MARC J. FAGEL (Cal. Bar No. 154425)
MICHAEL S. DICKE (Cal. Bar No. 158187)
ROBERT TASHJIAN (Cal. Bar No. 191007)
tashjianr@sec.gov
LLOYD FARNHAM (Cal. Bar No. 202231)
farnhaml@sec.gov
VICTOR W. HONG (Cal. Bar No. 165938)
hongv@sec.gov
ALICE L. JENSEN (Cal. Bar No. 203327)
jensena@sec.gov

Attorneys for Plaintiff
SECURITIES AND EXCHANGE COMMISSION
44 Montgomery Street, 26th Floor
San Francisco, California 94104
Telephone: (415) 705-2500
Facsimile: (415) 705-2501

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UNITED STATES DISTRICT COURT

NORTHERN DISTRICT OF CALIFORNIA

SECURITIES AND EXCHANGE COMMISSION, Plaintiff, v. ARNOLD A. MCCLELLAN and ANNABEL MCCLELLAN Defendants.	Case No. CV10 5412 COMPLAINT

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

SUMMARY OF THE ACTION

1. In this multi-million dollar international insider trading scheme, a mergers and acquisitions partner at a major accounting firm and his wife repeatedly tipped inside information about upcoming mergers to family members in London. On at least seven occasions from 2006 to 2008, Arnold McClellan, a partner in the San Francisco office of Deloitte Tax LLP ("Deloitte") disclosed confidential information about acquisitions on which he was working for his Deloitte clients to his wife Annabel McClellan; Annabel then passed the information to her

sister and brother-in-law, Miranda and James Sanders. James Sanders, an owner of a London-based trading firm, used this inside information to purchase derivative financial instruments that permitted him to profit from the information he and Miranda Sanders received from Arnold and Annabel McClellan. The McClellans knew that the nonpublic information they disclosed violated Arnold McClellan's duty to keep the information confidential.

2. After receiving the tips, James Sanders took financial positions in American companies that were targets of acquisitions by Arnold McClellan's clients. James Sanders consistently placed the trades shortly after Arnold McClellan learned of important events that made the deals seem more certain, and on several occasions liquidated his positions shortly after Arnold McClellan learned that the deals were uncertain. James Sanders's trades were closely timed with telephone calls between Annabel McClellan and her sister Miranda Sanders, and with in-person visits with the McClellans.

3. The trading started modestly, with James Sanders buying the equivalent of 1,000 shares of stock in a company that Arnold McClellan's client was attempting to acquire. Subsequent deals netted significant trading profits, however. By 2007, James Sanders was taking large positions and passing along information about Arnold McClellan's deals to his father and to colleagues and clients at his trading firm. By 2008, James Sanders had reaped profits of more than £1.5 million based on the tips, while his colleagues and his firm's clients made more than £10 million.

4. The participants in the scheme hit big payoffs on at least three occasions. First, in January 2007, Arnold McClellan signed a confidentiality agreement as part of his client's bid to acquire Kronos, Inc., a software company based in Massachusetts. Within the next two days, Annabel McClellan tipped Miranda Sanders, and James Sanders began trading related to Kronos. James Sanders increased his position in Kronos after Arnold McClellan stayed overnight at the Sanderses' home in London a week later. James Sanders continued to build his position in Kronos during February and March. Following the March 23, 2007, announcement of the acquisition, these trades made profits of more than £552,000. James Sanders told close confidants, including his father and his friend about the Kronos acquisition. Traders at his

trading firm, Blue Index Limited ("Blue Index"), recommended Kronos to clients at the same time that James Sanders increased his position. One of James Sanders's colleagues and the Blue Index clients made combined profits of more than £1.9 million from their positions in Kronos.

5. Second, in May 2007, Arnold McClellan began working on his client's planned acquisition of aQuantive, Inc., a digital advertising and marketing company based in Seattle, Washington. A day after Arnold McClellan started work on the transaction, James Sanders bought derivative investments tied to the price of shares of aQuantive common stock and recommended aQuantive to Blue Index colleagues and clients. Three days later, the acquisition was announced publicly. The Sanderses made profits of more than £552,000 from their positions in aQuantive. James Sanders's Blue Index colleague and the firm's clients made profits of nearly £8.1 million.

6. Third, in December 2007, Arnold McClellan began working on his client's planned acquisition of Getty Images, Inc., a purchaser and licenser of photographs and other visual content. Annabel McClellan flew to London, arriving on January 29, 2008, and stayed with the Sanders for about the next ten days. The day she arrived, James Sanders placed his first trade in Getty Images. Over the next two weeks, he increased his position and told a close friend about the planned acquisition. Following the February 25, 2008, announcement of the acquisition, James Sanders made profits of more than £396,000 from his position in Getty and his friend made profits of nearly £150,000.

7. At a conversion rate of two United States dollars to one British pound sterling, James and Miranda Sanders profited more than $3 million from trading in advance of Arnold McClellan's clients' deals. In addition, James Sanders's colleagues and his firm's clients profited by more than $20 million.

JURISDICTION AND VENUE

8. The Commission brings this action pursuant to Sections 21(d), 21(e), and 21A of the Securities Exchange Act of 1934 ("Exchange Act") [15 U.S.C. §§ 78u(d), 78u(e), and 78u-1].

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

10. Defendants, directly or indirectly, made use of the means or instrumentalities of interstate commerce, or of the mails, or of the facilities of a national securities exchange in connection with the transactions, acts, practices and courses of business alleged herein.

11. Venue in this District is proper pursuant to Section 27 of the Exchange Act [15 U.S.C. § 78aa] because a substantial part of the acts and transactions constituting the violations alleged in this Complaint occurred within the Northern District of California, and because one or more Defendants resides or transacts business in the district.

INTRADISTRICT ASSIGNMENT

12. Under Civil Local Rule 3-2, this civil action should be assigned to the San Francisco or Oakland Divisions, because a substantial part of the events or omissions which give rise to the claim occurred in San Francisco County.

