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**UNITED STATES DISTRICT COURT
DISTRICT OF NEW JERSEY**

SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

v.

JOHN LAZORCHAK,
MARK S. CUPO,
MARK D. FOLDY,
MICHAEL L. CASTELLI,
LAWRENCE D. GRUM,
MICHAEL T. PENDOLINO, and
JAMES N. DEPRADO,

Defendants.

Case No.

**COMPLAINT FOR
VIOLATIONS OF
THE FEDERAL
SECURITIES LAWS**

Plaintiff Securities and Exchange Commission (the "Commission"), 701 Market Street, Suite 2000, Philadelphia, Pennsylvania, 19106, alleges as follows against the following defendants: John Lazorchak ("Lazorchak"), 8 Middlesworth Farm Road, Long Valley, NJ, 07853; Mark S. Cupo ("Cupo"), 10 Medford Road, Morris Plains, NJ 07950; Mark D. Foldy ("Foldy"), 28 Forest Avenue, Morris Plains, NJ 07950; Michael Castelli ("Castelli"), 39 Meadow Bluff Road, Morris Plains, NJ 07950; Lawrence D. Grum ("Grum"), 30 N. Ashby Avenue,

Livingston, NJ, 07039; Michael Pendolino (“Pendolino”), 103 Vine Street, Nashua, NH 03060; and James N. Deprado (“Deprado”), 40487 Banshee Drive, Leesburg, Va. 20175 (collectively, the “Defendants”).

SUMMARY

1. This action involves a carefully orchestrated insider trading scheme between high school friends who had known each other for decades, designed to allow themselves and their friends and families to profit from confidential business information the insiders obtained from their employers. This scheme spanned five years, involved three health care company insiders and eleven corporate events, and resulted in more than \$1.7 million in kickbacks and illegal profits. In almost all instances the corporate insiders were paid in cash for passing the inside information.

2. To avoid detection, the Defendants passed the information through middlemen, engaged in extraneous trading in an attempt to camouflage their unlawful trades, and created false research files to give the appearance of legal trading. Indeed, Defendant Grum, who traded on and tipped to others the inside information that he received, reassured Defendant Cupo that discovery of the scheme and consequent legal action was unlikely, in part because of limited government resources to police such illegal activity, stating: “At the end of the day, the SEC’s got to pick their battle because they have a limited number of people and huge numbers of investors to go after.”

3. The scheme began in 2007, when Defendants Lazorchak, Cupo, Grum, and Castelli agreed that Lazorchak, an insider at Celgene Corporation (“Celgene”), would provide to Grum and Castelli, through Cupo, material, nonpublic information that he learned in connection with his employment at Celgene. Lazorchak then used his position at Celgene and access to the company’s confidential information to tip material, nonpublic information regarding Celgene’s acquisition of

Pharmion Corporation and Abraxis Bioscience, Inc., as well as corporate earnings and Celgene's withdrawal of a request to expand use of the drug Revlimid.

4. The scheme expanded in participants over time, with Cupo, the Director of Accounting and Reporting at (then) Sanofi-Aventis Corporation ("Sanofi") tipping material, nonpublic information regarding Sanofi acquisition of Chatterm, Inc.; and Foldy, a marketing employee at Stryker Corporation ("Stryker") tipping material, nonpublic information regarding Stryker's acquisition of Orthovita, Inc. The Defendants perpetuated the scheme by passing the information on to co-defendants and others, and/or illegally trading on the basis of the tipped information.

5. By knowingly and/or recklessly engaging in the conduct described in this Complaint, each of the Defendants violated and unless enjoined will continue to violate Sections 10(b) and 14(e) of the Securities Exchange Act of 1934 ("Exchange Act") [15 U.S.C. §§ 78j(b), 78n(e)], and Rules 10b-5 and 14e-3 thereunder [17 C.F.R. §§ 240.10b-5, 240.14e-3]; and Defendants Castelli and Grum also violated Section 17(a) of the Securities Act of 1933 ("Securities Act"), [15 U.S.C. § 77q].

