

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF NEBRASKA

SECURITIES AND EXCHANGE COMMISSION
100 F Street, N.E.
Washington, DC 20549,

Plaintiff,

vs.

JAISANKAR MARIMUTHU,
CHOCKALINGAM RAMANATHAN, and
THIRUGNANAM RAMANATHAN,

Defendants.

Civil No.

COMPLAINT FOR INJUNCTIVE AND OTHER RELIEF

For its complaint against Jaisankar Marimuthu (“Marimuthu”), Chockalingam Ramanathan (“C. Ramanathan”) and Thirugnanam Ramanathan (“T. Ramanathan”) (collectively, the “Defendants”), Plaintiff the United States Securities and Exchange Commission (the “Commission”) alleges as follows:

SUMMARY

1. This action alleges violations of the federal securities laws by Marimuthu, C. Ramanathan and T. Ramanathan, three individuals who repeatedly hijacked the online brokerage accounts of unwitting investors using stolen usernames and passwords. Prior to intruding into these accounts, the Defendants acquired positions in the securities of at least thirteen issuers and options on shares of another issuer. Then, without the account holders’ knowledge, and using the victims’ own accounts and funds, the Defendants

placed scores of unauthorized buy orders at above-market prices. After these unauthorized buy orders were placed, the Defendants sold the positions held in their own accounts at the artificially inflated prices. These transactions created the appearance of legitimate trading activity and pumped up the prices of the fourteen securities.

2. From July 2006 to November 2006, as a result of these unlawful intrusions into online brokerage accounts, the Defendants realized unlawful trading profits of at least \$121,500. Online broker-dealers whose customers' accounts were compromised suffered losses of at least \$875,000 as a result of the Defendants' fraudulent conduct.

3. By virtue of their conduct, the Defendants have engaged in and, unless enjoined, will continue to engage in violations of Section 17(a) of the Securities Act of 1933 ("Securities Act") [15 U.S.C. § 77q(a)] and Section 10(b) of the Securities Exchange Act of 1934 ("Exchange Act") [15 U.S.C. § 78j(b)] and Rule 10b-5 promulgated thereunder [17 C.F.R. § 240.10b-5].

JURISDICTION AND VENUE

4. The Commission brings this action, and this Court has jurisdiction over this action, pursuant to authority conferred by Sections 20(b), 20(d) and 22(a) of the Securities Act [15 U.S.C. §§ 77t(b), 77t(a) and 77v(a)] and Sections 21(d), 21(e) and 27 of the Exchange Act [15 U.S.C. §§ 78u(d), 77u(e) and 78aa].

5. This Court has personal jurisdiction over the Defendants and venue is proper in the District of Nebraska pursuant to Section 27 of the Exchange Act [15 U.S.C. § 78aa] because many of the transactions, acts, practices, and courses of business constituting the violations alleged herein occurred within this District.

6. The Defendants, directly and indirectly, have made use of the means and instrumentalities of interstate commerce, and the means and instruments of transportation and communication in interstate commerce, in connection with the transactions, acts, practices, and courses of business alleged in this Complaint.

DEFENDANTS

7. Jaisankar Marimuthu, age 32, resides in Chennai, India. At all relevant times, Marimuthu had access to a computer and Internet connection and maintained Internet-accessible securities brokerage accounts at several U.S.-based broker-dealers.

8. Chockalingam Ramanathan, age 33, resides in Chennai, India. At all relevant times, C. Ramanathan had access to a computer and Internet connection and maintained Internet-accessible securities brokerage accounts at several U.S.-based broker-dealers.

9. Thirugnanam Ramanathan, age 34, is an Indian national who resides in Malaysia. At all relevant times, T. Ramanathan had access to a computer and Internet connection and maintained Internet-accessible securities brokerage accounts at several U.S.-based broker-dealers.

FACTS

The Defendants' Account Intrusion Scheme

10. Beginning in July 2006 and continuing to the present, the Defendants engaged in an elaborate scheme in which they manipulated, via account intrusions, the markets for shares of at least thirteen issuers and for options on shares of another issuer. The Defendants' *modus operandi* was similar for each intrusion. The Defendants first purchased thinly traded securities, at market prices, using their own online brokerage

accounts. Shortly thereafter, the Defendants, using stolen usernames and passwords, intruded into the online brokerage accounts of unsuspecting individuals. The Defendants then used these intruded accounts to place a series of unauthorized buy orders, typically at prices well above the then-current market prices for those thinly traded securities. Immediately or shortly thereafter, the Defendants capitalized on the artificially inflated share price of the targeted securities by selling shares in their own accounts. In one instance, Defendant Marimuthu realized a 92% return on his investment in less than one hour.