DEFENDANTS

13. **Arnold A. McClellan**, age 51, is a resident of San Francisco, California. From approximately 1995 until 2010, he was a mergers and acquisitions tax partner at Deloitte Tax LLP. He worked in Deloitte's offices in San Francisco and was the head of one of the firm's regional mergers and acquisitions teams during the relevant time. He is a Certified Public Accountant licensed in California and Georgia.

14. **Annabel McClellan**, age 38, is a resident of San Francisco. Arnold McClellan and Annabel McClellan have been married since 1996. She has previously worked at Deloitte in London (including one of its predecessor firms) and at Deloitte in San Jose and San Francisco, California.

OTHER RELEVANT PERSONS AND ENTITIES

15. **James Sanders**, age 34, is a resident of London, England. He was a director, shareholder and co-founder of Blue Index Limited. He married Miranda Sanders in 2003.

16. **Miranda Sanders**, age 33, is a resident of London, England. She is the sister of Annabel McClellan and wife of James Sanders. Until May 2009, she worked part-time at Blue Index in human resources.

17. **Blue Index Limited** was a London-based trading firm co-founded by James Sanders in 2001. The Financial Services Authority of the United Kingdom ("FSA") authorized Blue Index to trade contracts-for-difference, derivative financial instruments similar to spread bet contracts described below.

RELEVANT ACQUISITION TARGETS

18. During the relevant time, **Company A** was a Delaware corporation headquartered in Indiana, engaging in the business of automotive sales and financing. Shares of the company's common stock were traded publicly on the New York Stock Exchange.

19. During the relevant time, **Per Se Technologies, Inc.** ("Per Se") was a Delaware corporation with headquarters in Alpharetta, Georgia. Prior to its merger with McKesson Corporation, shares of the company's common stock were traded publicly on NASDAQ. Per Se was a healthcare technology company.

20. During the relevant time, **Kronos Inc.** ("Kronos") was a Massachusetts corporation with headquarters in Chelmsford, Massachusetts. Prior to its acquisition by affiliates of San Francisco based Hellman & Friedman LLC ("H&F"), shares of the company's common stock were traded publicly on NASDAQ. Kronos provided data collection systems, labor management analysis and payroll software.

21. During the relevant time, **aQuantive, Inc.** ("aQuantive") was a Washington corporation headquartered in Seattle, Washington. Prior to its acquisition by Microsoft Corporation, shares of the company's common stock were traded publicly on NASDAQ. aQuantive was a digital advertising and marketing company.

22. During the relevant time, **Company B** was a Georgia corporation headquartered in Georgia. Shares of the company's common stock were traded publicly on the New York Stock Exchange. Company B provided software and related services.

23. During the relevant time, **Company C** was a Washington corporation headquartered in Ohio. Shares of the company's common stock were traded publicly on NASDAQ. Company C provided supplies and services to other companies.

24. During the relevant time, **Getty Images, Inc.** ("Getty") was a Delaware corporation with headquarters in Seattle, Washington. Prior to its acquisition by H&F, shares of the company's common stock were traded publicly on the New York Stock Exchange. Getty purchased and licensed photographs and other visual content.

FACTUAL ALLEGATIONS

A. Arnold McClellan's Access to Confidential Information

25. Arnold McClellan was employed by Deloitte as a mergers and acquisitions tax partner from 1995 through June 2010 and led one of the regional mergers and acquisitions teams during the relevant period. During this time, Arnold McClellan and Deloitte provided clients with tax structuring, due diligence, accounting and other advice on mergers and acquisitions to companies and private equity clients considering acquisitions.

26. Arnold McClellan learned about confidential upcoming transactions and other confidential information regarding Deloitte's clients through his position in the mergers and acquisitions group. Arnold McClellan worked directly on the seven transactions described below, advising Deloitte's clients about the tax consequences of potential acquisitions. He interacted directly with employees at both the potential acquirer and target companies, and had discussions with his colleagues in the Deloitte tax and mergers and acquisitions groups about the transactions.

27. As an employee of Deloitte with access to confidential information, Arnold McClellan knew that he was subject to restrictions regarding confidential information that he obtained in the course of his employment. Arnold McClellan was also subject to Deloitte policies that prohibited him from trading in securities issued by any acquisition target and signed annual certifications acknowledging this restriction.

28. These policies placed a duty on Arnold McClellan to maintain the confidentiality of any nonpublic information he obtained in the course of his employment. For example, during the relevant time, Deloitte policies stated that Deloitte employees who received confidential information "are required to preserve the confidentiality of information obtained in client service." Deloitte policies also prohibited the use of material, nonpublic information "for

personal advantage or for the benefit of third parties" and specifically state that "it is illegal for any personnel employed by our firm to buy or sell any securities (*i.e.*, stocks, bonds) based on insider information, or to discuss such information with others who might buy or sell such securities."

29. In addition to the general confidentiality obligations set forth in Deloitte policies, Arnold McClellan was also obligated to keep information obtained in the course of his work on specific transactions confidential because Deloitte entered into confidentiality agreements consenting to the confidentiality restrictions that applied to the target and acquirer. In some instances, McClellan signed these confidentiality agreements on behalf of Deloitte.

30. Arnold McClellan breached his duties of confidentiality by disclosing the confidential information that he learned working at Deloitte to his wife, Annabel McClellan, and to his brother-in-law, James Sanders. Arnold McClellan used and disclosed the information stolen from Deloitte for his personal benefit.

B. Annabel McClellan Tipped Others with Confidential Information

31. Annabel McClellan knew that the information she learned from Arnold McClellan about potential acquisitions was confidential and that it had been disclosed to her in breach of a duty of confidentiality. As a former employee of Deloitte with access to confidential information, Annabel McClellan was aware of the restrictions regarding confidential information obtained in the course of employment with Deloitte. During her employment, the Deloitte policy manual stated that "[w]e preserve the confidentiality of information that we obtain in performing professional services" and "we do not disclose confidential client information to anyone, including business acquaintances, officials of other clients, friends or relatives, or others who work outside the client's organization or outside the Firm."

