

**IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF PENNSYLVANIA**

SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

v.

HAMED A. ETTU,

Defendant.

Civil No :

Jury Trial Demanded

COMPLAINT

Plaintiff Securities and Exchange Commission (the “Commission”) files this Complaint against defendant Hamed A. Ettu (“Ettu” or “Defendant”) and alleges as follows:

SUMMARY OF THE ACTION

1. This matter involves insider trading by Ettu based on material nonpublic information he received from Damilare Sonoiki (“Sonoiki”), a former investment banking analyst at a large investment bank (the “Investment Bank”). From July 2014 through September 2014, Ettu received information from Sonoiki about two corporate acquisitions involving clients of the Investment Bank, in advance of the deals’ public announcements. Based on these tips from Sonoiki, Ettu purchased securities of the companies that were going to be acquired and made approximately \$93,000 in illegal profits.

2. As a result of the conduct described in this Complaint, Defendant violated Sections 10(b) and 14(e) of the Securities Exchange Act of 1934 (“Exchange Act”) [15 U.S.C. §§ 78j(b), 78n(e)] and Rules 10b-5 and 14e-3 thereunder [17 C.F.R. §§ 240.10b-5, 240.14e-3].

NATURE OF THE PROCEEDINGS AND REQUESTED RELIEF

3. The Commission brings this action pursuant to Section 21(d) of the Exchange Act [15 U.S.C. § 78u(d)].

4. The Commission seeks a permanent injunction against Defendant enjoining him

from engaging in the transactions, acts, practices, and courses of business alleged in this Complaint, disgorgement of all ill-gotten gains together with prejudgment interest, civil monetary penalties, and any other relief that the Court may deem just and appropriate pursuant to Sections 21(d) and 21A of the Exchange Act [15 U.S.C. §§ 78u(d) and 78u-1].

JURISDICTION AND VENUE

5. This Court has jurisdiction over this action pursuant to Sections 21(d) and (e), 21A, and 27 of the Exchange Act [15 U.S.C. §§ 78u(d) and (e), 78u-1, and 78aa].

6. Venue in this District is proper pursuant to Section 21(d) and 27 of the Exchange Act [15 U.S.C. §§ 78u(d) and 78aa]. Certain of the acts, practices, and courses of business constituting the violations of the federal securities laws alleged herein occurred within the Eastern District of Pennsylvania. Among other things, Ettu purchased certain of the securities that are the subject of this complaint from a trading firm headquartered in this District.

THE DEFENDANT

7. **Ettu**, age 44, currently resides in Richmond, Texas. He is employed as an information technology professional.

RELEVANT PERSONS

8. **Sonoiki**, age 27, lives in California. From approximately June 2013 through June 2015, Sonoiki lived in New York City and worked as an analyst in the Technology, Media, and Telecommunications (“TMT”) group of the Investment Bank’s investment banking division. While at the Investment Bank, Sonoiki held a Series 79 license as a registered investment banking representative. On August 29, 2018, the Commission filed an action against Sonoiki for providing insider trading tips to another individual named Mychal Kendricks, *SEC v. Kendricks, et. al.*, No. 2:18-cv-03695.

9. **Investment Bank**, a large investment banking, securities, and investment management firm, is headquartered in New York, New York.

10. **Compuware Corporation (“Compuware”)** was, at all relevant times, a

Michigan corporation headquartered in Detroit that manufactured computer software. Compuware's common stock was traded on NASDAQ under the ticker symbol "CPWR." At all relevant times, CPWR's common stock was registered with the Commission pursuant to Section 12(b) of the Exchange Act. On September 2, 2014, Compuware announced that it was being acquired by the private-equity firm Thoma Bravo LLC ("Thoma Bravo") in a going-private transaction. The Investment Bank advised Compuware in connection with the transaction.

11. **Move, Inc. ("Move")** was, at all relevant times, a Delaware corporation headquartered in Westlake Village, California that operated realtor.com and other real estate-related websites. Move's common stock was traded on NASDAQ under the ticker symbol "MOVE." At all relevant times, Move's common stock was registered with the Commission pursuant to Section 12(b) of the Exchange Act. On September 30, 2014, Move announced that it was being acquired by News Corporation ("News Corp") in a cash tender offer. The Investment Bank advised News Corp in connection with the transaction.