11. The fourteen securities discussed herein were the subject of manipulations via online intrusions emanating from computers located in Thailand and India. In every instance in which the intrusion originated in Thailand, one or more of the Defendants contemporaneously traded the same securities in their own accounts using computers and Internet service providers (“ISPs”) also located in Thailand. In every instance in which the intrusion originated in India, one or more of the Defendants contemporaneously traded the same securities in their own accounts using computers and ISPs also located in India. Furthermore, in several instances, the Defendants accessed their own online brokerage accounts and intruded into the victims’ accounts using the exact same computers.

12. Unwitting account holders were victimized in several ways. Securities held in the victims’ online brokerage accounts were oftentimes liquidated in order to finance the unauthorized trading. Many times, the victims whose accounts were hijacked to make unauthorized purchases lost money when the securities returned to their pre-manipulation prices. In some instances, the Defendants even opened new online

brokerage accounts using stolen personal information, and then funded these accounts using money taken from the unknowing account holders' own bank accounts. On one occasion, a defrauded account holder departed for a five-day Alaskan fishing trip with a cash and equity balance of \$180,000 in his online brokerage account. Upon returning home, his account—which had been victimized by one or more of the Defendants in the interim—had a balance of negative \$200,000.

13. Online broker-dealers whose customers' accounts were intruded and used by the Defendants to make unauthorized trades suffered losses in excess of \$875,000. In addition, the Defendants' manipulative trading caused damage to unknowing market participants who were attracted to the artificially inflated prices and volume of the following fourteen securities: Acorda Therapeutics, Inc., IGI, Inc., Earth Products & Technologies, Inc., Image Entertainment, Inc., Investors Capital Holdings, Ltd., Conversion Services International, Inc., Pressure BioSciences, Inc., Accelr8 Technology Corp., CTR Investments & Consulting, Inc., Sun Microsystems, Inc., Citizens Financial Corp., American Access Technologies, Inc., Pacel Corporation, and put options on Google, Inc.

Acorda Therapeutics, Inc.

14. Acorda Therapeutics, Inc. is a Hawthorne, New York-based commercial stage biopharmaceutical company quoted on the National Association of Securities Dealers' Over-the-Counter Bulletin Board quotation service ("Over-the-Counter Bulletin Board") under the ticker symbol ACOR. In the fifteen trading days leading up to the intrusions, the average daily trading volume for ACOR was 16,755 shares. Shares of ACOR closed at \$3.10 per share on Friday, August 25, 2006.

15. On August 28, 2006, between 11:18:24 AM EDT and 2:47:04 PM EDT, Marimuthu purchased a total of 27,650 shares of ACOR at prices ranging from \$2 to \$3.29 per share using his accounts at E*Trade Securities, Inc. (“E*Trade”) and TD Ameritrade, Inc. (“TD Ameritrade”). On that same day at 1:20:17 PM EDT, C. Ramanathan, using his E*Trade account, purchased 450 shares of ACOR at \$3.20 per share. One or more of the Defendants executed these transactions using Internet protocol addresses assigned to ISPs located in Thailand.

16. Then, beginning at 2:51:38 PM EDT—less than five minutes after Marimuthu’s last purchase of ACOR in his own account—and continuing for one hour, one or more of the Defendants intruded into online brokerage accounts at TD Ameritrade and Charles Schwab & Co., Inc. (“Charles Schwab”) and made unauthorized purchases of 81,600 shares of ACOR at prices ranging from \$2.84 to \$3.70 per share. One or more of the Defendants executed these transactions using Internet protocol addresses assigned to ISPs located in Thailand.

17. Following these intrusions, between 4:19:22 PM EDT on August 28, 2006 and 10:34:33 AM EDT on August 29, 2006, Marimuthu sold 27,650 shares of ACOR at prices ranging from \$2.81 to \$5 per share using his TD Ameritrade and E*Trade accounts. On August 30, 2006 at 12:38:11 PM EDT, C. Ramanathan, sold 450 shares at \$2.84 per share using his E*Trade account. One or more of the Defendants executed these transactions using Internet protocol addresses assigned to ISPs located in Thailand.

18. As a result of the intrusions, Marimuthu realized profits of \$21,762. C. Ramanathan was unable to profit in this instance as he was unsuccessful in his attempts to sell ACOR shares at \$5 per share on August 28, 2006.

19. The intrusion scheme had a significant impact on the market for ACOR. On August 28, 2006, ACOR opened at \$3.19 per share and increased to an intraday high of \$3.70 per share on volume of 316,980 shares, approximately nineteen times greater than the average trading volume over the fifteen trading days leading up to this intrusion.