32. Annabel McClellan was aware of Deloitte policies that prohibited her from trading in securities issued by any acquisition target and, during her employment at Deloitte, signed an annual certification acknowledging this restriction: "In keeping with the ethical standards of our profession, the policies of the Firm, federal and state laws, and rules of the Securities and Exchange Commission, we do not use information obtained in the course of

performing client services for personal gain, such as through insider trading activities or other means."

33. Annabel McClellan tipped others for her own personal benefit, as a gift to a friend or relative, and to confer a benefit on family members, including Miranda Sanders, James Sanders, Annabel McClellan and Miranda Sanders's father, and James Sanders's father. (Miranda Sanders assisted her and Annabel's father financially by paying his legal bills. James Sanders shared £20,000 of his trading profits with his father after one of the most successful trades based on the tips.) Annabel McClellan used the confidential information that she learned from her husband to tip Miranda Sanders and James Sanders as part of an agreement with James Sanders to share the trading profits based on the tips.

C. James Sanders's Spread Bet Contracts

34. In order to profit on the inside information illegally passed to him, James Sanders purchased a derivative financial instrument called a "spread bet" contract. James Sanders purchased spread bet contracts through accounts he held at Trading Firm Z, based in London. Trading Firm Z is licensed to sell spread bet contracts and is authorized and regulated by the Financial Services Authority in the United Kingdom.

35. By purchasing a spread bet contract, customers such as James Sanders profited or incurred losses based directly on changes in the price of an underlying security. In the seven transactions described below, the underlying security was the common stock of American companies registered, listed, and publicly traded in the United States on national exchanges. The profit or loss associated with a spread bet contract, after taking out the trading costs and fees charged by the firm, depended entirely on the price of the underlying stock as reflected in trades on the national securities exchanges in the United States. In each of the seven transactions described below, James Sanders stood to profit if the price of the underlying shares increased.

36. Spread bet contracts permitted traders to make highly leveraged investments in American stocks, and allowed traders to reap large returns with a relatively small amount of investment capital. Spread bet contracts may be purchased in increments of a particular number of "pounds per point," meaning the purchaser profits that number of British pounds (£) for each

one cent ($) price change in the underlying security. Because of this relationship between the price change and the profit or loss to the investor, a spread bet contract is the economic equivalent of owning the underlying stock shares. For example, for an American stock trading at $50 per share in the United States (assuming a currency exchange rate of two United States dollars to one British pound), a £1 per point spread bet contract is the equivalent of owning 200 shares of the underlying stock worth $10,000.

37. As the counterparty to James Sanders's spread bet contracts, Trading Firm Z risked being on the losing side of his trade if the price of the underlying shares increased in value. Trading Firm Z mitigated this exposure to market risk by developing internal mandates, or guidelines, for its trading desks. These guidelines for hedging risk included factors such as the size of the downside risk faced by Trading Firm Z, the size of the spread bet contract position purchased by a customer, the nature of the underlying security, and the previous trading history of the customer placing the order for a spread bet contract. Following these guidelines, the Trading Firm Z trading desk mitigated the market risk associated with James Sanders's spread bet contracts by purchasing shares of the underlying stock on United States exchanges.

38. When Trading Firm Z hedged James Sanders's spread bet contracts with purchases of the underlying security on exchanges in the United States, the profits that Trading Firm Z made on the underlying security would offset the money Trading Firm Z paid to James Sanders for his profits on the spread bet contracts he purchased.

D. Arnold and Annabel McClellan's Scheme to Disclose and Capitalize on Material Nonpublic Information

1. Trading in the Securities of Company A

39. The trading scheme began in or around October 2006 with the proposed acquisition of Company A. Although the acquisition was not ultimately consummated, the tipping and trading in Company A established a pattern that would be repeated on six more occasions.

40. On September 25, 2006, a San Francisco private equity firm and Deloitte client submitted a preliminary indication of interest to acquire Company A. On or about September 28

and 29, 2006, Arnold McClellan spoke with representatives of the private equity firm who asked him to check if advising on the acquisition of Company A would result in a conflict of interest for Deloitte. Deloitte was engaged to advise the firm in connection with its proposed acquisition of Company A.

41. The private equity firm's planned acquisition of Company A and its engagement of Deloitte were confidential and not publicly disclosed. Throughout the due diligence process, Deloitte and other deal participants referred to the acquisition target by a code name to preserve confidentiality.

42. Arnold McClellan signed a confidentiality agreement on Deloitte's behalf on October 2, 2006, agreeing to keep information about the potential acquisition confidential and including a provision that Deloitte would be bound by an existing confidentiality agreement between Deloitte's client and Company A.

43. Arnold McClellan was aware that the Deloitte client was actively seeking to acquire Company A based on his direct communications with representatives at the client, his work on the acquisition, and communications with his colleagues at Deloitte.

44. On October 5, 2006, a Deloitte colleague informed Arnold McClellan that the deal size would be approximately $2.2 to $2.5 billion.

45. James and Miranda Sanders visited San Francisco and stayed with the McClellans in their home from October 9 to October 17, 2006. Arnold McClellan's client continued to pursue the deal during this time, meeting with Company A's management on October 10 and 11, 2006.

46. On October 18, 2006, the day the Sanderses arrived back in London, there were six telephone calls from the McClellans' home phone and Annabel McClellan's cell phone to the Sanderses' home in London.

47. On or before October 18, 2006, Arnold McClellan misappropriated material nonpublic information, in breach of his duty of confidentiality to Deloitte, his client, and Company A, by tipping Annabel McClellan about the planned acquisition. At the time that Arnold McClellan tipped his wife, he was in possession of material nonpublic information

regarding Company A, and knew or was reckless in not knowing that the disclosure breached a duty of confidentiality. Arnold McClellan disclosed the planned acquisition to his wife in order to confer a benefit on himself and to provide a gift to his wife and relatives.

48. Annabel McClellan tipped Miranda Sanders and James Sanders about the planned acquisition of Company A by disclosing confidential information misappropriated by Arnold McClellan. At the time that Annabel McClellan tipped her sister and brother-in-law, she was in possession of material nonpublic information regarding Company A that she knew or should have known had been acquired in breach of a duty of confidentiality. Annabel McClellan disclosed the planned acquisition to her sister and brother-in-law in order to confer a benefit on herself and to provide a gift to her relatives.

