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 9 **UNITED STATES DISTRICT COURT  
 NORTHERN DISTRICT OF CALIFORNIA**

10 **SAN FRANCISCO DIVISION**

11  
 12 **SECURITIES AND EXCHANGE  
 13 COMMISSION,**

14 **Plaintiff,**

15 **v.**

16 **HERBERT RICHARD LAWSON,  
 17 WILLIAM B. LAWSON, and  
 18 JOHN J. CERULLO,**

19 **Defendants.**

Civil Action No.

20 **COMPLAINT**

21 Plaintiff United States Securities and Exchange Commission (the “Commission”), for its  
 22 Complaint against Defendants Herbert Richard Lawson (“Richard Lawson”), William B. Lawson  
 23 and John J. Cerullo (collectively “Defendants”) for insider trading, alleges as follows:

24 **SUMMARY**

25 1. In March and April 2011, Richard Lawson, a co-Chairman and co-founder of  
 26 Lawson Software Inc., a St. Paul-Minnesota-based computer software company, provided non-  
 27 public information to his brother and a family friend in advance of the Company’s announcement  
 28

1 of its planned sale to an affiliate of Infor, a privately-held software provider, for \$11.25 per share.  
2 The brother, William Lawson, and the friend, Cerullo (the Company's other co-founders), then  
3 traded in Lawson Software securities in advance of the April 2011 merger announcement. While  
4 in possession of the nonpublic information acquired from Richard Lawson, William Lawson also  
5 recommended the stock to a third party who traded prior to the merger announcement. The three  
6 traders reaped a combined profit of more than \$2 million.  
7

8         2. William Lawson and Cerullo used the non-public information received from  
9 Richard Lawson in selling shares of Company stock prior to the merger announcement at prices  
10 that were approximately \$1-per-share higher than Infor's offer of \$11.25 per share. Lawson  
11 Software's stock price began to climb in March 2011 after the media reported that the Company  
12 had retained a financial adviser to explore a possible sale; by that time, Infor had already offered  
13 \$11.25 per share to acquire the Company. Lawson Software then publicly confirmed its receipt  
14 of Infor's offer of \$11.25. The news led to widespread media reports suggesting that other  
15 potential purchasers would enter the bidding and submit competing, higher offers for Lawson  
16 Software. Analyst reports identified specific technology companies supposedly interested in  
17 acquiring Lawson Software, with some reports suggesting a merger price of up to \$15-16 per  
18 share. Amid these reports, Lawson Software's stock price gradually increased, from \$9+ per  
19 share in early March 2011 to \$12.50 per share in April 2011. The stock closed at more than  
20 \$12.25 nearly every day from March 31 through April 25, 2011, the day before the merger  
21 announcement.  
22

23  
24         3. In fact, Infor was the only bidder for Lawson Software – and Infor informed  
25 Lawson Software by February 15, 2011 that it would not raise its offer above \$11.25. Thus,  
26 during much of April 2011, Lawson Software's publicly-traded stock price exceeded the only  
27 merger offer received by the Company by approximately \$1 per share.  
28

1           4.       As Lawson Software's co-Chairman, Richard Lawson knew that the media reports  
2 of possible multiple bidders for the Company were incorrect. Specifically, Richard Lawson knew  
3 that: (a) the very entities mentioned in these media reports as possible acquirers of Lawson  
4 Software had, in fact, already told the Company that they were not interested in such a  
5 transaction; (b) Infor was the lone bidder for Lawson Software, at \$11.25 per share; (c) Infor told  
6 Lawson Software that it would not increase its offer; and (d) Lawson Software's financial adviser  
7 and Board of Directors viewed Infor's bid as reasonable.

9           5.       As the merger talks with Infor progressed, Richard Lawson conveyed nonpublic  
10 information concerning the negotiations and lack of competing offers to his brother, William  
11 Lawson, who sold more than one million shares of his family's Lawson Software holdings for as  
12 much as \$12.25 per share. William Lawson, in turn, recommended a sale of Lawson Software  
13 stock to a third party, who sold more than 400,000 shares at \$12.25 per share. Richard Lawson  
14 also conveyed nonpublic information about the merger talks to Cerullo, who sold approximately  
15 175,000 of his shares at \$12.15 per share. Some of these sales occurred on April 25, 2011 – the  
16 same day that Lawson Software's Board of Directors voted to accept Infor's offer to acquire the  
17 Company for \$11.25 per share, and one day before the merger announcement. In tipping his  
18 brother and Cerullo, Richard Lawson violated fiduciary and other duties owed to Lawson  
19 Software and its shareholders to not make unauthorized disclosures of material, nonpublic  
20 information.