IGI, Inc.

20. IGI, Inc. is a Buena, New Jersey-based producer and marketer of poultry vaccines. The company's shares are traded on the American Stock Exchange under the symbol IG. In the fifteen trading days leading up to the intrusions, the average daily trading volume for IG was 6,006 shares. Shares of IG closed at \$.90 per share on September 1, 2006.

21. On September 5, 2006, between 10:01:52 AM EDT and 11:03:55 AM EDT, Marimuthu purchased 12,900 shares of IG at prices ranging from \$.86 to \$.90 per share using his TD Ameritrade account. That same afternoon at 2:22:28 PM EDT, C. Ramanathan purchased 110 shares of IG at \$1.04 per share using his E*Trade account. One or more of the Defendants executed these transactions using Internet protocol addresses assigned to ISPs located in Thailand.

22. Then, beginning at 10:08:34 AM EDT—less than ten minutes after Marimuthu began purchasing shares of IG using his account—and continuing through 11:27:11 AM EDT, one or more of the Defendants intruded into the online brokerage account of a TD Ameritrade customer and made unauthorized purchases of 171,200

shares of IG at prices ranging from \$.87 to \$1.41 per share. One or more of the Defendants executed these transactions using Internet protocol addresses assigned to ISPs located in Thailand.

23. Just over one hour after the intrusions began, between 11:08:55 EDT and 11:25:28 AM EDT, Marimuthu sold all 12,900 shares of IG held in his TD Ameritrade account at prices ranging from \$1.30 to \$1.35 per share. C. Ramanathan was unsuccessful in his attempts to sell his shares of IG on that day. On September 29, 2006, C. Ramanathan eventually sold the 110 shares remaining in his E*Trade account without realizing a profit. One or more of the Defendants executed these transactions using Internet protocol addresses assigned to ISPs located in Thailand.

24. As a result of this conduct, Marimuthu realized profits of \$5,169.

25. The intrusion scheme had a significant impact on the market for IG. On September 5, 2006, IG opened at \$.82 per share and increased to an intraday high of \$1.45 per share on volume of 387,400 shares, approximately sixty times greater than the average trading volume over the fifteen trading days leading up to the intrusion.

Earth Products & Technologies, Inc.

26. Earth Products & Technologies, Inc., now operating under the name China Shen Zhou Mining & Resources, Inc., is the parent company of a copper, zinc and gold mining operation. Until November 2006, the company's shares were quoted on the Over-the-Counter Bulletin Board under the symbol EPTI. In the fifteen trading days leading up to the intrusions, the average daily trading volume for EPTI was 5,171 shares. Shares of EPTI closed at \$3.75 per share on September 18, 2006.

27. On September 19, 2006 at 1:07:46 PM EDT, Marimuthu purchased 850 shares of EPTI at \$4 per share using his ChoiceTrade account. At 1:21 PM EDT, Marimuthu purchased 850 more shares of EPTI at \$4 per share using his account at optionsXpress, Inc. ("optionsXpress"). Then, between 1:21:12 PM EDT and 1:32:15 PM EDT, Marimuthu purchased another 1,400 shares of EPTI at prices ranging from \$3 to \$4 per share using his account at Firstrate Securities Inc. ("Firstrate"). One or more of the Defendants executed these transactions using Internet protocol addresses assigned to ISPs located in Chennai, India, the city in which two of the Defendants reside.

28. Then, between 12:00:23 PM EDT and 2:40:41 PM EDT on September 19, 2006, one or more of the Defendants intruded into the online brokerage account of a Merrill Lynch & Co., Inc. ("Merrill Lynch") customer and made unauthorized purchases of 30,100 shares of EPTI at prices ranging from \$3 to \$7.50 per share. To fund the unauthorized transactions, one or more of the Defendants liquidated approximately \$95,000 in stock held in the victim's account. One or more of the Defendants executed these transactions using Internet protocol addresses assigned to ISPs located in Chennai, India.

29. At 1:28:50 PM EDT on September 19, 2006, approximately an hour and a half after the intrusions started, Marimuthu sold 850 shares of EPTI at \$7 per share using his ChoiceTrade account. At 1:54 PM EDT on the same day, Marimuthu sold an additional 850 shares of EPTI at \$7 per share using his optionsXpress account. Contemporaneously, at 1:54:40 PM EDT, Marimuthu sold 1,400 shares of EPTI at \$7 per share using his Firstrate account. One or more of the Defendants executed these transactions using Internet protocol addresses assigned to ISPs located in Chennai, India.

30. As a result of his conduct, Marimuthu realized profits of \$10,400 in EPTI, representing a 92% return on his investment in less than one hour.

