



trader at the broker-dealer Schottenfeld Group LLC (“Schottenfeld”). Zvi then tipped this 3Com and Axcan acquisition information to, among others, Craig Drimal, a trader who worked out of the offices of Galleon. Drimal then tipped the information to Cardillo, a trader at Galleon. Based on this inside information, Cardillo traded in the securities of 3Com and Axcan on behalf of a Galleon hedge fund, resulting in illicit profits totaling at least \$731,505.

3. By virtue of the conduct alleged herein, Cardillo 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, he is 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]. Defendant, 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.

#### **DEFENDANT**

6. **Michael Cardillo**, age 33, is a resident of New York, New York. During the relevant time period, Cardillo was a trader at Galleon Management, LP and had authority to trade securities on behalf of Galleon hedge funds.

## **OTHER RELEVANT INDIVIDUALS AND ENTITIES**

7. **Arthur J. 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.

8. **Brien P. Santarlas**, age 34, 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.

9. **Jason C. 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.

10. **Zvi Goffer**, age 34, 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.

11. **Craig C. Drimal**, age 54, is a resident of Weston, Connecticut. Drimal is

a trader who, during part of the relevant time period, worked out of the offices of Galleon Management, LP.

12. **Galleon Management, LP** is a Delaware limited partnership. During the

relevant time period, Galleon was a registered hedge fund investment adviser based in New York, New York.

13. **Schottenfeld Group, LLC** 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 and the November 29, 2007 announced corporate acquisition of Axcan by TPG Capital. Cutillo and Santarlas, through Goldfarb, tipped this inside information to Zvi in exchange for kickbacks.

18. Zvi tipped the inside information concerning the Acquisitions to, among others, Drimal. Drimal then tipped this inside information to Cardillo. Based on the inside information, Cardillo traded in the securities of 3Com and Axcan on behalf of a Galleon hedge fund, resulting in illicit profits totaling at least \$731,505.

#### **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 Drimal. Drimal tipped the information to Cardillo.

23. From August 2007 through September 2007, based on the inside information misappropriated by Cutillo and Santarlas, and tipped to Cardillo through Zvi and Drimal, Cardillo purchased shares of 3Com on behalf of a Galleon hedge fund. Cardillo 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. Following the announcement, Cardillo, on behalf of a Galleon hedge fund, sold at least 350,000 shares of 3Com resulting in illicit profits of at least \$458,735.

### **The Axcan Acquisition Announcement**

26. In early 2007, Axcan's board of directors began to pursue the possibility of selling the company. After an August 9, 2007 board meeting, Axcan established a data room and made senior management available for potential purchasers to conduct due diligence. Axcan's financial adviser, Merrill Lynch, requested that potential purchasers submit indications of interest, including purchase price ranges, by October 26, 2007. TPG Capital, a private equity firm, was one of the bidders for Axcan. Ropes & Gray represented TPG Capital in connection with the transaction.

27. By virtue of their employment at Ropes & Gray, Cutillo and Santarlas had access to, and learned of, material, nonpublic information concerning the acquisition of Axcan. Cutillo and Santarlas tipped Goldfarb material, nonpublic information concerning the acquisition of Axcan, which they misappropriated from Ropes & Gray.

28. On October 25, 2007, Cutillo called Goldfarb four times between 7:11 p.m. and 7:55 p.m. Cutillo tipped Goldfarb material, nonpublic information that Axcan was going to be acquired.

29. That same night at 8:51 p.m., Goldfarb called Zvi. Goldfarb tipped Zvi the material, nonpublic information concerning the upcoming acquisition of Axcan that Cutillo and Santarlas misappropriated from their firm.

30. Zvi then tipped the material, nonpublic information concerning the Axcan acquisition to various tippees, including Drimal. Drimal tipped the information to Cardillo.

31. In November 2007, based on the inside information misappropriated by Cutillo and Santarlas, and tipped to Cardillo through Zvi and Drimal, Cardillo purchased

shares of Axcan on behalf of a Galleon hedge fund. Cardillo 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.

32. On November 29, 2007, Axcan announced that TPG Capital would acquire Axcan at a price of \$23.35 per share, which represented a premium of about 28% over the previous day's closing price.

33. Following the announcement, Cardillo, on behalf of a Galleon hedge fund, sold at least 60,000 shares of Axcan resulting in illicit profits of at least \$272,770.

### **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 33 are realleged and incorporated by reference.

34. As described above, Defendant engaged in illegal insider trading in which he used material, nonpublic information concerning the Acquisitions to purchase securities.

35. By reason of the conduct described above, Defendant, 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.

36. By reason of the conduct described above, Defendant 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 Defendant 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 Defendant to disgorge, with prejudgment interest, all illicit trading profits or other ill-gotten gains resulting from the conduct alleged in this Complaint;

C. ordering Defendant 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: January 26, 2011