23           6.       On April 26, 2011, Lawson Software announced the \$11.25 merger agreement,  
24 which caused the Company's stock price to drop 8.7 percent to close that day at \$11.06 per share.  
25 By selling shares at elevated prices of up to \$12.25 per share, William Lawson, Cerullo and a  
26 third party received combined profits of more than \$2 million.



1 shareholders bought and sold Lawson Software stock from San Francisco during the relevant time  
2 period, including several large institutional investment managers.

3 **INTRADISTRICT ASSIGNMENT**

4 11. This matter should be assigned to the San Francisco division because the offices of  
5 Lawson Software’s acquirer, Golden Gate Capital, are located in the City of San Francisco.  
6

7 **DEFENDANTS**

8 12. Richard Lawson, age 70, is a resident of Dallas, Texas. Richard Lawson was a co-  
9 founder of Lawson Software, which was formed in 1975. Richard Lawson served in various  
10 officer and director capacities at Lawson Software through 2011, when the Company was  
11 acquired. During the January through April 2011 period (“Relevant Period”), Richard Lawson  
12 was a co-Chairman of the Board. Richard Lawson is the brother of William Lawson and a close  
13 friend of John Cerullo.  
14

15 13. William Lawson, age 72, is a resident of Lino Lakes, Minnesota. William Lawson  
16 was another co-founder of Lawson Software and served as its CEO until shortly before the  
17 Company’s initial public offering in 2001, when he retired.

18 14. John Cerullo, age 71, resides in Hampton, New Hampshire. Cerullo was the third  
19 co-founder of Lawson Software. Cerullo held various positions at Lawson Software before he,  
20 too, retired before the Company went public in 2001. Cerullo is a close and longtime friend of  
21 Richard Lawson and the Lawson family.  
22

23 **RELATED ENTITY**

24 15. Lawson Software, Inc., (“Lawson Software” or the “Company”), a Delaware  
25 company headquartered in St. Paul, Minnesota, was a leading provider of business software, with  
26 offices and sales nationwide. At all relevant times, Lawson Software’s common stock traded on  
27 the Nasdaq National Market and was registered pursuant to Section 12(g) of the Exchange Act.  
28

1 On April 26, 2011, Lawson Software announced an agreement to be acquired by an affiliate of  
2 Golden Gate Capital, a private equity investment firm based in San Francisco, and Infor Global  
3 Solutions, Inc. (“Infor”), for \$11.25 per share. That transaction became effective in July 2011.  
4

## 5 **FACTS**

### 6 **Infor Emerges as a Likely Acquirer of Lawson Software**

7 16. In early January 2011, Infor senior management contacted Lawson Software to  
8 request a meeting about a possible acquisition of the Company. On January 11, the parties  
9 entered into a non-disclosure agreement and had their initial meeting about a possible merger.  
10 Two days later, Lawson Software’s CEO informed the Board of Directors, including Richard  
11 Lawson, of Infor’s interest. From that time forward, through the April 26, 2011 merger  
12 announcement, Richard Lawson had access to and learned material, nonpublic information  
13 concerning the Company’s ongoing merger discussions with Infor and other potential acquirers.  
14

15 17. In January and February 2011, Infor and Golden Gate Capital made formal and  
16 informal offers to acquire Lawson Software at prices ranging from \$10 to \$11.10 per share. Each  
17 time, Lawson Software declined. On February 15, 2011, Infor and Golden Gate Capital increased  
18 their offer to \$11.25 per share and informed Lawson Software’s CEO that this was their final  
19 offer. On February 16-17, Lawson Software’s CEO informed Board members, including Richard  
20 Lawson, of Infor’s and Golden Gate Capital’s offers and specifically noted that Infor’s CEO had  
21 described the \$11.25 bid as their final offer. At that same time, Lawson Software’s financial  
22 adviser opined that \$11.25 was a “reasonable valuation” for the Company, and the Board  
23 (including Richard Lawson) concurred.  
24

