

JUDGE SAND

06 CV 00021

UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF NEW YORK

SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

v.

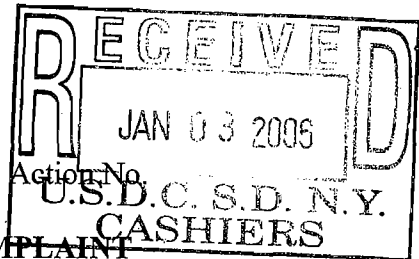
LEE DAVID EDELMAN,

Defendant.

Civil Action No.

COMPLAINT

Jury Trial Demand



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

**SUMMARY**

1. This case involves illegal insider trading in the common stock of Metron Technology N.V. ("Metron") by defendant Lee David Edelman, a former licensed securities trader. On or before July 1, 2004, Edelman learned that Metron was the target of a proposed acquisition by another company, Applied Materials Inc. ("Applied Materials"). Edelman learned of the proposed acquisition through information that he misappropriated from his then-girlfriend, who was an attorney working on the acquisition for Applied Materials.

2. Edelman knew or was reckless in not knowing that information about the Metron acquisition was material and non-public. In addition, Edelman knew or was reckless on not knowing that he had a duty to refrain from trading in Metron stock based on information that he misappropriated from his girlfriend. Despite this, from July 1, 2004 through August 13, 2004, Edelman purchased 12,000 shares of Metron stock at a total cost of \$29,436.

3. Applied Materials publicly announced its intention to acquire Metron on August 16, 2004. The following day, Metron's stock price rose sharply and Edelman sold all of his Metron shares for illegal profits of approximately \$22,786.

4. The Commission seeks a Court order that requires Edelman to disgorge his illegal profits plus prejudgment interest; imposes civil monetary penalties; and permanently enjoins Edelman from future violations of the antifraud provisions of the federal securities laws.

### **JURISDICTION AND VENUE**

5. This Court has jurisdiction over this action pursuant to Sections 21(d), 21(e), 21A and 27 of the Securities Exchange Act of 1934 ("Exchange Act") [15 U.S.C. §§ 78u(d), 78u(e), 78u-1 and 78aa]. Venue is proper in the Southern District of New York pursuant to Section 27 of the Exchange Act [15 U.S.C. § 78aa] because Edelman is found in or is an inhabitant of the district, or transacts business in the district.

6. In connection with the conduct alleged in this complaint, Edelman directly or indirectly made use of the means and instrumentalities of interstate commerce, or of the mails, or of the facilities of a national securities exchange.

### **DEFENDANT**

7. Lee David Edelman, age 34, resides in New York, New York. Prior to the time of the events alleged in this complaint, Edelman had passed the Series 6, 7 and 63 securities examinations, and he has been registered with the National Association of Securities Dealers ("NASD") since 1997.

## **OTHER RELEVANT ENTITIES**

8. Applied Materials Inc. is a Delaware corporation with its principal offices in Santa Clara, California. Applied Materials sells equipment and services used in the manufacture of semiconductors.

9. Metron Technology N.V., which sold equipment and services used in the manufacture of semiconductors, was a Netherlands corporation with its headquarters and principal operations in San Jose, California. At all relevant times, Metron's common stock was registered with the Commission pursuant to Section 12(g) of the Securities Act of 1934 [15 U.S.C. § 77l(g)], and was quoted on the NASDAQ stock market.

## **FACTUAL ALLEGATIONS**

10. In September 2003, Edelman began a romantic relationship with an attorney at a prominent law firm based in New York City. In approximately November 2003, Edelman began living with the attorney in her apartment located in New York City. Edelman continued to live with her until approximately July 28, 2004, and during this time they maintained a romantic relationship as boyfriend and girlfriend.

11. As part of her work as an attorney, Edelman's girlfriend often assisted companies in evaluating and negotiating potential mergers and acquisitions. During the time they lived together, Edelman and his girlfriend had a history, pattern or practice of sharing confidential work and personal information. Because of their close personal relationship and history of sharing confidences, Edelman's girlfriend trusted and expected Edelman to keep information about her clients that she shared with him confidential, including information about potential mergers and acquisitions.

12. Based on their close personal relationship and history of sharing confidences, Edelman knew or was reckless in not knowing that he had a duty to keep confidential information about potential mergers and acquisitions involving his girlfriend's clients. In at least one instance, in or about March 2004, Edelman's girlfriend

disclosed to Edelman the names of the entities involved in a potential merger. At that time, Edelman's girlfriend instructed Edelman that she had certain confidentiality obligations to her clients and that, as a result, Edelman had to keep information that she shared with him about potential mergers and acquisitions confidential.

13. On Friday, June 25, 2004, Edelman's girlfriend was assigned to work on her law firm's representation of Applied Materials in that company's potential acquisition of Metron. Among other things, the assignment required her to review Metron license agreements and other documents, and to draft and review portions of the acquisition agreements.