FACTS

A. Sonoiki's Access to Material Nonpublic Information and the Investment Bank's Policies

12. Sonoiki worked at the Investment Bank as an analyst in the investment banking division's TMT group from June 2013 through June 2015. As an analyst, Sonoiki had access to material nonpublic information about pending business transactions being advised by the TMT group.

13. All personnel of the Investment Bank were subject to an internal compliance policy entitled, "Policies Regarding the Safeguarding of Confidential Information: the Chinese Wall and Other Information Barriers" ("Investment Bank Confidential Information Policy"), which explicitly stated: "[w]e regularly receive confidential information as part of our normal client relationships. To breach a confidence or to use confidential information improperly or

carelessly would be unthinkable.”

14. The Investment Bank Confidential Information Policy prohibited firm employees from trading on the basis of material nonpublic information obtained in the course of their work:

Confidential information is information that is not publicly available...The firm takes any misuse, misappropriation, or improper dissemination of confidential information seriously. Misuse and misappropriation of confidential information can violate contractual obligations, laws, rules, or regulations in various jurisdictions in which the firm does business and give rise to both civil liabilities and criminal penalties for the firm and for individual employees...

An employee who is aware of material nonpublic information about an issuer or its securities is prohibited from:

- buying or selling the issuer’s securities in personal (including certain related persons’), client, or firm accounts.
- directing, soliciting, inducing, encouraging, or recommending the purchase or sale of those securities.

15. All personnel of the Investment Bank were also subject to an internal compliance policy entitled, “Personal Trading” (“Personal Trading Policy”), which generally prohibited employees from holding outside brokerage accounts. And even in those limited circumstances where an outside account was permitted, the Investment Bank personnel had to disclose the outside account and also pre-clear all trades with the Investment Bank. The Personal Trading Policy further stated that trading by employees must “comply with all relevant regulations, including, but not limited to, those regarding insider trading and manipulative practices[.]”

16. All of the Investment Bank’s employees were provided with training on the Investment Bank Confidential Information Policy and the Personal Trading Policy.

B. Ettu Trades Based on Tips of Material NonPublic Information from Sonoiki in Advance of Two Deal Announcements

17. Sonoiki and Ettu were family friends, and Sonoiki referred to Ettu as “Uncle Wale.” The two had a history of joint business ventures. In fact, by 2014, they had pooled

their money and purchased at least one piece of property together.

18. As an analyst at the Investment Bank, Sonoiki had access to material nonpublic information about pending business transactions being advised by the Investment Bank. Ettu knew Sonoiki worked at the Investment Bank.

19. By the summer of 2014, Sonoiki began providing material nonpublic information about Investment Bank-advised deals to Ettu. In return, Ettu forgave the approximately \$30,000 debt that Sonoiki owed Ettu for repairs and maintenance to a jointly-owned house.

1. Insider Trading in Compuware

20. In 2013, Compuware retained the Investment Bank to explore a variety of strategic alternatives for the company. By May 2014, the Investment Bank was actively involved in discussions with the private-equity firm Thoma Bravo about a potential transaction.

21. In or around early July 2014, Sonoiki learned that the Investment Bank's TMT group was advising Compuware on a proposed transaction in which Thoma Bravo would take the company private.

22. On the afternoon of July 14, 2014, Sonoiki texted Ettu: "I have something for us, we should hop on the phone." The two spoke that evening by telephone.

23. The next morning, July 15, 2014, at approximately 8:47 a.m., Ettu opened an account at an online brokerage firm (the "Brokerage Firm"). Less than half an hour later, Ettu texted Sonoiki: "How quickly do u need the owo [which means money in Yoruba, a Nigerian dialect] in the account?" Sonoiki responded: "sooner the better. end of week ideally."