25 18. In late February 2011, while Infor was conducting its due diligence, Lawson  
26 Software began a “market check” in which the Company’s financial adviser reached out to five  
27 Lawson Software competitors to gauge their interest in acquiring the Company. The market  
28

1 check elicited little interest. Within just a few days of being contacted, three of the companies –  
2 IBM, Hewlett-Packard, and SAP – expressed their lack of interest in a transaction. By March 11,  
3 2011, a fourth potential acquirer, Oracle Corporation, informed Lawson Software that it, too, was  
4 not interested.

5  
6 19. Lawson’s Board, including Richard Lawson, was informed of the status of the  
7 market check throughout the process, including what entities would be approached and how, and  
8 the eventual response received from each. By March 12, 2011, Richard Lawson knew that  
9 Lawson Software had received little-to-no interest from other possible acquirers as part of the  
10 market check process, and that Infor had submitted the lone bid to acquire the Company.

11 **Infor’s Offer is Confirmed, Resulting in Media Speculation of**  
12 **Additional Bidders – and an Increase in Lawson Software’s Stock Price**

13 20. On March 8, 2011, while the Infor discussions were continuing, Reuters reported  
14 that Lawson Software had retained a financial adviser to explore a possible sale of the Company.  
15 The article identified Hewlett-Packard, IBM and SAP, among other companies, as potential  
16 acquirers of Lawson Software.

17  
18 21. The Reuters article led to an immediate increase in Lawson Software’s stock price,  
19 which jumped 13 percent on March 8 to close at \$11.19 per share. The Reuters article also fueled  
20 widespread – and incorrect – media speculation as to potential acquirers of Lawson Software and  
21 a possible merger price. For example, on March 9, 2011, one analyst wrote that, “according to  
22 sources,” SAP, Hewlett-Packard and IBM, among other companies, “might be interested in  
23 buying Lawson.” In fact, by March 9, these companies had already informed Lawson Software  
24 that they were not interested in an acquisition. On that same date, another research analyst opined  
25 that investors should continue buying Lawson Software stock and suggested a merger price “in  
26 the \$13-\$15 (per share) range.” On March 10, another analyst opined that a “deal could get done  
27  
28

1 in the \$14-\$16 range.” Amid these reports, Lawson Software’s stock inched upward; on Friday,  
2 March 11, shares closed at \$11.55 per share – now higher than Infor’s offer of \$11.25.

3 22. On Friday, March 11, 2011, after the market close, Lawson Software issued a  
4 press release confirming that Infor had submitted an offer to acquire the Company for \$11.25 per  
5 share. The press release noted that the parties were “engaged in discussions regarding this  
6 proposal,” but that there was “no assurance that any agreement will be reached.”  
7

8 23. The press release did not dampen the market’s enthusiasm for Lawson Software  
9 stock. On Monday, March 14, 2011, the first trading day following issuance of the press release,  
10 the stock price increased another six percent, closing at \$12.24 per share – now nearly \$1 higher  
11 than Infor’s offer of \$11.25; the stock price had now risen 23 percent in less than one week, since  
12 Reuters reported that the Company was considering a sale. The latest price increase was fueled,  
13 at least in part, by new reports predicting higher, competing offers for Lawson Software. One  
14 analyst wrote that the Company “could attract a higher bid from either Oracle or SAP . . .”  
15 Another analyst wrote that Oracle would likely make a higher offer for Lawson Software in a  
16 “multi-bid process” and that the Company would get at least \$15 per share, perhaps as much as  
17 \$18. By this time, both Oracle and SAP had informed Lawson Software that they were, in fact,  
18 not interested in acquiring the Company.  
19