49. On or about October 18, 2006, after receiving the tips of material nonpublic information regarding the planned acquisition of Company A, James Sanders purchased a spread bet contract equivalent to 1,000 shares of common stock of Company A (assuming an exchange rate of two United States dollars to one British pound) in his account at Trading Firm Z. In order to mitigate its risk resulting from the spread bet contracts, Trading Firm Z applied its risk mandates and, as necessary, hedged this risk by purchasing shares of the common stock of Company A on an exchange in the United States.

50. On November 1, 2006, Arnold McClellan told a Deloitte colleague that the transaction might not be consummated. The following day, Arnold McClellan informed his colleagues at Deloitte that the deal between Company A and his client was not going forward. Between November 1 and 3, there were three phone calls from the McClellans' home to the Sanderses' home. On or about November 6, 2006, James Sanders closed out his position in Company A for a small profit.

2. Trading in the Securities of Per Se Technologies, Inc.

51. During the time of the Sanderses' October 2006 visit to San Francisco, Arnold McClellan and Deloitte were providing tax and other advice to McKesson Corporation ("McKesson") in connection with its planned acquisition of Per Se.

52. Arnold McClellan began billing time to the Per Se deal on September 27, 2006.

Deloitte and McKesson executed an engagement letter dated October 3, 2006. Deloitte agreed to keep information about the proposed acquisition confidential, and agreed that it would be bound by an existing confidentiality agreement between McKesson and Per Se.

53. McKesson's planned acquisition of Per Se and its engagement of Deloitte were confidential and not publicly disclosed. Throughout the due diligence process, Deloitte and other deal participants referred to the acquisition target by a code name to preserve confidentiality.

54. Arnold McClellan was aware that McKesson was actively seeking to acquire Per Se based on his direct communications with representatives at McKesson and Per Se, his work on the acquisition, and communications with his colleagues at Deloitte. McClellan gained access to an electronic data room containing confidential information about the Per Se transaction on October 4, 2006.

55. During the week of October 9, 2006, Arnold McClellan and members of Deloitte's tax mergers and acquisitions group met with Per Se management in Atlanta, Georgia.

56. On or about October 25, 2006, Arnold McClellan learned that McKesson wanted to be able to announce a deal around November 7. Later, on or about October 27, 2006, Arnold McClellan learned from a colleague at McKesson in an e-mail message that the "deal is go."

57. On or before October 30, 2006, Arnold McClellan misappropriated material nonpublic information, in breach of his duty of confidentiality to Deloitte, his client, and Per Se, by tipping his wife, Annabel McClellan about the planned Per Se acquisition. At the time that Arnold McClellan tipped his wife, he was in possession of material nonpublic information regarding Per Se, and knew or was reckless in not knowing that the disclosure breached a duty of confidentiality. Arnold McClellan disclosed the planned acquisition to his wife in order to confer a benefit on himself and to provide a gift to his wife and relatives.

58. Annabel McClellan tipped Miranda Sanders and James Sanders about the planned acquisition of Per Se by disclosing confidential information misappropriated by Arnold McClellan. At the time that Annabel McClellan tipped her sister and brother-in-law, she was in possession of material nonpublic information regarding Per Se that she knew or should have

known had been acquired in breach of a duty of confidentiality. Annabel McClellan disclosed the planned acquisition to her sister and brother-in-law in order to confer a benefit on herself and to provide a gift to her relatives.

59. On October 29, 2006, there were two phone calls from the McClellans' home to the Sanderses' home, lasting one and thirteen minutes, respectively. On or about October 30, James Sanders began buying Per Se spread bet contracts. From about October 30 through November 1, 2006, James Sanders purchased the equivalent of 6,000 shares of Per Se common stock in his own account (assuming an exchange rate of two United States dollars to one British pound).

60. After receiving the tips of material nonpublic information regarding the planned acquisition of Per Se, James Sanders purchased the spread bet contracts based on the underlying common stock of Per Se in his account at Trading Firm Z. In order to mitigate its risk resulting from the spread bet contracts, Trading Firm Z applied its risk mandates and, as necessary, hedged this risk by purchasing shares of the common stock of Per Se on a national exchange in the United States.

61. On November 1, 2006, James Sanders and Miranda Sanders attempted to open an account in her name at Trading Firm Z to have a greater credit facility to place more trades. The credit facility was not approved before the public announcement of Per Se's acquisition by Arnold McClellan's client, however.

62. On November 6, 2006, McKesson announced its acquisition of Per Se at $28 per share. Shares of Per Se stock closed at $27.55 per share on volume of more than 13 million shares, up 13 percent from its prior day close of $24.45 per share on volume of 316,322 shares. Sanders sold his position for a profit of approximately £7,919.

63. In an e-mail message to his father following the public announcement, James Sanders expressed disappointment that the additional credit facility at Trading Firm Z had not been available, telling his father, "[Y]ou would have been looked after." James Sanders told his father that he would be ready for "the next one—there will be another one."

3. Trading in the Securities of Kronos, Inc.

64. From November 2006 through March 2007, McClellan advised H&F with respect to due diligence and tax structuring in its planned acquisition of Kronos. McClellan first billed time on the Kronos matter on November 16, 2006, and had overall responsibility on the matter and led the tax diligence. On January 29, 2007, McClellan signed Deloitte's amendment to the confidentiality agreement between H&F and Kronos that included a provision that Deloitte would be bound by an existing confidentiality agreement between H&F and Kronos.

65. H&F's planned acquisition of Kronos and its engagement of Deloitte were confidential and not publicly disclosed. Throughout the due diligence process, Deloitte and other deal participants referred to the acquisition target by a code name to preserve confidentiality.

66. Arnold McClellan was aware that the Deloitte client was actively seeking to acquire Kronos based on his direct communications with representatives at the client, his communications with Kronos, his work on the acquisition and communications with his colleagues at Deloitte.