24. On July 16, 2014, Ettu and Sonoiki exchanged telephone calls, and Ettu funded his brokerage account with two separate payments totaling \$15,000. That evening, Ettu sent Sonoiki another text in Yoruba: "[m]o ti fi owo die si ibi ti aso." which translates as: "I put some money in the place we talked about" and provided Sonoiki with the password to the online brokerage account.

25. Two days later, on July 18, Ettu transferred an additional \$5,000 into the online

brokerage account. Later that evening, Sonoiki and Ettu made plans to speak the next afternoon. As planned, they participated in a series of telephone calls on July 19.

26. During the last few days of July 2014, the Investment Bank's work on the transaction to take Compuware private intensified. On the afternoon of July 30, 2014, from his apartment in New York City's financial district, Sonoiki accessed Ettu's online brokerage account and purchased 110 Compuware call options with a strike price of \$10 and an expiration date of September 2014 at a cost of approximately \$2,400. That same day, Sonoiki texted Ettu, in an apparent attempt to reassure him about Compuware's dropping stock price: "will be in houston next weekend. also, can't get into too much detail but it is down a bit. don't worry, it's going to take a few weeks for the event to occur."

27. A call option contract gives the owner the right to buy a specified amount of an underlying stock at a specified price (the "strike price"), before a specified date (the "expiration date"). The expiration date for all stock options expiring in a given month generally occurs on the third Friday of that month. A call option becomes more valuable as the price of the underlying stock increases relative to the strike price. A person who buys a call option typically believes that the value of the underlying stock will go up, and a person who buys a call option with a short-term expiration typically believes that the value of the underlying stock will go up in the short term.

28. On August 1 and August 5, 2014, Sonoiki again accessed Ettu's brokerage account from New York City and purchased 562 Compuware call options with a \$10 strike price and a September 2014 expiration date at a cost of approximately \$11,800.

29. On August 5, 2014, the Brokerage Firm notified Ettu by e-mail that it had observed trading in Ettu's brokerage account from an internet protocol ("IP") address in New York City, suggesting that an unauthorized third-party might have access to his account. The Brokerage Firm placed a hold on Ettu's account, which was lifted only after Ettu falsely represented to the Brokerage Firm that his wife had been accessing the account and would not

do so again. From this point forward, Ettu placed all trades in his brokerage account, with assistance from Sonoiki who communicated with Ettu by telephone and text message as Ettu placed the trades.

30. On the evening of August 9, 2014, while on a trip to Houston, Sonoiki visited Ettu at his home. Over the next few days, Sonoiki and Ettu participated in a series of phone calls with each other.

31. Over the last two weeks of August, Compuware and Thoma Bravo continued their negotiations. Late on the evening of Monday, September 1, 2014 (Labor Day), the *Wall Street Journal* published an article reporting that Compuware was in advanced talks with a private-equity buyer about a going-private transaction and that a deal announcement was imminent.

32. Early the following morning, Tuesday, September 2, 2014 at 7:21 a.m., Sonoiki telephoned Ettu. A minute later, at 7:22 a.m., Sonoiki sent a text message to a colleague at the Investment Bank who was working on the Compuware deal, which the bank had code-named Copper: "congrats on copper btw, just saw it hit the journal. What's the price?" His colleague responded: "Thank you! \$10.92 ~25% premium."

33. Later on September 2, 2014, after the market opened, Compuware's stock price rose sharply and closed at \$10.59 per share, an approximately 13% increase over the closing price of \$9.35 on the prior trading day, Friday, August 29.

34. Over the course of September 2, Ettu exchanged numerous text messages and phone calls with Sonoiki. At 10:18 a.m and 10:21 a.m., Ettu placed two sell limit orders in his brokerage account. At 10:29 a.m., in an apparent attempt to get Ettu to input a more effective limit price, Sonoiki texted Ettu: "CANCEL!" Those sell orders were cancelled and not executed. At 12:28 p.m., Ettu placed a limit order to sell all of his Compuware options at a lower price, which was completely filled over the next 17 minutes.

35. In total, Sonoiki purchased out of the money Compuware call options in Ettu's brokerage account at a cost of approximately \$14,200, and Ettu sold them for approximately

\$32,600, netting illegal profits of approximately \$18,400.

