

UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF NEW YORK

SECURITIES AND EXCHANGE COMMISSION,

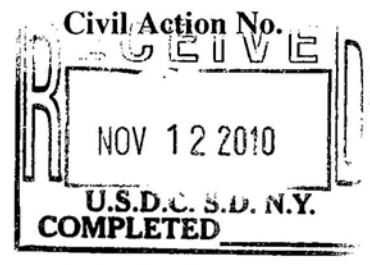
Plaintiff,

v.

LANEXA MANAGEMENT LLC and  
THOMAS C. HARDIN

Defendants.

COMPLAINT



Plaintiff Securities and Exchange Commission (the "Commission") alleges:

SUMMARY

1. This case involves insider trading by Lanexa Management LLC, a hedge fund investment adviser, and its former managing director, Thomas Hardin (collectively, "Defendants"). In 2007, Hardin, on behalf of a Lanexa hedge fund, traded ahead of the announced corporate acquisition of 3Com Corp. ("3Com") using inside information misappropriated by two attorneys at the international law firm of Ropes & Gray LLP ("Ropes & Gray").

2. In this scheme, Arthur J. Cutillo and Brien P. Santarlas, former lawyers in the New York office of Ropes & Gray, misappropriated from their law firm, in exchange for kickbacks, material, nonpublic information concerning corporate acquisitions or bids involving Ropes & Gray clients, including the September 2007 announced acquisition of 3Com. Using Cutillo's friend and fellow attorney Jason Goldfarb as a conduit, Cutillo and Santarlas tipped inside information concerning the 3Com acquisition to Zvi Goffer ("Zvi"), a former proprietary trader at the broker-dealer Schottenfeld Group LLC

(“Schottenfeld”). Zvi then tipped this 3Com acquisition information to, among others, Gautham Shankar, a fellow Schottenfeld proprietary trader. Shankar then tipped the information to his friend Hardin, who was a managing director at Lanexa. Based on this inside information, Hardin traded in the securities of 3Com on behalf of a Lanexa hedge fund, resulting in illicit profits of approximately \$640,000.

3. By virtue of the conduct alleged herein, Defendants violated Section 10(b) of the Securities Exchange Act of 1934 (the “Exchange Act”) [15 U.S.C. § 78j(b)] and Exchange Act Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5]. Unless enjoined, they are likely to commit such violations again in the future.

#### **JURISDICTION AND VENUE**

4. This Court has jurisdiction over this matter pursuant to Exchange Act Sections 21(d)(1), 21(e), 21A, and 27 [15 U.S.C. §§ 78u(d)(1), (e), 78u-1, and 78aa]. Defendants, directly or indirectly, made use of the means or instrumentalities of interstate commerce or the mails in connection with the conduct alleged herein.

5. Venue is proper because certain acts or transactions constituting the violations occurred within this judicial district.

#### **DEFENDANTS**

6. **Thomas C. Hardin (“Hardin”)**, age 33, is a resident of Westwood, New Jersey. During the relevant time period, Hardin was a managing director at Lanexa Management LLC, and had authority to trade securities on behalf of Lanexa hedge funds.

7. **Lanexa Management LLC (“Lanexa”)** is a Delaware limited liability company located in New York, New York. Lanexa is an unregistered hedge fund investment adviser.

**OTHER RELEVANT INDIVIDUALS AND ENTITIES**

8. **Arthur J. Cutillo (“Cutillo”)**, age 34, is a resident of Toms River, New Jersey. During the relevant time period, Cutillo was an attorney in the New York office of Ropes & Gray LLP.

9. **Brien P. Santarlas**, age 33, is a resident of Hoboken, New Jersey. During the relevant time period, Santarlas was an attorney in the New York office of Ropes & Gray LLP.

10. **Jason C. Goldfarb (“Goldfarb”)**, age 32, is a resident of New York, New York. During the relevant time period, Goldfarb was an attorney in private practice in Brooklyn, New York.

11. **Zvi Goffer (“Zvi”)**, age 33, is a resident of New York, New York. During the relevant time period, Zvi Goffer was a registered representative and proprietary trader at Schottenfeld Group LLC, a registered broker-dealer.

12. **Gautham Shankar (“Shankar”)**, age 36, is a resident of New Canaan, Connecticut. During the relevant time period, Shankar was a registered representative and proprietary trader at Schottenfeld.

13. **Schottenfeld Group LLC (“Schottenfeld”)** is a limited liability company located in New York, New York. Schottenfeld is a registered broker-dealer.

14. **Ropes & Gray LLP** is a limited liability partnership and international law firm with offices in Boston, New York, Palo Alto, San Francisco, Tokyo, and Washington, DC.

## FACTS

### The Insider Trading Scheme

15. In 2007, Cutillo and Santarlas were attorneys at the international law firm of Ropes & Gray. They each worked in the firm's New York office. While employed at Ropes & Gray, Cutillo and Santarlas had access to, and learned of, material nonpublic information concerning corporate acquisitions in which Ropes & Gray represented acquirers or bidders in proposed acquisitions. Cutillo and Santarlas owed a fiduciary or other duty of trust and confidence to Ropes & Gray and its clients to keep this information confidential and not to disclose or personally use this information.