JURISDICTION AND VENUE

6. The Commission brings this action pursuant to Section 20(b) of the Securities Act [15 U.S.C. § 77t(b)], and Sections 21(d) and 21A of the Exchange Act [15 U.S.C. §§ 78u(d) and 78u-1], to enjoin such acts, practices, and courses of business, and to obtain disgorgement, prejudgment interest, civil money penalties and such other and further relief as the Court may deem just and appropriate.

7. This Court has jurisdiction over this action pursuant to Sections 20(b) and (c), and 22 of the Securities Act [15 U.S.C. §§ 77t(b) and (c), 77v], and Sections 21(d) and (e), 21A, and 27 of the Exchange Act [15 U.S.C. §§ 78u(d) and (e), 78u-1 and 78aa].

8. Venue in this District is proper because the Defendants are found, inhabit, and/or transact business in the District of New Jersey and/or because one or more acts or transactions constituting the violation occurred in the District of New Jersey.

9. In connection with the conduct alleged in this Complaint, the Defendants made use of a means or instrumentality of interstate commerce, the mails, and/or of a facility of a national securities exchange.

DEFENDANTS

10. **John Lazorchak**, age 42, resides in Long Valley, New Jersey. Lazorchak is a Certified Public Accountant licensed in the state of New Jersey. He has been employed by Celgene in its financial reporting department since August 2007 and has been Celgene's Director of Financial Reporting since, at least, February 2008. He previously worked with Cupo at Sanofi. Lazorchak attended high school with Pendolino, Foldy, and Deprado.

11. **Mark Cupo**, age 51, resides in Morris Plains, New Jersey. He is a Certified Public Accountant licensed in the state of New Jersey and he is the Director of Accounting and Reporting at Sanofi. Cupo is friends with Castelli, previously worked with Lazorchak at Sanofi, and attends meetings of a winemaking club with both Castelli and Tippee 5.

12. **Mark Foldy**, age 42, resides in Morris Plains, New Jersey. He is employed by Stryker in its marketing department. Foldy attended high school with Defendants Pendolino, Lazorchak, and Deprado, and he is related to Tippee 6.

13. **Michael Castelli**, age 48, resides in Morris Plains, New Jersey. He is friends with Cupo, attended high school with Grum, and maintained office space in the same building as Grum at times relevant to this Complaint. He also attends meetings of a winemaking club with both Cupo and Tippee 5.

14. **Lawrence Grum**, age 48, resides in Livingston, New Jersey. Grum obtained his Series 7 license in or around 1987. He worked as an analyst of mortgage backed securities and a securities trader between 1986 and 1990. Grum attended high school with Castelli, maintained office space in the same building as Castelli at times relevant to this Complaint, is related to Tippee 1 and Tippee 7, and is friends with Tippee 2 and Tippee 5.

15. **Michael Pendolino**, age 43, is a resident of Nashua, New Hampshire. Pendolino attended high school with Lazorchak, Foldy, and Deprado, was friends with Tippee 3, and was a business associate of Tippee 4.

16. **James Deprado**, age 42, is a resident of Leesburg, Virginia. Deprado attended high school with Lazorchak, Pendolino, and Foldy.

OTHER RELEVANT ENTITIES

17. **Abraxis BioScience, Inc. (“Abraxis”)** was a biotechnology company incorporated in Delaware with its principal place of business in Los Angeles, California. At all relevant times, Abraxis had a class of securities registered pursuant to Section 12 of the Exchange Act, 15 U.S.C. § 78l, under the ticker “ABII” on the NASDAQ Stock Market (the “NASDAQ”). Abraxis was acquired by Celgene Corporation in 2010 and its securities registration was terminated.

18. **Celgene Corporation** is a biopharmaceutical company incorporated in Delaware with its principal place of business in Summit, New Jersey. At all relevant times, Celgene had a class of securities registered pursuant to Section 12 of the Exchange Act, 15 U.S.C. § 78l, under the ticker “CELG” on the NASDAQ.