67. On or before January 31, 2007, Arnold McClellan misappropriated material nonpublic information, in breach of his duty of confidentiality to Deloitte, his client, and Kronos, by tipping Annabel McClellan about the planned acquisition. At the time that Arnold McClellan tipped his wife, he was in possession of material nonpublic information regarding Kronos, and knew or was reckless in not knowing that the disclosure breached a duty of confidentiality. Arnold McClellan disclosed the planned acquisition to his wife in order to confer a benefit on himself and to provide a gift to his wife and relatives.

68. Annabel McClellan tipped Miranda Sanders and James Sanders about the planned acquisition of Kronos by disclosing confidential information misappropriated by Arnold McClellan. At the time that Annabel McClellan tipped her sister and brother-in-law, she was in possession of material nonpublic information regarding Kronos that she knew or should have known had been acquired in breach of a duty of confidentiality. Annabel McClellan disclosed

the planned acquisition to her sister and brother-in-law in order to confer a benefit on herself and to provide a gift to her relatives.

69. On January 31, 2007, two days after McClellan signed the amendment to the confidentiality agreement on behalf Deloitte, there was a phone call from Annabel McClellan's cell phone to the Sanderses' home.

70. Later that day, after receiving the tips of material nonpublic information regarding the possible acquisition of Kronos, James Sanders made his first purchase of spread bet contracts based on the underlying common stock of Kronos in Miranda Sanders's account at Trading Firm Z. James Sanders continued purchasing Kronos spread bet contracts in both his wife's and his accounts at Trading Firm Z until March 22, 2007. In order to mitigate its risk resulting from the spread bet contracts, Trading Firm Z applied its risk mandates and, as necessary, hedged this risk by purchasing shares of the common stock of Kronos. Trading Firm Z's records indicate that it bought at least 26,600 shares of Kronos common stock on a national exchange in the United States during the time that James Sanders purchased spread bet contracts from the firm.

71. On February 9, 2007, during this period in which James Sanders increased his position in Kronos, Arnold McClellan stayed overnight at the Sanderses' home in London while returning from a business trip to Rome.

72. On March 7, 2007, Sanders told his father about specific bid prices and the timing for the acquisition of Kronos. That day, James Sanders inquired about additional credit from Trading Firm Z and, at about the same time, applied for a £100,000 credit allocation on one of his Trading Firm Z accounts.

73. On March 11, 2007, Arnold McClellan participated via his cell phone in a two hour call with H&F to discuss Deloitte's report on Kronos. Less than one hour later, there was a 19 minute call from the same cell phone to Annabel's mother's home in France, where James and Miranda Sanders were staying at the time.

74. On March 12, 2007, James Sanders purchased additional spread bet contracts on Kronos. That day, Blue Index circulated a "client pitch" on Kronos to its traders, noting that Kronos could be an opportunity to make a huge amount of money for their clients.

75. On March 14, 2007, McClellan learned that H&F had requested that Deloitte give access to Deloitte's work to lenders providing funding for the Kronos acquisition, and that Deloitte had transmitted its reports to his client. That same day, James Sanders significantly increased the size of his Kronos purchases in one of his personal accounts.

76. On March 16, 2007, James Sanders told his father in a recorded telephone conversation specific information about the timing and pricing of the Kronos acquisition. James Sanders identified Annabel McClellan as the source of this information and told his father that he had arranged to split half the profits of the trading with Annabel.

77. On March 19, 2007, H&F and two other firms submitted bids for Kronos. That day, James Sanders recommended to a close friend that he set up a spread bet account and buy Kronos contracts. James Sanders described the tip to his friend as "a bit cloak and dagger." He added that the deal was 98 percent certain and that Blue Index stood to double its money under management from the deal.

78. On March 20, 2007, Kronos's investment bank requested the two highest bidders, including H&F, to submit their best and final proposal by March 22.

79. H&F submitted a bid for Kronos on March 22, 2007, at $54 per share. About two minutes before the opening of the United States markets on March 22, Miranda Sanders asked her husband whether there had been any "announcements." James Sanders responded that "the market opens in one minute so we'll find out" and that the announcement "should be today or tomorrow." Miranda Sanders suggested that they should "maybe get some more." Later that day, James Sanders bought additional Kronos spread bet contracts.

80. On March 23, 2007, H&F and Kronos announced the acquisition at $55 per share. On March 23, Kronos stock closed at $53.11 per share on volume of more than 6.7 million shares, up 14 percent from its prior day close of $46.63 per share on volume of approximately than 1.1 million shares.

81. After the acquisition was publicly announced, the Sanderses made profits of approximately £552,967 from their spread bet contracts in Kronos. James Sanders shared £20,000 of his trading profits with his father. Blue Index clients collectively made profits of

more than £1,875,000 resulting from their trades in Kronos derivative financial instruments. One of James Sanders's colleagues at Blue Index made profits of more than £44,000 from his trades in Kronos derivative financial instruments.

4. Trading in the Securities of aQuantive, Inc.

82. On May 14, 2007, Arnold McClellan received an e-mail message from a tax specialist at a Deloitte client stating that the client had bid to acquire aQuantive. In the e-mail, the tax specialist told Arnold McClellan that aQuantive had rejected the client's initial bid of $5.2 billion, which was significantly more than aQuantive's current market value. The tax specialist also told Arnold McClellan about the timing of the potential acquisition, indicating that aQuantive wanted to sign and announce the deal on May 18. Upon receiving the e-mail, McClellan called the tax specialist from his cell phone at 9:47 p.m. San Francisco time. They spoke for 18 minutes during which she informed him about many specifics of the potential acquisition, including the client's initial bid and a summary of the expected timeline for the deal.

83. Arnold McClellan was aware that the Deloitte client was actively seeking to acquire aQuantive based on his direct communications with representatives at the client, his work on the acquisition, and communications with his colleagues at Deloitte. Deloitte signed a confidentiality agreement dated May 15, 2007, that provided that Deloitte would keep information about the proposed acquisition confidential and included a provision that Deloitte would be bound by an existing confidentiality agreement between Deloitte's client and aQuantive.

84. The planned acquisition of aQuantive and the acquirer's engagement of Deloitte were confidential and not publicly disclosed. Throughout the due diligence process, Deloitte and other deal participants referred to the acquisition target by a code name to preserve confidentiality.