36. Sonoiki and Ettu's illegal trading in Compuware options generated returns of approximately 130% in a little over one month.

2. Insider Trading in Move

37. By the first week of September 2014, the Investment Bank's TMT group was advising News Corp in its acquisition of the real-estate information company Move. The Investment Bank team was involved in late-stage negotiations, and expected a deal to be announced imminently. By this point, both News Corp and Move had hired lawyers and investment bankers, drafts of the merger agreement had been exchanged, conditions to a potential tender offer were being discussed between the parties, and the boards of News Corp and Move had met to evaluate the terms of the offer.

38. By September 4, 2014, a friend of Sonoiki's at the Investment Bank who was working on the Move deal, had learned that the transaction would be announced on September 8. Early that afternoon, Sonoiki texted Ettu: "call me asap," and, shortly thereafter, "I'll FaceTime you in a minute." Ettu and Sonoiki spoke later that afternoon.

39. The next day, September 5, Ettu purchased 282 Move call options with strike prices of \$15 and \$17.50 and September and October 2014 expiration dates at a cost of approximately \$19,500. Approximately 27 minutes before entering the first order, Ettu placed a call to Sonoiki. Approximately 10 minutes after Ettu's purchase orders were executed, Sonoiki called Ettu and they spoke for more than two minutes.

40. On or around September 15, 2014, the Investment Bank team working on the Move transaction learned that the deal would be announced soon. On September 16, Sonoiki and Ettu spoke by telephone, and Ettu sold 45 Move call options that were about to expire on Friday, September 19.

41. Sonoiki continued to provide input into Ettu's trading decisions. On September 19, 2014, after a call between Sonoiki and Ettu earlier in the day, Sonoiki texted Ettu: "market

not limit,” a reference to the order type Ettu should use in submitting his trade. A few hours later, Ettu texted Sonoiki: “I didn’t get a chance to do it today.” Sonoiki texted back: “[n]o problem. Similar situation, no need to worry.”

42. Three days later, on September 22, 2014, Ettu received additional telephone calls from Sonoiki. By the next day, September 23, 2014, the Investment Bank team working on the Move transaction had learned that the new target date for an announcement of the deal was the following Monday, September 30.

43. On September 23, 2014, Ettu purchased 71 Move call options with a strike price of \$15 and an expiration date of October 2014 at a cost of approximately \$4,000.

44. On September 30, 2014, before the market opened, News Corp and Move announced that News Corp would acquire all outstanding Move shares in a tender offer priced at \$21 per share. Sonoiki and Ettu exchanged four phone calls later that day.

45. Following the September 30 announcement, Move’s stock price rose sharply and closed at \$20.96, an increase of approximately 37% over the stock’s closing price of \$15.29 on September 29.

46. On October 2, 2014, while exchanging phone calls with Sonoiki, Ettu sold all of the Move call options in his account. In total, Ettu purchased 353 Move call options at a cost of approximately \$23,500, and sold the options for approximately \$98,300, netting a profit of approximately \$74,800.

47. Sonoiki and Ettu’s illegal trading in Move call options generated returns of more than 318% in less than one month.

48. In exchange for Sonoiki’s tips of inside information, Ettu and Sonoiki agreed that Ettu would forgive approximately \$30,000 that Sonoiki owed to Ettu for Sonoiki’s share of maintenance and other expenses relating to an investment property that they jointly owned.

CLAIMS FOR RELIEF

FIRST CLAIM

Fraud in Connection With the Purchase or Sale of Securities Violations of Section 10(b) of the Exchange Act and Rule 10b-5 Thereunder

49. The Commission realleges and incorporates by reference each and every allegation in paragraphs 1 through 48, inclusive, as if they were fully set forth herein.

50. Defendant Ettu engaged in a scheme to trade based on material, nonpublic information by allowing Sonoiki to place illegal securities trades in Ettu's brokerage account and by himself placing trades based on information misappropriated by Sonoiki in breach of Sonoiki's duties to his employer the Investment Bank.