20 24. Richard Lawson was kept fully informed of the status of Lawson Software’s  
21 merger discussions with Infor and the results of the Company’s market check for possible other  
22 suitors. As co-Board Chairman, Richard Lawson attended all Lawson Software Board meetings  
23 from January through late April 2011 at which the Infor negotiations and the market check results  
24 were fully discussed. Additionally, Lawson Software’s CEO kept Richard Lawson and other  
25 Board members apprised of developments in the Infor discussions and market check by calling  
26 them individually and e-mailing them prior to Board meetings.  
27  
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1           25. By at least March 14, 2011, Richard Lawson knew material, nonpublic  
2 information concerning the status of Lawson Software's merger discussions: Infor had informed  
3 the Company that Infor's bid price of \$11.25 per share would be its highest offer; Lawson  
4 Software's Board and financial adviser viewed that price as reasonable; the Company's market  
5 check had resulted in little interest and no competing offers; and the entities most frequently  
6 mentioned in media and analyst reports as possible acquirers of Lawson Software – Oracle, SAP,  
7 IBM, Hewlett Packard – had already informed the Company that they were, in fact, not interested  
8 in an acquisition. While the financial media portrayed Lawson Software as the possible subject  
9 of a bidding war at escalating prices, the true picture regarding interest in Lawson Software  
10 remained nonpublic.

11  
12           26. Typically, information concerning an upcoming acquisition of a public company is  
13 material information because a public announcement of a merger agreement will cause an  
14 increase or decrease in the market price of the companies involved. In this instance, the relevant  
15 information – that a company would likely be acquired for less than its publicly-traded price, and  
16 that the resulting merger announcement would likely cause the stock price to decline – would be  
17 viewed by a reasonable investor as important to his or her investment decision.  
18

19           **In March 2011, William Lawson Sells Lawson Software Stock after Speaking**  
20           **With Richard Lawson, Then Recommends Similar Sales to a Third Party**

21           27. On the morning of Saturday, March 12, 2011 – the first morning after Lawson  
22 Software publicly confirmed its receipt of Infor's offer at \$11.25 per share – Richard Lawson  
23 placed calls to both William Lawson and Cerullo. The calls marked the first time that Richard  
24 Lawson had phoned either man in 2011. Richard Lawson reached Cerullo by phone and the two  
25 men spoke for approximately thirteen minutes.  
26

27           28. On Monday, March 14, 2011, the first trading day following the Lawson Software  
28 press release, at about 9 a.m. CST, William Lawson sold 20,000 shares of Lawson Software stock

1 at \$12.50 per share. About twenty minutes later, at 9:27 a.m. CST, Richard Lawson again called  
2 William Lawson, and this time the brothers spoke for more than 27 minutes over two consecutive  
3 telephone calls. The last call ended at about 9:55 a.m.

4 29. During these telephone conversations, Richard Lawson provided material,  
5 nonpublic information to William Lawson concerning the status of Lawson Software's merger  
6 talks with Infor and the results of the Company's market check with other potential acquirers.  
7

8 30. At 9:56 a.m. – just one minute after hanging up with his brother – William Lawson  
9 again called his broker and this time directed sales of another 980,000 shares of Lawson Software  
10 stock at \$12.25 per share. The sale was the largest stock transaction that William Lawson had  
11 ever conducted and constituted nearly 50 percent of his family's Lawson Software holdings,  
12 which was by far its largest asset.

13 31. William Lawson sold the 980,000 shares of Lawson Software stock on March 14  
14 the basis of material, nonpublic information obtained from Richard Lawson earlier that day.  
15

16 32. Amid his conversations with Richard Lawson and his broker on March 14, 2011,  
17 William Lawson called and spoke with a third party ("Party A") for about twenty minutes.  
18 William Lawson knew that Party A owned Lawson Software stock. During the call with Party A,  
19 William Lawson recommended that Party A sell shares of Lawson Software. William Lawson  
20 did not tell Party A that the recommendation was based on nonpublic information that he received  
21 from Richard Lawson.  
22

23 33. Less than thirty minutes after speaking with William Lawson, Party A directed the  
24 sale of a combined 420,000 shares of Lawson Software stock from three different brokerage  
25 accounts under Party A's control at \$12.25 per share. The 420,000 shares constituted  
26 approximately 40 percent of Party A's family's total Lawson Software holdings.  
27  
28

1           **In April 2011, One Day Prior to the Merger Announcement, Richard Lawson**  
2           **Tips William Lawson and Cerullo, Who Both Sell Lawson Software Shares**

3           34.     By late April 2011, Lawson Software and Infor had resolved the final details of the  
4 merger agreement, and it became time for the Lawson Board to vote on the proposed acquisition.  
5 A vote by Lawson's Board was set for April 25, 2011.