85. On or before May 15, 2007, Arnold McClellan misappropriated material nonpublic information, in breach of his duty of confidentiality to Deloitte, his client, and aQuantive, by tipping Annabel McClellan about the planned acquisition. At the time that Arnold McClellan tipped his wife, he was in possession of material nonpublic information regarding

aQuantive, and knew or was reckless in not knowing that the disclosure breached a duty of confidentiality. Arnold McClellan disclosed the planned acquisition to his wife in order to confer a benefit on himself and to provide a gift to his wife and relatives.

86. Annabel McClellan tipped Miranda Sanders and James Sanders about the planned acquisition of aQuantive by disclosing confidential information misappropriated by Arnold McClellan. At the time that Annabel McClellan tipped her sister and brother-in-law, she was in possession of material nonpublic information regarding aQuantive that she knew or should have known had been acquired in breach of a duty of confidentiality. Annabel McClellan disclosed the planned acquisition to her sister and brother-in-law in order to confer a benefit on herself and to provide a gift to her relatives.

87. At 6:59 a.m. San Francisco time on May 15, 2007, the morning after McClellan learned of the planned aQuantive acquisition, a one minute call was placed from the McClellans' home phone to the Sanderses' home, followed by a four minute call at 7:00 a.m. from the McClellans' home phone to Miranda Sanders's cell phone. At about 7:16 a.m. James Sanders placed a call to Trading Firm Z. James Sanders later received confirmation of a purchase of spread bet contracts in the amount equivalent to 10,000 shares of aQuantive common stock (assuming an exchange rate of two United States dollars to one British pound).

88. James Sanders contacted the head trader at Blue Index just moments after the 7:00 a.m. call from McClellans' home. By 7:29 a.m. that morning, the head trader at Blue Index confirmed to Sanders that they were preparing a "pitch" to its clients to buy aQuantive. Between May 15 and May 17, 2007, Blue Index clients placed orders to purchase derivative financial instruments in the amount equivalent to more than 590,000 common shares of aQuantive.

89. In the evening of May 15, 2007, McClellan learned that the Deloitte client would increase its bid that night. He also learned that Microsoft and another large technology firm were competing bidders for aQuantive in an auction process. The following morning, there was a two minute call from Annabel McClellan's cell phone to the Sanderses' home. A few hours later, James Sanders bought additional aQuantive spread bet contracts. Sanders further increased

his position on May 17, bringing his total to the equivalent of 39,000 common shares of aQuantive stock (assuming an exchange rate of two United States dollars to one British pound).

90. After receiving the tips of material nonpublic information regarding the planned acquisition of aQuantive, James Sanders purchased the spread bet contracts based on the underlying common stock of aQuantive in his accounts at Trading Firm Z. In order to mitigate its risk resulting from the spread bet contracts, Trading Firm Z applied its risk mandates and, as necessary, hedged this risk by purchasing shares of the common stock of aQuantive. Trading Firm Z's records indicate that it bought at least 40,000 shares of aQuantive common stock on a national exchange in the United States during the time that James Sanders purchased spread bet contracts from the firm.

91. On May 18, 2007, before the market opened in the United States, Microsoft publicly announced that it had acquired aQuantive at $66.50 per share, premium of 85 percent over the current trading price. On May 18, the price of aQuantive stock closed at $63.79 per share on volume of more than 45.2 million shares, up 78 percent from its prior day close of $35.87 per share on volume of approximately 3.4 million shares. James Sanders closed his position at Trading Firm Z for profits of approximately £552,531. Blue Index clients made more than £8 million in profits.

5. Trading in the Securities of Company B

92. During the summer of 2007, James Sanders purchased spread bet contracts on two more companies that were the subject of attempted acquisitions. Arnold McClellan worked on both deals for Deloitte.

93. In late July and August 2007, the McClellans vacationed in London and visited Annabel McClellan's relatives, including the Sanderses. The McClellans' vacation coincided closely with James Sanders's purchases of spread bet contracts on Company B and Company C, both of which were targets of acquisitions by a client of Arnold McClellan.

94. On May 3, 2007, Arnold McClellan's client sent him its internal investment model for its potential acquisition of Company B and reminded him that the information was highly confidential. On July 26, 2007, Arnold McClellan sent Deloitte's tax diligence report

regarding the acquisition to his client. Arnold McClellan learned on July 30, 2007, that the client would submit a bid, which it did that day for $45.50 per share of Company B stock.

95. Arnold McClellan was aware that the Deloitte client was actively seeking to acquire Company B based on his direct communications with representatives at the client, his work on the acquisition, and communications with his colleagues at Deloitte. Deloitte signed a confidentiality agreement dated July 5, 2007, that provided that Deloitte would keep information about the proposed acquisition confidential and included a provision that Deloitte would be bound by an existing confidentiality agreement between Deloitte's client and Company B.

96. The planned acquisition of Company B and the engagement of Deloitte were confidential and not publicly disclosed. Throughout the due diligence process, Deloitte and other deal participants referred to the acquisition target by a code name to preserve confidentiality.

97. On or before July 31, 2007, Arnold McClellan misappropriated material nonpublic information, in breach of his duty of confidentiality to Deloitte, his client, and Company B, by tipping Annabel McClellan about the planned acquisition. At the time that Arnold McClellan tipped his wife, he was in possession of material nonpublic information regarding Company B, and knew or was reckless in not knowing that the disclosure breached a duty of confidentiality. Arnold McClellan disclosed the planned acquisition to his wife in order to confer a benefit on himself and to provide a gift to his wife and relatives.

98. Annabel McClellan tipped Miranda Sanders and James Sanders about the planned acquisition of Company B by disclosing confidential information misappropriated by Arnold McClellan. At the time that Annabel McClellan tipped her sister and brother-in-law, she was in possession of material nonpublic information regarding Company B that she knew or should have known had been acquired in breach of a duty of confidentiality. Annabel McClellan disclosed the planned acquisition to her sister and brother-in-law in order to confer a benefit on herself and to provide a gift to her relatives.

