JUDGE HOLWELL

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

11 CIV 1534

SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

v.

TODD LESLIE TREADWAY,

Defendant.

COMPLAINT

ECF Case

Civil Action No.

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

SUMMARY

1. This is an insider trading case. In June 2007, and again in May 2008, Todd Leslie Treadway ("Treadway" or "Defendant") used confidential, nonpublic information obtained through his position at a New York law firm to purchase stock in two separate companies – Accredited Home Lenders Holding Company and CNET Networks, Inc – which were acquisition targets at the time. When the mergers were announced, the companies' shares rose approximately 10 percent and 40 percent respectively, and the Defendant realized combined profits of approximately $27,000.

2. By virtue of his conduct alleged herein, Treadway violated Section 10(b) of the Securities Exchange Act of 1934 (the "Exchange Act") [15 U.S.C. § 78j(b)] and Rule 10b-5 promulgated thereunder [17 C.F.R. § 240.10b-5] and Section 14(e) of the Exchange Act [15 U.S.C. § 78n(e)] and Rule 14e-3 [17 C.F.R. § 240.14e-3] thereunder. The Commission seeks a court order requiring the Defendant to disgorge his ill-gotten gains plus prejudgment interest;

imposing civil money penalties, and enjoining the Defendant from future violations of these provisions of the securities laws as the Defendant will continue to violate the forgoing statutes and rules unless restrained or enjoined by this Court.

JURISDICTION AND VENUE

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

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

DEFENDANT

5. Treadway, age 41, was a resident of New York, New York. During the relevant time period, Treadway was an attorney in the New York office of Dewey & LeBoeuf, LLP (D&L). In November 2008, he was terminated from that position.

FACTS

6. During 2007 through November 2008, Treadway was an associate in D&L's Executive Compensation, Employee Benefits & Employment practice group ("Executive Compensation and Employee Benefits Practice Group") working out of the firm's New York office.

7. While employed at D&L, Treadway provided advice on, among other things, employee benefit and executive compensation consequences of mergers and acquisitions, divestitures and finance transactions.

8. In connection with his employment at D&L, Treadway received and reviewed the Firm's Office Policies and Procedures sections of the Firm's employment manual which contains the Firm's Statement of Policy Regarding Confidentiality. This Statement provided that information about firm clients received from a client or from others in the firm should be treated as confidential unless the client does not consider the information confidential or the information is already public knowledge not disputed by the client. The Firm's Statement of Policy Regarding Confidentiality also includes certain restrictions on the purchase and sale of securities. Treadway acknowledged that he would abide by the Firm's Office Policies and Procedures.

9. While employed at D&L, Treadway had access to, and from time to time learned of, material nonpublic information concerning contemplated corporate acquisitions in which D&L represented companies being acquired in proposed acquisitions. Treadway gained access to material, nonpublic information by, among other means, discussions with other attorneys and viewing confidential deal documents concerning proposed acquisitions. Treadway owed a fiduciary or similar duty of trust and confidence to D&L and its clients to keep this information confidential and not disclose or personally use this information.

10. Information concerning an upcoming acquisition of a public company is material information. Normally, when a public company is acquired, the acquisition price is greater than the pre-merger 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.

11. In June 2007 and May 2008, Treadway, in breach of his duty to D&L and its

clients, knowingly or recklessly traded on the basis of material, nonpublic information concerning two proposed corporate acquisitions in which D&L represented the companies that were being acquired.

The Accredited Home Lenders Holding Company Acquisition Announcement

12. In late 2006, Lone Star Fund V (US), L.P., through its affiliate Lone Star U.S. Acquisitions, LLC ("Lone Star") started investigating opportunities for an acquisition of or investment in a non-prime mortgage lender. In March 2007, Lone Star and Accredited Home Lenders Holding Company ("Accredited") entered into a confidentiality agreement and began to engage in initial discussions regarding a potential acquisition of Accredited. In April 2007, Lone Star conducted due diligence concerning Accredited. On April 30, 2008, Lone Star received a draft merger agreement prepared by D&L, Accredited's legal counsel. In May 2008 through early June, Lone Star and Accredited, together with their respective legal counsel, continued to negotiate the terms of the acquisition.