19. **Chattem, Inc. (“Chattem”)** was a healthcare company with its principal place of business in Chattanooga, Tennessee. At all relevant times, Chattem had a class of securities

registered pursuant to Section 12 of the Exchange Act, 15 U.S.C. § 78l, under the ticker “CHTT” on the NASDAQ. Chattem was acquired by Sanofi-Aventis (now Sanofi) in 2009 and its securities registration was terminated.

20. **Orthovita, Inc.** (“Orthovita”) was a specialty spine and orthopedic company incorporated in Pennsylvania with its principal place of business located in Malvern, Pennsylvania. At all relevant times, Orthovita had a class of securities registered pursuant to Section 12 of the Exchange Act, 15 U.S.C. § 78l, under the ticker “VITA” on the NASDAQ. Orthovita was acquired by Stryker Corporation in 2011 and its securities registration was terminated.

21. **Pharmion Corporation** (“Pharmion”) was a pharmaceutical company incorporated in Delaware with its principal place of business in Boulder, Colorado. At all relevant times, Pharmion had a class of securities registered pursuant to Section 12 of the Exchange Act, 15 U.S.C. § 78l, under the ticker “PHRM” on the NASDAQ. Pharmion was acquired by Celgene in 2007 and its securities registration was terminated.

22. **Sanofi** is a pharmaceutical company incorporated in France with the principal office of its U.S. subsidiary located in Bridgewater, New Jersey. On May 6, 2011, the shareholders approved a proposal by the Sanofi-Aventis board to change the company’s name to “Sanofi,” from “Sanofi-Aventis.” At all relevant times, Sanofi had a class of securities registered pursuant to Section 12 of the Exchange Act, 15 U.S.C. § 78l, under the ticker “SNY” on the New York Stock Exchange.

23. **Stryker Corporation** is a medical technology company incorporated in the state of Michigan with its principal place of business in Kalamazoo, Michigan. At all relevant times,

Stryker had a class of securities registered pursuant to Section 12 of the Exchange Act, 15 U.S.C. § 78l, under the ticker “SYK” on the New York Stock Exchange.

24. **Tippee 1** is related to Defendant Grum.
25. **Tippee 2** is a friend of Defendant Grum.
26. **Tippee 3** is a friend of Defendant Pendolino.
27. **Tippee 4** is a former colleague of Defendant Pendolino.
28. **Tippee 5** went to high school with Defendants Castelli and Grum.
29. **Tippee 6** is related to Defendant Foldy.
30. **Tippee 7** is related to Defendant Grum.

THE MATERIAL EVENTS

31. At issue in this matter is the illegal trading in the securities of Pharmion, Chattem, Abraxis, Orthovita, and Celgene in advance of the public announcements of the following eleven events, collectively referred to herein as the “Material Events.”

32. **The Celgene-Pharmion Acquisition:** Prior to the opening of the market on November 19, 2007, Pharmion and Celgene issued a joint press release publicly announcing that Celgene had agreed to acquire Pharmion for \$2.9 billion in cash and stock.

33. **The Sanofi-Chattem Tender Offer:** Prior to the opening of the market on December 21, 2009, Chattem and Sanofi-Aventis issued a joint press release announcing that Sanofi agreed to acquire the outstanding shares of Chattem in a cash tender offer for \$93.50 per share, or approximately \$1.9 billion. The transaction was approved and became effective on March 10, 2010.

34. **The Celgene-Abraxis Acquisition:** Prior to the opening of the market on June 30, 2010, Celgene and Abraxis issued a joint press release publicly announcing that Celgene had agreed to acquire Abraxis for \$2.9 billion, net of cash.

35. **The Stryker-Orthovita Tender Offer:** Prior to the opening of the market on May 16, 2011, Orthovita announced that Stryker had agreed to acquire Orthovita through an all cash tender offer to acquire the outstanding shares of Orthovita stock for \$3.85 per share, or approximately \$316 million.