99. On July 30, 2007, the same day Arnold McClellan learned that his client would submit a bid to acquire Company B, Annabel McClellan flew to London on vacation, arriving on

July 31. On July 31 and August 1, 2007, James Sanders received confirmation from Trading Firm Z of his purchases of spread bet contracts in Company B. After those trades, James Sanders held the equivalent of 40,000 shares of common stock of Company B (assuming an exchange rate of two United States dollars to one British pound).

100. After receiving the tips of material nonpublic information regarding the planned acquisition of Company B, James Sanders purchased the spread bet contracts based on the underlying common stock of Company B in his account at Trading Firm Z. In order to mitigate its risk resulting from the spread bet contracts, Trading Firm Z applied its risk mandates and, as necessary, hedged this risk by purchasing shares of the common stock of Company B. Trading Firm Z's records indicate that it bought at least 40,000 shares of Company B common stock on a national exchange in the United States during the time that James Sanders purchased spread bet contracts from the firm.

101. On August 1, 2007, Arnold McClellan received an update from his client and was told not to work on the Company B acquisition until further notice. On the night of August 1 and on August 2, there were several calls back and forth between Arnold McClellan's cell phone and the cell phone of another of Annabel's sisters in the United Kingdom.

102. On or about August 2, 2007, Sanders reversed course and closed out his entire position in Company B spread bet contracts for a profit of approximately £12,872. When the stock price increased after he closed his position, James Sanders expressed disappointment to his father about missing out on the gain but noted that he looked to be "in it for the big move so it's not the end of the world."

103. On August 7, 2007, Arnold McClellan departed for London to meet with Annabel. Arnold McClellan learned no later than August 10 that the deal would not be moving forward. A few days later, on August 14, James Sanders relayed this information to a Blue Index colleague. Arnold McClellan returned to San Francisco from London on August 23, 2007.

6. Trading in the Securities of Company C

104. A similar pattern of tipping and trading emerged with Company C, another Deloitte client serviced by Arnold McClellan. Although the acquisition was not ultimately

consummated, James Sanders purchased spread bet contracts on Company C about two days after Annabel McClellan arrived in London.

105. On July 20, 2007, Arnold McClellan learned that a Deloitte client planned to acquire Company C and informed his tax team that the deal was potentially $7 to $8 billion. At that time, Company C had a market capitalization of approximately $6.1 billion.

106. On July 24, 2007, Deloitte sent the client a preliminary outline summarizing the scope of Deloitte's work with a copy to Arnold McClellan. On July 25, Arnold McClellan billed four hours to the Company C deal.

107. Arnold McClellan, on behalf of Deloitte, signed a confidentiality agreement on or about July 25, 2007, that provided that Deloitte would keep information about the proposed acquisition confidential and included a provision that Deloitte would be bound by an existing confidentiality agreement between the client and Company C. The planned acquisition of Company C and the engagement of Deloitte were confidential and not publicly disclosed. Throughout the due diligence process, Deloitte and other deal participants referred to the acquisition target by a code name to preserve confidentiality.

108. Arnold McClellan was aware that the Deloitte client was actively seeking to acquire Company C based on his direct communications with representatives at the client, his work on the acquisition, and communications with his colleagues at Deloitte.

109. On or before August 3, 2007, Arnold McClellan misappropriated material nonpublic information, in breach of his duty of confidentiality to Deloitte, his client, and Company C, by tipping Annabel McClellan about the planned acquisition. At the time that Arnold McClellan tipped his wife, he was in possession of material nonpublic information regarding Company C, and knew or was reckless in not knowing that the disclosure breached a duty of confidentiality. Arnold McClellan disclosed the planned acquisition to his wife in order to confer a benefit on himself and to provide a gift to his wife and relatives.

110. Annabel McClellan tipped Miranda Sanders and James Sanders about the planned acquisition of Company C by disclosing confidential information misappropriated by Arnold McClellan. At the time that Annabel McClellan tipped her sister and brother-in-law, she was in

possession of material nonpublic information regarding Company C that she knew or should have known had been acquired in breach of a duty of confidentiality. Annabel McClellan disclosed the planned acquisition to her sister and brother-in-law in order to confer a benefit on herself and to provide a gift to her relatives.

111. On July 31, 2007, Annabel McClellan arrived in London to visit her relatives. On August 1 and 2, there were four phone calls between Arnold McClellan's cell phone and the cell phone of one of Annabel's sisters.

112. By August 3, 2007, Arnold McClellan was aware that there were bidders for Company C other than his client. On August 3, there was a call from Annabel McClellan's father's phone line to Arnold McClellan's cell phone. On or about that same day, two days after Annabel's arrival in London, James Sanders purchased a spread bet contract on Company C shares.

113. After receiving the tips of material nonpublic information regarding the planned acquisition of Company C, James Sanders purchased the spread bet contracts based on the underlying common stock of Company C in his account at Trading Firm Z. In order to mitigate its risk resulting from the spread bet contracts, Trading Firm Z applied its risk mandates and, as necessary, hedged this risk by purchasing shares of the common stock of Company C on a national exchange in the United States.

7. Trading in the Securities of Getty Images, Inc.

114. The seventh and final deal on which Arnold McClellan worked and James Sanders traded involved Getty Images. Arnold McClellan first billed time to a potential acquisition of Getty by his client H&F on December 3, 2007, and began billing time to the Getty deal regularly at the beginning of January 2008. At the end of January, McClellan was aware that H&F was preparing to submit a bid for Getty. He participated on conference calls, worked on due diligence and helped prepare Deloitte's report on the tax implications of the proposed transaction. On January 28, 2008, Arnold McClellan participated in at least one conference call in which Deloitte debriefed H&F on its diligence reports.

115. Arnold McClellan was aware that the Deloitte client was actively seeking to

acquire Getty based on his direct communications with representatives at the client, his work on the acquisition, and communications with his colleagues at Deloitte. Deloitte signed a confidentiality agreement on December 10, 2007, that provided that Deloitte would keep information about the proposed acquisition confidential and included a provision that Deloitte would be bound by an existing confidentiality agreement between H&F and Getty.