13. Attorneys within D&L's Executive Compensation and Employee Benefits Practice Group, including Treadway, were consulted on various employee benefits and compensation issues relating to the acquisition of Accredited. As a member of the Executive Compensation and Employee Benefits Practice Group, Treadway learned of material nonpublic information concerning the proposed acquisition of Accredited.

14. On May 19, 2007 and June 1, 2007, Treadway reviewed a draft of the Lone Star and Accredited merger agreement.

15. By at least June 1, 2007, Treadway knew that Accredited was a D&L client.

16. On June 1, 2007 – the same day he reviewed a draft of the merger agreement –

Treadway purchased 290 shares of Accredited common stock at $13.76 per share for a total purchase price of $3,990.40. Treadway purchased the shares through an online brokerage account from his office computer at D&L. Treadway used all of the available cash in the account to purchase the Accredited stock.

17. On June 4, 2007, prior to the opening of the market, Accredited issued a press release announcing that Lone Star had agreed to acquire Accredited for approximately $400 million in cash or $15.10 per share. The acquisition was structured as an all-cash tender offer for all outstanding shares of Accredited common stock. After the announcement, Accredited common stock rose $1.36 or approximately 10 percent to close trading at $15.12 on heavy volume. Approximately 17,053,743 shares of Accredited traded on June 4, 2007, compared with Accredited's historical average daily volume of approximately 5,321,929 shares for the previous six months.

18. At the time the Accredited acquisition was announced on June 4, 2007, Treadway held 290 shares of Accredited common stock. On the day of the public announcement, Treadway sold his entire holding of Accredited stock, realizing $388.53 in illicit profits.

The CNET Networks, Inc. Acquisition Announcement

19. In early 2008, CBS Corporation ("CBS") started to consider CNET as a potential acquisition opportunity. In March 2008, CBS's management contacted representatives at CNET to discuss CBS's desire to acquire CNET. From March 2008 through May 2008, CBS and CNET continued to discuss the possibility of a potential business combination. On May 7, 2008 CBS and CNET entered into a confidentiality agreement, and on May 8, 2008, D&L, legal counsel to CNET, sent CBS's legal counsel a draft agreement and merger agreement. On May

13, 2008, CBS and CNET negotiated a purchase price of $11.50 per share. On May 14, 2008, CBS and CNET, together with their respective legal counsel, finalized the merger agreement. CNET's CEO and CFO employment agreements were also finalized during this time period.

20. On the evening of May 6, 2008, attorneys within D&L's Executive Compensation and Employee Benefits Practice Group, including Treadway, were asked by the firm's corporate group to consult on a number of executive compensation employment and employee benefit issues relating to the acquisition of CNET. As a member of the Executive Compensation and Employee Benefits Practice Group, Treadway had access to, and learned of, material nonpublic information concerning the proposed acquisition of CNET.

21. On the evening of May 6, 2008, Treadway was assigned by two D&L partners to review and analyze the change in control provisions in the employment agreements of CNET's CEO and CFO based on the impending merger.

22. Additionally, on May 6, 2008, from approximately 8:00 p.m. until midnight, Treadway received at least thirteen emails related to the CNET matter, including an email sent to Treadway around 9:00 p.m. that attached a draft of the CBS and CNET merger agreement. The subject line of that email read: "FW: Agreement & Plan of Merger CNET_v2.DOC." By at least May 6, 2008, Treadway was aware that CNET was D&L's client.

23. On May 7, 2008 at around 2:36 p.m., Treadway purchased from his computer at D&L 7,079 shares of CNET common stock at prices ranging from $7.49 to $7.56 per share. The total purchase price was $53,499.58. At that time, this was the largest securities purchase Treadway had made in terms of share and dollar amounts. Treadway purchased the CNET stock in four separate online brokerage accounts – three of which Treadway owned. The other was in

the name of his fiancé. Treadway sold his entire portfolio of stock holdings in each of the four online brokerage accounts to purchase the CNET stock.