14. On Saturday, June 26, 2004, six boxes of documents relating to the Metron acquisition were delivered to the lobby of Edelman's girlfriend's apartment building. Edelman accompanied his girlfriend that day when she went to the lobby to inspect the boxes.

15. For the next several weeks, Edelman's girlfriend worked on the Metron acquisition. During this time, she reviewed Metron documents, corresponded with her colleagues, talked with colleagues and client representatives by telephone, and drafted and reviewed agreements related to the acquisition. Edelman's girlfriend often performed this work at home during weekends and evenings, when Edelman was present.

16. As a result of his girlfriend's work on the deal, on or before July 1, 2004, Edelman learned that Metron was the target of a potential acquisition. Based on this information, on July 1, 2004, Edelman purchased 1,100 shares of Metron stock. On July 6, 2004, Edelman purchased an additional 2,000 shares of Metron stock. Edelman never told his girlfriend about these Metron stock purchases.

17. On or before July 11, 2004, Edelman's girlfriend affirmatively disclosed to Edelman that Metron was the target of a potential acquisition. At that time, Edelman's girlfriend cautioned Edelman that information about the Metron acquisition was

confidential and that he could not disclose or use it for any purpose. Edelman agreed not to disclose or use the confidential information regarding Metron.

18. Despite this agreement, from July 11, 2004 through August 13, 2004, Edelman made nine additional purchases of Metron stock, totaling 8,900 shares. Edelman never told his girlfriend about these Metron stock purchases. On July 28, 2004, Edelman ended the relationship, and moved out of her apartment.

19. In total, from July 1, 2004 through August 13, 2004, Edelman bought 12,000 shares of Metron stock at a total cost of \$29,436. In making these purchases, Edelman violated a duty of trust and confidence that he owed to his girlfriend to refrain from purchasing Metron securities based on confidential information that he learned through their relationship. Edelman owed this duty of trust and confidence based on the close personal relationship between Edelman and his girlfriend, their history of sharing work and personal confidences, and Edelman's knowledge of his girlfriend's confidentiality obligations to her clients. In addition, for all of his Metron purchases from at least July 11, 2004 through August 13, 2004, Edelman breached a duty of trust and confidence based on his agreement not to disclose or use confidential information regarding Metron.

20. On August 16, 2004, after the close of the stock market, Applied Materials publicly announced its planned acquisition of Metron. On August 17, 2004, trading in Metron stock opened at \$4.45 per share, an increase of 102.3 % over the prior day's closing price of \$2.20 per share. Edelman sold all his Metron shares on August 17, 2004, and realized illegal profits of approximately \$22,786.

## **CLAIM FOR RELIEF**

### **SECURITIES FRAUD**

#### **Violation of Section 10(b) of the Exchange Act and Rule 10b-5 Thereunder**

21. The Commission re-alleges and incorporates by reference the allegations contained in paragraphs 1 through 20 above.
22. Edelman, with scienter, directly or indirectly:
- a. Employed a device, scheme or artifice to defraud;
  - b. Made an untrue statement of a material fact or omitted to state a material fact necessary in order to make the statement made, in light of the circumstances under which it was made, not misleading; or
  - c. Engaged in an act, practice or course of business which operated or would operate as a fraud or deceit upon any person;
- in connection with the purchase or sale of securities, by use of the means or instrumentalities of interstate commerce, of the mails, or of a facility of a national securities exchange.
23. By reason of the foregoing, Edelman has 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:

- a. Permanently restrain and enjoin Edelman from violating Section 10(b) of the Exchange Act and Rule 10b-5 thereunder;
- b. Order Edelman to disgorge ill-gotten gains derived from the unlawful trading alleged herein, plus prejudgment interest;

c. Order Edelman to pay a civil penalty pursuant to Section 21A of the Exchange Act [15 U.S.C. § 78u-1]; and

d. Grant such other relief as the Court deems just and proper.

### **JURY DEMAND**

Plaintiff hereby requests a trial by jury on all claims in this complaint.

Dated: January 3, 2006

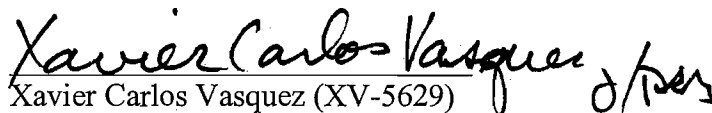
Respectfully submitted,



Robert B. Blackburn (RB-1545)  
Local Counsel for Plaintiff

**SECURITIES AND EXCHANGE  
COMMISSION**

3 World Financial Center, Room 4300  
New York, NY 10281-1022  
E-Mail: BlackburnR@SEC.GOV  
Telephone: (212) 336-1050  
Facsimile: (212) 336-1317



Xavier Carlos Vasquez (XV-5629)  
Robert L. Mitchell  
Lloyd A. Farnham  
Attorneys for Plaintiff

**SECURITIES AND EXCHANGE  
COMMISSION**

44 Montgomery Street, 26th Floor  
San Francisco, CA 94104  
Telephone: (415) 705-2500  
Facsimile: (415) 705-2501