31. The intrusion scheme had a significant impact on the market for EPTI. On September 19, 2006, EPTI opened at \$5.50 per share and increased to an intraday high of \$9 per share on volume of 56,500 shares, approximately eleven times greater than the average trading volume over the fifteen trading days leading up to this intrusion.

Image Entertainment, Inc.

32. Image Entertainment, Inc. is a Chatsworth, California-based distributor of DVDs. The company's shares are quoted on NASDAQ under the symbol DISK. In the fifteen trading days leading up to the intrusions, the average daily trading volume for DISK was 16,989 shares. Shares of DISK closed at \$3.59 per share on September 19, 2006.

33. On September 21, 2006, between 9:07:24 AM EDT and 9:44:54 AM EDT, Marimuthu purchased 1,900 shares of DISK at prices ranging from \$3.36 to \$3.49 per share using his ChoiceTrade account. Between 9:23 AM EDT and 9:44 AM EDT on the same day, Marimuthu purchased 1,900 shares of DISK at prices ranging from \$3.36 to \$3.49 per share using his optionsXpress account. Between 9:40:44 AM EDT and 10:07:55 AM EDT the same day, Marimuthu also purchased 10,530 shares of DISK at prices ranging from \$3 to \$4 per share using his account at Firsttrade. One or more of the Defendants executed these transactions using Internet protocol addresses assigned to ISPs located in Chennai, India.

34. Then, between 9:09:34 AM EDT and 9:42:59 AM EDT, while Marimuthu was in the process of purchasing shares of DISK in his own accounts, one or more of the Defendants intruded into the account of a TD Ameritrade customer and made unauthorized purchases of 6,370 shares of DISK at prices ranging from \$3.93 to \$4.25 per share. Between 9:28:29 AM EDT and 10:58:58 AM EDT, one or more of the Defendants intruded into a second TD Ameritrade account and made unauthorized purchases of 169,000 shares of DISK at prices ranging from \$3.43 to \$4.25 per share. One or more of the Defendants executed these transactions using Internet protocol addresses assigned to ISPs located in Chennai, India.

35. Shortly after the intrusions commenced, Marimuthu began to liquidate his own positions in DISK. Between 9:47:59 AM EDT and 10:58:59 AM EDT on September 21, 2006, Marimuthu sold all 14,330 shares of DISK he acquired that morning in his own accounts at prices ranging from \$3.50 to \$4 per share. One or more of the Defendants executed these transactions using Internet protocol addresses assigned to ISPs located in Chennai, India.

36. As a result of this conduct, Marimuthu realized profits of \$7,279.

37. The intrusion scheme had a significant impact on the market for DISK. On September 21, 2006, DISK opened at \$3.71 per share and increased to an intraday high of \$4.12 per share on volume of 776,548 shares, approximately forty-five times greater than the average trading volume over the fifteen trading days leading up to this intrusion.

Investors Capital Holdings, Ltd.

38. Investors Capital Holdings, Ltd. is a Lynnfield, Massachusetts-based provider of brokerage and asset management services. The company's securities are traded on the American Stock Exchange under the symbol ICH. In the fifteen trading days leading up to the intrusions, the average daily trading volume for ICH was 9,280 shares. Shares of ICH closed at \$5.25 per share on September 19, 2006.

39. On September 20, 2006, at approximately 3:45 PM EDT, Marimuthu purchased 2,950 shares of ICH at \$6 per share using his accounts at ChoiceTrade and optionsXpress. On September 21, 2006, between 11:09 AM EDT and 11:14 AM EDT, Marimuthu purchased an additional 1,150 shares of ICH at prices ranging from \$5.40 to \$5.80 per share in the same accounts. Between 3:46:42 PM EDT on September 20, 2006 and 11:16:55 AM EDT on September 21, 2006, Marimuthu purchased an additional 8,400 shares of ICH at prices ranging from \$5.49 to \$6 per share using his Firstrate account. One or more of the Defendants executed these transactions using Internet protocol addresses assigned to ISPs located in Chennai, India.

40. Then, beginning at 11:18 AM EDT—less than five minutes after Marimuthu's last purchase of ICH using his own accounts—and continuing through 11:22 AM EDT, one or more of the Defendants intruded into the account of a TD Ameritrade customer and made unauthorized purchases of 7,900 shares of ICH at prices ranging from \$5.90 to \$6.55 per share. The intruded TD Ameritrade account was the same account that had been used earlier to make unauthorized purchases of DISK shares. One or more of the Defendants executed these transactions using Internet protocol addresses assigned to ISPs located in Chennai, India.