24. On May 15, 2008, prior to the opening of the market, CBS and CNET issued a joint press release announcing that CBS would acquire CNET for $1.8 billion in cash or $11.50 per share – a 45 percent premium to CNET's previous day closing price. The acquisition was structured as an all-cash tender offer for all outstanding shares of CNET common stock. After the announcement, CNET common stock rose $3.46 or approximately 43.5 percent to close trading at $11.41 on heavy volume. Approximately 106,338,000 shares of CNET traded on May 15, 2008, compared with CNET's historical average daily volume of approximately 1,483,000 shares.

25. At the time the CNET acquisition was announced on May 15, 2008, Treadway held 7,079 shares of CNET common stock. On May 16, 2008, a day after the public announcement, Treadway sold his entire holding of CNET stock, realizing $27,019.01 in illicit profits.

Defendant Attempts To Hide His Activities

26. In 2008, the Financial Industry Regulatory Authority ("FINRA") began conducting an inquiry into certain trading activity surrounding the May 15, 2008 announcement of the CBS/CNET acquisition.

27. As part of this inquiry, FINRA asked D&L to provide certain information.

28. Among other things, FINRA provided a list of individuals and entities to D&L requesting that the firm circulate the list to all persons with knowledge or who were privy to information about any of the events leading up to the May 15, 2008 CBS/CNET acquisition and

public announcement.

29. FINRA also requested that each person at D&L who knew someone on the list provide a description of that person's relationship to the person on the list.

30. D&L sent the list to the Defendant and others at the firm who had worked on the CBS/CNET merger deal.

31. The list of names sent to the Defendant included the name of his fiancé.

32. Despite the fact that his fiancé's name was on the list, Defendant responded to the inquiry by replying in email "I have no knowledge of such persons/entities."

33. After more inquiry and a review of Defendant's billing records, D&L terminated Defendant effective November 18, 2008.

FIRST CLAIM

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

34. Paragraphs 1 through 33 are re-alleged and incorporated by reference.

35. As described above, Treadway, in breach of his duty to D&L and its clients, knowingly or recklessly used material, nonpublic information concerning upcoming corporate acquisitions that he obtained through his position at D&L to purchase securities.

36. By reason of the conduct described above, Treadway, 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 facts 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 operate or would operate as a fraud or deceit upon any persons, including purchases or sellers of the securities.

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

SECOND CLAIM

Violations of Section 14(e) of the Exchange Act [15 U.S.C. § 78n(e)] and Rule 14e-3 [17 C.F.R. § 240.14e-3] promulgated thereunder

38. Paragraphs 1 through 33 are re-alleged and incorporated by reference.

39. Treadway knew or had reason to know the information that he possessed relating to the tender offer by Lone Star and CBS, as described above, constituted material nonpublic information acquired through his position at D&L.

40. Treadway while in possession of such knowledge and information, purchased Accredited and CNET common stock, as set forth above.

41. By the time of Treadway's trading in the securities of Accredited and CNET described above, Lone Star and CBS had taken substantial steps toward commencing their respective tender offers.

42. By reason of the conduct described above, Treadway violated Section 14(e) of the Exchange Act [15 U.S.C. § 78n(e)] and Rule 14e-3 [17 C.F.R. § 240.14e-3] thereunder.

PRAYER FOR RELIEF

WHEREFORE, the Commission respectfully requests that this Court:

A. permanently enjoin Treadway from violating Section 10(b) of the Exchange Act

[15 U.S.C. § 78j(b)] and Rule 10b-5 promulgated thereunder [17 C.F.R. § 240.10b-5] and Section 14(e) of the Exchange Act [15 U.S.C. § 78n(e)] and Rule 14e-3 [17 C.F.R. § 240.14e-3];

B. order Treadway to disgorge, with prejudgment interest, all ill-gotten gains received as a result of the conduct alleged in this Complaint;

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

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

Dated: March 7, 2011

Respectfully submitted,

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