116. H&F's planned acquisition of Getty, its engagement of Deloitte, confidential information provided by Getty, the status, terms and conditions of the proposed acquisition, Deloitte's work on the acquisition, and deal timelines were confidential and not publicly disclosed. Throughout the due diligence process, Deloitte and other deal participants referred to the acquisition target by a code name to preserve confidentiality.

117. On or before January 28, 2008, Arnold McClellan misappropriated material nonpublic information, in breach of his duty of confidentiality to Deloitte, his client, and Getty, by tipping Annabel McClellan about the planned acquisition. At the time that Arnold McClellan tipped his wife, he was in possession of material nonpublic information regarding Getty, and knew or was reckless in not knowing that the disclosure breached a duty of confidentiality. Arnold McClellan disclosed the planned acquisition to his wife in order to confer a benefit on himself and to provide a gift to his wife and relatives.

118. Annabel McClellan tipped Miranda Sanders and James Sanders about the planned acquisition of Getty by disclosing confidential information misappropriated by Arnold McClellan. At the time that Annabel McClellan tipped her sister and brother-in-law, she was in possession of material nonpublic information regarding Getty that she knew or should have known had been acquired in breach of a duty of confidentiality. Annabel McClellan disclosed the planned acquisition to her sister and brother-in-law in order to confer a benefit on herself and to provide a gift to her relatives.

119. Annabel McClellan flew to London from San Francisco on January 28, 2008, and stayed with the Sanderses during her visit. Her flight was scheduled to arrive in London at 1:40 p.m. London time on January 29. James Sanders purchased his first spread bet contract on Getty

with Trading Firm Z at 3:24 p.m. London time on January 29. On or about February 1, James Sanders closed out his Getty position for a profit of more than £8,800.

120. On February 4, 2008, H&F submitted its bid for Getty at $32.75 per share. The same day, James Sanders resumed purchasing Getty spread bet contracts, placing orders for the equivalent of 40,000 shares of Getty common stock (assuming an exchange rate of two United States dollars to one British pound). James Sanders subsequently bought spread bet contracts equivalent to 20,000 shares of Getty common stock every day from February 5 to 7. James Sanders told his best friend about the planned Getty acquisition and his friend purchased derivative financial instruments based on the price of Getty stock.

121. On February 7, H&F learned that it needed to improve its offer substantially to engage in further negotiations for Getty. H&F submitted a bid of $34.00 per share.

122. On February 11, James Sanders's best friend began expressing worry about Getty's stock price, which was falling. James Sanders assured his friend to hold his position.

123. Two days later, Arnold McClellan learned that H&F was proceeding with the acquisition. On February 13, 2008, he was told that the Getty board of directors had decided to move forward with H&F and wanted to have a deal agreed to within the next three to five days. Later that day and the following day, there were two calls from the McClellans' home phone to the Sanderses' home phone and one call from Annabel McClellan's cell phone to the Sanderses' home.

124. On or about February 14, 2008, James Sanders's best friend resumed his purchases, buying the equivalent of 44,000 shares of Getty common stock (assuming an exchange rate of two United States dollars to one British pound).

125. On February 15, 2008, James Sanders resumed purchasing Getty spread bet contracts, buying the equivalent of 34,000 shares of Getty common stock (assuming an exchange rate of two United States dollars to one British pound).

126. After receiving the tips of material nonpublic information regarding the planned acquisition of Getty, James Sanders purchased the spread bet contracts based on the underlying common stock of Getty in his account at Trading Firm Z. In order to mitigate its risk resulting

from the spread bet contracts, Trading Firm Z applied its risk mandates and, as necessary, hedged this risk by purchasing shares of the common stock of Getty. Trading Firm Z's records indicate that it bought at least 145,000 shares of Getty common stock on a national exchange in the United States during the time that James Sanders purchased spread bet contracts from the firm.

127. On February 25, 2008, H&F announced its acquisition of Getty. On February 28, Getty stock closed at $31.67 per share on volume of more than 10.8 million shares, up 30 percent from its prior day close of $24.45 per share on volume of approximately 272,000 shares. James Sanders profited more than £396,000 from his trades in Getty. James Sanders's best friend made more than £149,000 from his trades in Getty.

CLAIM FOR RELIEF

Violations of Section 10(b) of the Exchange Act and Rule 10b-5 by Both Defendants

128. Paragraph nos. 1 through 127 are re-alleged and incorporated herein by reference.

129. Defendant Arnold McClellan misappropriated material nonpublic information he learned in the course his employment with Deloitte to tip Annabel McClellan and James Sanders regarding Company A, Per Se, Kronos, aQuantive, Company B, Company C, and Getty, in breach of duties of confidentiality and trust that Arnold McClellan owed to Deloitte, Deloitte's clients, and the target companies.

130. Defendant Annabel McClellan tipped James Sanders and Miranda Sanders regarding Company A, Per Se, Kronos, aQuantive, Company B, Company C, and Getty, with material nonpublic information obtained by Arnold McClellan in breach of his duties of confidentiality and trust.

131. Both Defendants knew or should have known that the information he or she used to tip others was obtained through the breach of a duty of confidentiality or trust.

132. Both Defendants received a benefit, either financial, reputational, or social, from the tips of material nonpublic information.

133. Both Defendants, with scienter, directly or indirectly (a) employed devices, schemes, or artifices to defraud; (b) made untrue statements of material fact or omitted to state a

material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; and (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, by the use of means or instrumentalities of interstate commerce, of the mails, or the facilities of a national securities exchange.

134. Based on the above conduct and the factual allegations contained in this Complaint, both Defendants violated, and unless restrained and 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].

PRAYER FOR RELIEF

WHEREFORE, the Commission respectfully requests that this Court:

I.

Permanently enjoin Defendants from directly or indirectly violating 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].

II.

Order Defendants to disgorge the ill-gotten gains derived from their illegal trading and tipping, plus prejudgment interest.

III.

Order Defendants each to pay civil penalties pursuant to Section 21A of the Exchange Act [15 U.S.C. § 78u-l]; and

IV.

Grant such other relief as this Court may deem just and appropriate.

Dated: November 30, 2010

Respectfully submitted,

VICTOR HONG
Attorney for Plaintiff
SECURITIES AND EXCHANGE COMMISSION