurate information.

60. As set forth more fully above, MediCor violated Section 13(a) of the Exchange Act and Exchange Act Rules 12b-20 and 13a-1 by filing annual reports on Forms 10-KSB for fiscal years 2004 through 2006 that, by omitting all references to Southwest, its use as a MediCor funding source, and the relationship of Southwest to MediCor and Don McGhan, contained materially false and misleading information.

61. By engaging in the conduct described above, Don McGhan and Jim McGhan each knowingly provided substantial assistance to MediCor in its violation of Section 13(a) of the

Exchange Act [15 U.S.C. §78m(a)] and Exchange Act Rules 12b-20 and 13a-1 [17 C.F.R. §§ 240.12b-20 and 240.13a-1].

62. By reason of the foregoing, Don McGhan and Jim McGhan each aided and abetted MediCor's violations of Section 13(a) of the Exchange Act [15 U.S.C. §78m(a)] and Exchange Act Rules 12b-20 and 13a-1 [17 C.F.R. §§ 240.12b-20 and 240.13a-1].

PRAYER FOR RELIEF

WHEREFORE, the Commission respectfully requests that this Court enter a final judgment as to each of the defendants, Don McGhan and Jim McGhan, that:

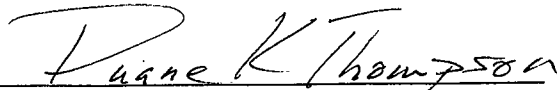
(a) permanently restrains and enjoins defendant and his agents, servants, employees, attorneys, and assigns, and those persons in active concert or participation with them, from violating Sections 10(b) and 14(a) of the Exchange Act [15 U.S.C. §§ 78j(b) and 78n(a)] and Exchange Act Rules 10b-5, 13b2-2(a), and 14a-9 [17 C.F.R. §§ 240.10b-5, 240.13b2-2(a) and 240.14a-9]; and from aiding and abetting violations of Section 13(a) of the Exchange Act [15 U.S.C. § 78m(a)] and Exchange Act Rules 12b-20 and 13a-1 [17 C.F.R. §§ 240.12b-20 and 240.13a-1];

(b) bars defendant from serving as an officer or director of any public company, pursuant to Section 21(d)(2) of the Exchange Act [15 U.S.C. § 78u(d)(2)];

(c) orders defendant to pay a civil penalty pursuant to Section 21(d)(3) [15 U.S.C. § 78u(d)(3)] of the Exchange Act; and

(d) grants such other and further relief as this Court may determine to be just and necessary.

Respectfully submitted,

A handwritten signature in cursive script that reads "Duane K. Thompson". The signature is written in black ink and is positioned above a horizontal line.

Duane K. Thompson (D.C. Bar # 376180)
Marie K. N. DeBonis (D.C. Bar # 491383)
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Attorneys for Plaintiff

Dated: January 14, 2011

The JS 44 civil cover sheet and the information contained herein neither replace nor supplement the filing and service of pleadings or other papers as required by law, except as provided by local rules of court. This form, approved by the Judicial Conference of the United States in September 1974, is required for the use of the Clerk of Court for the purpose of initiating the civil docket sheet. (SEE INSTRUCTIONS ON THE REVERSE OF THE FORM.)

I. (a) PLAINTIFFS

U.S. Securities and Exchange Commission

(b) County of Residence of First Listed Plaintiff (EXCEPT IN U.S. PLAINTIFF CASES)

(c) Attorney's (Firm Name, Address, and Telephone Number) Duane K. Thompson & Marie KN DeBonis, SEC, 100 F St, NE, Washington, DC 20549 / Tel: (202) 551-7159

DEFENDANTS

Jimmy J. Mcghan and Donald K. Mcghan

County of Residence of First Listed Defendant Williamson Cty, TX (IN U.S. PLAINTIFF CASES ONLY)

NOTE: IN LAND CONDEMNATION CASES, USE THE LOCATION OF THE LAND INVOLVED.

Attorneys (If Known) Mark Dzarnoski, Esq. Gordon & Silver 3960 Howard Hughes Pkwy, Las Vegas, NV 89169 / Tel: (702) 996-5555

II. BASIS OF JURISDICTION (Place an "X" in One Box Only)

- 1 U.S. Government Plaintiff
2 U.S. Government Defendant
3 Federal Question (U.S. Government Not a Party)
4 Diversity (Indicate Citizenship of Parties in Item III)

III. CITIZENSHIP OF PRINCIPAL PARTIES (Place an "X" in One Box for Plaintiff and One Box for Defendant)

- Citizen of This State
Citizen of Another State
Citizen or Subject of a Foreign Country
Incorporated or Principal Place of Business In This State
Incorporated and Principal Place of Business In Another State
Foreign Nation

IV. NATURE OF SUIT (Place an "X" in One Box Only)

Table with columns: CONTRACT, REAL PROPERTY, TORTS, CIVIL RIGHTS, PRISONER PETITIONS, FORFEITURE/PENALTY, LABOR, IMMIGRATION, BANKRUPTCY, SOCIAL SECURITY, FEDERAL TAX SUITS, OTHER STATUTES. Includes various legal categories like Insurance, Personal Injury, Labor, etc.

V. ORIGIN (Place an "X" in One Box Only)

- 1 Original Proceeding
2 Removed from State Court
3 Remanded from Appellate Court
4 Reinstated or Reopened
5 Transferred from another district (specify)
6 Multidistrict Litigation
7 Appeal to District Judge from Magistrate Judgment

VI. CAUSE OF ACTION

Cite the U.S. Civil Statute under which you are filing (Do not cite jurisdictional statutes unless diversity): 15 USC § 78j(b)
Brief description of cause: False statements in securities filings.

VII. REQUESTED IN COMPLAINT:

CHECK IF THIS IS A CLASS ACTION UNDER F.R.C.P. 23 DEMAND \$ CHECK YES only if demanded in complaint: JURY DEMAND: Yes No

VIII. RELATED CASE(S) IF ANY

(See instructions): JUDGE Complaint filed 1/4/2011: US SEC v. Theodore R. Maloney DOCKET NUMBER

DATE: Jan. 14, 2011 SIGNATURE OF ATTORNEY OF RECORD: Duane K. Thompson

FOR OFFICE USE ONLY: RECEIPT # AMOUNT APPLYING IFP JUDGE MAG. JUDGE