16. Information concerning an upcoming acquisition of a public company is valuable and material information. Normally, when a public company is acquired, the acquisition price is greater than the pre-announcement market price of the stock of the company being acquired. Thus, news of an actual or potential acquisition of a public company often results in an increase in the market price of the company's stock. A reasonable investor would consider information concerning an upcoming corporate acquisition important to his or her investment decision, and a significant alteration of the total mix of information available to the public concerning the company that is the subject of the acquisition.

17. In 2007, Cutillo and Santarlas, together with Cutillo's friend Jason Goldfarb, a lawyer in private practice in New York, entered into a scheme with Zvi Goffer,

a proprietary trader at Schottenfeld, to trade on material, nonpublic information concerning upcoming corporate acquisitions involving Ropes & Gray's clients. As part of this scheme, and in breach of their duties to Ropes & Gray and its clients, Cutillo and Santarlas misappropriated from their law firm material, nonpublic information concerning upcoming acquisitions involving the firm's clients, including the September 28, 2007 announced corporate acquisition of 3Com by Bain Capital, LLC and Huawei Technologies. Cutillo and Santarlas, through Goldfarb, tipped this inside information to Zvi in exchange for kickbacks.

18. Zvi tipped the inside information concerning the 3Com acquisition to, among others, Shankar. Shankar then tipped this inside information to Hardin. Based on the information, Hardin traded in the securities of 3Com on behalf of a Lanexa hedge fund, resulting in illicit profits of approximately \$640,000.

#### **The 3Com Acquisition Announcement**

19. In the summer of 2007, 3Com was pursuing the sale of its company. On July 28, 2007, Bain Capital, represented by Ropes & Gray, sent a letter to 3Com indicating interest in acquiring 3Com at a purchase price between \$5.25 - \$5.85 per share. On August 1 and 2, 2007, 3Com's management met with representatives of Bain Capital. On August 8, 2007, 3Com's counsel, Wilson Sonsini Goodrich & Rosati, sent a draft merger agreement to Ropes & Gray. In August and September 2007, Bain Capital conducted due diligence of 3Com.

20. By virtue of their employment at Ropes & Gray, Cutillo and Santarlas had access to, and learned of, material nonpublic information concerning the acquisition of

3Com. Cutillo and Santarlas tipped Goldfarb material, nonpublic information concerning the acquisition of 3Com, which they misappropriated from Ropes & Gray.

21. On the evening of August 6, 2007, Cutillo made six telephone calls to Goldfarb. Cutillo tipped Goldfarb material, nonpublic information concerning the acquisition of 3Com, which Cutillo misappropriated from Ropes & Gray. After the calls with Cutillo, Goldfarb talked to Zvi on the telephone that same night. Goldfarb tipped Zvi the material, nonpublic information concerning the upcoming acquisition of 3Com that Cutillo misappropriated from his firm.

22. Zvi then tipped the material, nonpublic information concerning the 3Com acquisition to various tippees, including Shankar. Shankar tipped the information to his friend Hardin.

23. From August 2007 through September 2007, based on the inside information misappropriated by Cutillo and Santarlas, and tipped to Hardin through Zvi and Shankar, Hardin purchased 675,000 shares of 3Com on behalf of a Lanexa hedge fund. Hardin knew, or should have known, that this material, nonpublic information was obtained in breach of a fiduciary or other duty of trust and confidence owed to the source of the information.

24. On September 28, 2007, 3Com announced that it would be acquired by Bain Capital and Huawei Technologies at a purchase price of \$5.30 a share, which represented a premium of approximately 44% over the previous day's closing price of \$3.68 per share.

25. At the time the 3Com acquisition was announced on September 28, 2007, the Lanexa hedge fund held 575,000 shares of 3Com stock based on Hardin's trading.

Following the announcement, Defendants sold these shares resulting in illicit profits of approximately \$640,000.

**CLAIM**

**(Insider Trading in Connection with the Purchase or Sale of Securities)**

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

Paragraphs 1 through 25 are realleged and incorporated by reference.

26. As described above, Defendants engaged in illegal insider trading in which they used material, nonpublic information concerning an upcoming corporate acquisition to purchase securities.

27. By reason of the conduct described above, Defendants, in connection with the purchase or sale of securities, by the use of any means or instrumentalities of interstate commerce or of the mails, or of any facility of any national securities exchange, directly or indirectly (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 any persons, including purchasers or sellers of the securities.

28. By reason of the conduct described above, Defendants violated Exchange Act Section 10(b) [15 U.S.C. § 78j(b)] and Exchange Act Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5].

**PRAYER FOR RELIEF**

WHEREFORE, the Commission respectfully requests that this Court enter a final judgment:

A. permanently enjoining Defendants from violating Exchange Act Section 10(b) [15 U.S.C. § 78j(b)] and Exchange Act Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5];

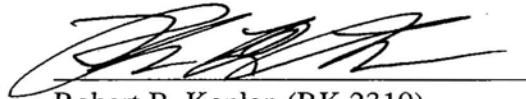
B. ordering Defendants to disgorge, with prejudgment interest, all illicit trading profits or other ill-gotten gains received as a result of the conduct alleged in this Complaint;

C. ordering Defendants to pay civil monetary penalties pursuant to Exchange Act Section 21A [15 U.S.C. § 78u-1]; and



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

Respectfully submitted,



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Dated: November 12, 2010