51. The Investment Bank treated information about these transactions as confidential, including through policies and procedures designed to protect such information and to prohibit its employees from trading on such information. Specifically, Sonoiki was prohibited, by the Investment Bank's internal compliance procedures, from trading on the basis of material nonpublic information and trading in undisclosed, outside accounts.

52. Sonoiki knew or was reckless in not knowing that he owed the Investment Bank, its clients, and/or its clients' shareholders a fiduciary duty, or obligations arising from a similar relationship of trust or confidence, to keep the information confidential, and to refrain from trading on it or tipping others to trade.

53. Sonoiki breached a fiduciary duty, or a similar duty of trust and confidence to the Investment Bank, its clients, and/or its clients' shareholders, by trading in Ettu's brokerage account and tipping Ettu to trade on the basis of material nonpublic information Sonoiki obtained through his employment with the Investment Bank.

54. Sonoiki tipped Ettu for benefits including their close personal and business relationship, and for Ettu's agreement to share the proceeds of the illicit trading with Sonoiki by forgiving Sonoiki for his share of expenses owed in connection with an investment property that they jointly owned.

55. Defendant Ettu knew or recklessly disregarded the information that Sonoiki tipped to him was material and nonpublic.

56. Defendant Ettu knew, should have known, recklessly disregarded or consciously avoided knowing that the information that Sonoiki used to place trades in Ettu's account or otherwise tipped to Ettu was disclosed or misappropriated in breach of a fiduciary duty or obligation arising from a similar relationship of trust or confidence.

57. By engaging in the conduct described above, Defendant Ettu, knowingly or recklessly, in connection with the purchase or sale of securities, directly or indirectly, by the use of means or instrumentalities of interstate commerce, or the mails, or the facilities of a national securities 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 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 operate as a fraud or deceit upon any person in connection with the purchase or sale of any security.

58. By engaging in the foregoing conduct, Defendant Ettu violated and, unless enjoined, will continue to violate, Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5].

SECOND CLAIM

Fraud in Connection With a Tender Offer Violations of Section 14(e) of the Exchange Act and Rule 14e-3 Thereunder

59. The Commission realleges and incorporates by reference each and every allegation in paragraphs 1 through 48 inclusive, as if they were fully set forth herein.

60. The corporate transaction involving Move was structured as a tender offer.

61. By September 5, 2014, the date of Defendant Ettu's first illegal trade in Move securities alleged herein, substantial steps to complete News Corp's tender offer to acquire Move had already been taken. Among other things, News Corp and Move had exchanged drafts of merger agreements detailing the terms of a tender offer and the companies' respective boards had met to review the potential transaction.

62. Defendant Ettu knew or had reason to know that the information Sonoiki tipped him regarding the Move tender offer was nonpublic information that had been acquired from someone working on behalf of the offeror or issuer.

63. At the time that he traded Move securities, Defendant Ettu was in possession of material nonpublic information regarding the Move tender offer that he knew or had reason to know was nonpublic and acquired directly or indirectly from someone working on behalf of the offeror or issuer.

64. By reason of the foregoing, Defendant Ettu violated, unless enjoined, will continue to violate, Section 14(e) of the Exchange Act [15 U.S.C. § 78n(e)] and Rule 14e-3 thereunder [17 C.F.R. § 240.14e-3].

PRAYER FOR RELIEF

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

I.

Permanently restraining and enjoining Ettu from, directly or indirectly, violating Sections 10(b) and 14(e) of the Exchange Act [15 U.S.C. §§ 78j(b) and 78n(e)] and Rules 10b-5 and 14e-3 thereunder [17 C.F.R. §§ 240.10b-5 and 240.14-e3];

II.

Ordering Ettu to disgorge all ill-gotten gains or unjust enrichment derived from the activities set forth in this Complaint, together with prejudgment interest thereon;

III.

Ordering Ettu to pay civil penalties pursuant to Section 21A of the Exchange Act [15 U.S.C. § 78u-1];

IV.

Granting such other and further relief as this Court may determine to be just and necessary.

Dated:

Respectfully submitted,



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