36. **The Celgene Quarterly Earnings:** At all relevant times, Celgene publicly announced its quarterly earnings results after every fiscal quarter. As described herein, illegal trades were made in advance of six of these earnings announcements, released to the public on the following dates: October 22, 2009; April 29, 2010; July 29, 2010; October 28, 2010; July 28, 2011; and April 26, 2012.

37. **The Revlimid Withdrawal:** In December 2010, Celgene submitted an application to the European Medicines Agency's Committee for Medicinal Products for Human Use ("CHMP") seeking approval to expand the use of its blood cancer drug, Revlimid, which was already approved for certain uses in the U.S. and Europe. Prior to the opening of the market on June 21, 2012, Celgene announced that it was withdrawing its application to the CHMP.

OVERVIEW

38. In or around August 2007, Lazorchak joined Celgene's financial reporting department and relocated to New Jersey shortly thereafter. As one of his first assignments in his new position, he became part of the group of Celgene employees working on the Celgene-Pharmion Acquisition, reviewing Pharmion's financial information.

39. Around this same time, Lazorchak met with Cupo, his friend and former colleague at Sanofi, and discussed Lazorchak's new position with Celgene and that Lazorchak would be working on mergers and acquisitions. Lazorchak also disclosed to Cupo that he was currently working on Celgene's possible acquisition of Pharmion.

40. Cupo discussed Lazorchak's new position with his friend, Castelli, and Castelli, in turn, discussed Lazorchak's position and his access to nonpublic information with Grum, who Castelli knew to be a sophisticated securities trader with knowledge of the securities industry.

41. Castelli and Grum devised a scheme by which Lazorchak, through Cupo, would provide material, nonpublic information that he learned in the course of his employment at Celgene to Castelli and Grum, on which Castelli and Grum would illegally trade and profit. Cupo would act solely as a middleman and would not trade. In this way, there would be no direct connection between the Celgene insider (Lazorchak) and the traders (Castelli and Grum).

42. As part of the scheme, Castelli and Grum would compensate both Cupo and Lazorchak for the information, paying Cupo directly, and directing money to Lazorchak through Cupo. One or both of Castelli and Grum would meet with Cupo to make these cash payments, and larger sums were paid in installments to avoid any scrutiny of large cash withdrawals.

43. Cupo agreed to participate in the scheme and secured Lazorchak's agreement and participation.

44. Castelli and Grum deliberately structured the scheme to avoid detection of their illegal activities. For instance, they would only deal directly with the non-trader, Cupo; had no direct connection to Lazorchak; and Cupo did not identify Castelli and Grum to Lazorchak by name. They largely interacted with Cupo in person to avoid any type of communication trail. They traded in Celgene securities at times when they did not have material, nonpublic

information to create a cluttered history of trading in the securities of that company and thereby conceal their illegal trades. In addition, they created contemporaneous paper files, including stock research and e-mails, purporting to justify their illegal trades if those trades were ever questioned by authorities.

45. At times during the course of the scheme, Castelli and Grum reassured Cupo regarding the safety of the scheme by recounting the efforts at concealment described above, including the existence and maintenance of their paper files. Cupo passed this information on to Lazorchak.

46. The insider trading ring grew, with Lazorchak illegally tipping material, nonpublic information about certain of the Material Events to Pendolino and Foldy, each of whom compensated Lazorchak and traded on the information and/or illegally tipped the information to others, including Deprado, and Tippees 3, 4, and 6. In addition, the downstream tipping chain to Castelli and Grum, through Cupo, expanded to include tips on occasion to Tippees 1, 2, 5, and 7.

47. Moreover, although Lazorchak was the original source of the material nonpublic information for most of the Material Events, Cupo and Foldy each provided illegal tips of their own -- Cupo on the Sanofi-Chattem Tender Offer, and Foldy on the Stryker-Orthovita Tender Offer -- and each received compensation for those tips from Castelli and Grum.