6           35.     During the morning of April 25, Richard Lawson spoke with Lawson Software's  
7 CEO and obtained additional material, nonpublic information concerning the status of the merger  
8 discussions and the scheduled Board vote. About eleven minutes after his conversation with the  
9 CEO concluded, Richard Lawson called William Lawson, and the two brothers spoke for more  
10 than thirty-two minutes over three separate telephone calls. During those conversations, Richard  
11 Lawson conveyed material, nonpublic information to his brother about the status of the Infor  
12 merger discussions and the scheduled Board vote.

13           36.     Just two minutes after these conversations ended, William Lawson called his  
14 broker and directed the sale of another combined 241,045 shares from two accounts he controlled  
15 at prices ranging from \$12.13-\$12.23 per share. William Lawson sold these shares on the basis of  
16 material, nonpublic information received from Richard Lawson.

17           37.     On April 25, Richard Lawson also conveyed nonpublic information to Cerullo  
18 concerning the status of the Infor merger discussions and the scheduled Board vote. Richard  
19 Lawson's tip came after Cerullo had learned of an Internet news report that morning concerning a  
20 draft press release, apparently inadvertently placed on Infor's web site, that prematurely  
21 announced a merger agreement with Lawson Software. The draft press release did not identify a  
22 merger price. Accordingly to the news report, the draft press release was no longer on Infor's  
23 web site and could not be authenticated. Without identifying a merger price, the draft press  
24 release would not have informed investors whether to buy or sell Lawson Software stock at its  
25 then-market price of more than \$12 per share. In contrast, investors who knew that Infor had  
26  
27  
28

1 offered only \$11.25 per share would have known to sell their shares at \$12 prior to any merger  
2 announcement.

3 38. Cerullo spoke with his broker about the draft press release during the morning of  
4 April 25. Instead of immediately placing a trade based on the news report, Cerullo told his broker  
5 that he would call him back with instructions. Later that morning, Cerullo spoke with Richard  
6 Lawson by telephone, a call that lasted nearly twenty minutes. During that conversation, Richard  
7 Lawson conveyed material, nonpublic information to Cerullo concerning the Board's vote on the  
8 merger, scheduled for later that same day.

9  
10 39. After speaking with Richard Lawson, Cerullo called and instructed his broker to  
11 begin selling Lawson Software shares in amounts that would not cause the market price to  
12 decline. Cerullo sold 176,243 shares of Lawson Software stock at \$12.15 per share. Cerullo sold  
13 those shares on the basis of material, nonpublic information obtained from Richard Lawson about  
14 the upcoming Lawson Board merger vote.

15  
16 40. On April 25, 2011, the Company's stock closed at \$12.125 per share. Later that  
17 day, Lawson's Board of Directors, including Richard Lawson, voted in favor of an acquisition by  
18 Infor and Golden Gate Capital at \$11.25 per share.

19  
20 41. The following day, April 26, prior to the market opening, Lawson Software  
21 announced its merger agreement with Infor at \$11.25 per share. Following the announcement, the  
22 Company's stock price declined and closed at \$11.06 per share.

23 **The Defendants' Knowing or Reckless Conduct**

24 42. Lawson Software's policies and procedures prohibited its employees and Board  
25 members from unauthorized disclosures of material, nonpublic information and from trading in  
26 Lawson Software securities while in possession of such information. As a co-founder, former  
27 officer and then-current co-Chairman of Lawson Software, Richard Lawson knew or recklessly  
28

1 failed to know that the Company's policies and procedures prohibited insider trading and the  
2 disclosure of nonpublic information.