**Illegal Tipping and Trading in Connection
With the Celgene-Pharmion Acquisition**

48. Prior to the public announcement of the Celgene-Pharmion Acquisition on November 19, 2007 (the "Celgene-Pharmion Announcement"), Lazorchak tipped material, nonpublic information about that transaction to Cupo, Foldy, and Pendolino. Cupo tipped Castelli and Grum, both Castelli and Grum illegally traded on the basis of that information, and

Grum tipped Tippee 1 and Tippee 2. Pendolino and Foldy illegally traded on the basis of that information, and Pendolino tipped Deprado, Tippee 3, and Tippee 4, each of whom traded.

49. As an employee in the financial reporting department at Celgene, Lazorchak had access to material, nonpublic information regarding the Celgene-Pharmion Acquisition including the name of the target company, expected purchase price, and the date of the transaction.

***Lazorchak Tipped Cupo, Cupo Tipped Castelli and Grum,
and Castelli and Grum Illegally Traded in Pharmion Securities.***

50. Lazorchak tipped material, nonpublic information about the Celgene-Pharmion Acquisition (the “Celgene-Pharmion Inside Information”) to Cupo, including that Celgene was looking to acquire Pharmion and that the expected purchase price would include a premium, meaning that Celgene had offered to purchase the stock of Pharmion at a price above the current market value. Lazorchak continued to provide Cupo with additional Celgene-Pharmion Inside Information, including updates, through the date of the Celgene-Pharmion Announcement.

51. Cupo tipped to Castelli and Grum the Celgene-Pharmion Inside Information that he received from Lazorchak. When Lazorchak tipped to Cupo additional Celgene-Pharmion Inside Information, Cupo also passed that information to Castelli and Grum.

52. Between September 25, 2007 and November 15, 2007, on the basis of the Celgene-Pharmion Inside Information tipped to him by Cupo, Castelli purchased the following Pharmion securities in his brokerage account:

- a. 5,925 shares of stock;
- b. 37 call options with a \$50 strike price and a January 2008 expiration;
- c. 10 call options with a \$55 strike price and a January 2008 expiration;
- d. 20 call options with a \$55 strike price and a November 2007 expiration; and
- e. 30 call options with a \$55 strike price and a December 2007 expiration.

Since at least January 2005, Castelli had not previously traded in Pharmion securities in this brokerage account.

53. Between September 21, 2007 and November 16, 2007, on the basis of the Celgene-Pharmion Inside Information tipped to him by Cupo, Grum purchased the following Pharmion securities in two of his brokerage accounts:

- a. 8,100 shares of stock;
- b. 5 call options with a \$50 strike price and a November 2007 expiration;
- c. 25 call options with a \$50 strike price and a January 2008 expiration;
- d. 10 call options with a \$55 strike price and a January 2008 expiration;
- e. 25 call options with a \$55 strike price and a November 2007 expiration; and
- f. 47 call options with a \$55 strike price and a December 2007 expiration.

Since at least January 2005, Grum had not previously traded in Pharmion securities in these brokerage accounts.

54. Before the market opened on November 19, 2007, Pharmion and Celgene issued the Celgene-Pharmion Announcement. That day, Pharmion's stock price closed at \$65.12 per share, an increase of \$15.84 per share, or approximately 32% over the prior day's closing price of \$49.28 per share. That same day, Pharmion's trading volume increased by over 847% to more than 8 million shares.

55. For reasons related to the scheme, Castelli and Grum sold some of their Pharmion securities prior to the Celgene-Pharmion Announcement.

56. On November 19, 2007, after the Celgene-Pharmion Announcement, Castelli sold his remaining Pharmion securities. In total, Castelli illegally profited by more than \$139,000.

57. Also on November 19, 2007, after the Celgene-Pharmion Announcement, Grum sold all of his remaining Pharmion holdings except 1,000 shares of Pharmion stock for a profit exceeding \$172,500. He sold his remaining 1,000 Pharmion shares on January 17, 2008, for a profit exceeding \$15,000. In total, Grum received more than \$189,000 in illegal profits.

58. After the Celgene-Pharmion Announcement, Castelli made payments to Cupo totaling \$10,000 or more. Castelli also gave Cupo money for Lazorchak and by January 2008, Cupo had made three \$5,000 payments to Lazorchak. These cash payments were compensation from Castelli and Grum for the Celgene-Pharmion Inside Information.