3 43. Richard Lawson owed a fiduciary or similar duty of trust and confidentiality to the  
4 Company and its shareholders, including the duty to keep nonpublic information concerning the  
5 Infor merger discussions confidential and not disclose or personally use this information. Richard  
6 Lawson knew or recklessly failed to know that information concerning Infor's offer and the  
7 resulting merger discussions and market check was confidential and that he was not permitted to  
8 disclose that information.  
9

10 44. In each instance described above in which Richard Lawson conveyed material,  
11 nonpublic information to William Lawson or Cerullo (see ¶¶ 28-29, 35, 37-38, above), Richard  
12 Lawson knew, or recklessly failed to know, that providing such information constituted a  
13 violation of his duties to the Company and its shareholders. Richard Lawson also knew, or  
14 recklessly failed to know, that William Lawson and Cerullo would trade on the basis of the  
15 nonpublic information.  
16

17 45. As co-founders and former employees of the Company, William Lawson and  
18 Cerullo knew, or recklessly failed to know, that Lawson Software policies and procedures  
19 prohibited employees and Board members from the unauthorized disclosure of material,  
20 nonpublic information and from trading in Lawson Software securities while in possession of  
21 such information. William Lawson and Cerullo also knew, or recklessly failed to know, that  
22 Richard Lawson was subject to these Company policies and procedures regarding the use of  
23 material, nonpublic information, and that any disclosure of such information by Richard Lawson  
24 would constitute a breach of his duties to the Company and its shareholders.  
25

26 46. In each instance described above in which they received nonpublic information  
27 from Richard Lawson and then traded Lawson Software securities on the basis of such nonpublic  
28

1 information (see ¶¶ 28-31, 35-39, above), William Lawson and Cerullo knew, or recklessly failed  
2 to know, that such information was provided to them in breach of Richard Lawson's duties to the  
3 Company and its shareholders.

4 47. Richard Lawson intended to, and did, provide the nonpublic information as a gift  
5 to his brother and close friend; and the information conveyed a personal benefit on them.  
6

7 **FIRST CLAIM FOR RELIEF**  
8 **Violations of Section 10(b) of the Exchange Act and Rule 10b-5 Thereunder**

9 48. Paragraphs 1 through 47 are re-alleged and incorporated by reference.

10 49. By reason of the conduct described above, Defendants Richard Lawson, William  
11 Lawson, and John Cerullo, with scienter, by use of the means or instrumentalities of interstate  
12 commerce or of the mails, in connection with the purchase or sale of securities, directly or  
13 indirectly:

14 (a) employed devices, schemes or artifices to defraud;

15 (b) made untrue statements of material facts or omitted to state material facts  
16 necessary in order to make the statements made, in light of the circumstances under which  
17 they were made, not misleading; and/or

18 (c) engaged in acts, practices, or courses of business which operate or would  
19 operate as a fraud or deceit upon any persons, including purchases or sellers of the  
20 Company's securities.  
21

22 50. By reason of the conduct described above, the Defendants violated Section 10(b)  
23 of the Exchange Act [*15 U.S.C. § 78j(b)*] and Rule 10b-5 [*17 C.F.R. § 240.10b-5*] thereunder and  
24 unless restrained and enjoined will continue to do so.  
25

26 **SECOND CLAIM FOR RELIEF**  
27 **Violations of Section 17(a) of the Securities Act**

28 51. Paragraphs 1 through 50 are re-alleged and incorporated by reference.



1 E. Prohibiting Defendant Richard Lawson from acting as an officer or director of any  
2 issuer that has a class of securities registered pursuant to Section 12 of the Exchange Act or that is  
3 required to file reports pursuant to Section 15(d) of the Exchange Act, pursuant to Section 20(e)  
4 of the Securities Act [15 U.S.C. § 77t(e)] and Section 21(d)(2) of the Exchange Act [15 U.S.C. §  
5 78u(d)(2)]; and  
6

7 F. Granting such other and further relief as the Court deems just and appropriate.  
8

9 Dated: May 12, 2014

Respectfully submitted,

11 /s/ Michael S. Fuchs  
12 Michael S. Fuchs (D.C. Bar No. 431440)  
13 C. Joshua Felker  
14 Attorneys for Plaintiff  
SECURITIES AND EXCHANGE  
COMMISSION

15 Of Counsel:  
16 Steven L. Cohen, Esq.  
17 Securities and Exchange Commission  
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