Grum Tipped Tippee 1 and Tippee 2.

59. While in possession of the Celgene-Pharmion Inside Information, Grum also tipped Tippee 1 and Tippee 2, recommending that they purchase Pharmion stock. Between November 15, 2007 and November 16, 2007, Tippee 1 and Tippee 2 purchased 2,115 shares and 2,000 shares of Pharmion stock, respectively, on the basis of the tipped information.

60. On November 19, 2007, after the Celgene-Pharmion Announcement, Tippee 1 and Tippee 2 sold their Pharmion stock, resulting in illegal profits exceeding \$39,500 and \$36,500, respectively.

***Lazorchak Tipped Foldy and
Foldy Illegally Traded in Pharmion Securities.***

61. Lazorchak provided to Foldy Celgene-Pharmion Inside Information, including that Celgene was looking to acquire Pharmion and that the expected purchase price would include a premium. Lazorchak continued to provide Foldy with additional Celgene-Pharmion Inside Information, including updates, through the date of the Celgene-Pharmion Announcement.

62. Cognizant of the illegality of their conduct, Lazorchak and Foldy devised and used code phrases while conversing to identify instances in which Lazorchak was passing on Celgene-Pharmion Inside Information, or Foldy was seeking the same.

63. Between September 24, 2007 and November 16, 2007, on the basis of the Celgene-Pharmion Inside Information tipped to him by Lazorchak, Foldy bought 800 shares of Pharmion stock in his brokerage account. Since at least January 2006, Foldy had not previously traded in Pharmion securities in this brokerage account.

64. After the Celgene-Pharmion Announcement, Foldy sold his Pharmion securities. In total, he illegally profited by more than \$14,500.

65. Lazorchak repeatedly demanded that Foldy compensate him for the tipped Celgene-Pharmion Inside Information. Foldy ultimately paid Lazorchak at least \$500 and later tipped to him material, nonpublic information about the Stryker-Orthovita Tender Offer.

Lazorchak Tipped Pendolino, Who Illegally Traded in Pharmion Securities; Pendolino Tipped Deprado, Tippee 3, and Tippee 4.

66. Lazorchak tipped Celgene-Pharmion Inside Information to Pendolino, including that Celgene was looking to acquire Pharmion and that the expected purchase price would include a premium. Lazorchak continued to provide Pendolino with additional Celgene-Pharmion Inside Information, including updates, through the date of the Celgene-Pharmion Announcement.

67. Between September 25, 2007 and November 16, 2007, on the basis of the Celgene-Pharmion Inside Information tipped to him by Lazorchak, Pendolino purchased in two of his brokerage accounts 3,045 shares of Pharmion stock and 17 Pharmion call options with a \$55 strike price, expiring in December 2007. Since at least January 2007, Pendolino had not previously traded in Pharmion securities in these brokerage accounts.

68. While in possession of the Celgene-Pharmion Inside Information, Pendolino tipped that information to Deprado; he also tipped the Celgene-Pharmion Inside Information to Tippee 3 and Tippee 4, recommending that they purchase Pharmion stock. Pendolino also revealed to Deprado that Lazorchak, a Celgene insider, was the source of tipped information. When Lazorchak tipped additional Celgene-Pharmion Inside Information to Pendolino, Pendolino tipped that information to Deprado.

69. Between September 27, 2007, and November 6, 2007, on the basis of the Celgene-Pharmion Inside Information tipped to him by Pendolino, Deprado purchased in two of his brokerage accounts 1,894 shares of Pharmion stock and 5 call options with a \$55 strike price, expiring in December 2007. Since at least January 2007, Deprado had not previously traded in Pharmion securities in those brokerage accounts.

70. On November 16, 2007, on the basis of the Celgene-Pharmion Inside Information Pendolino tipped to Tippee 3, Tippee 3 bought 205 shares of Pharmion stock.

71. On November 16, 2007, on the basis of the Celgene-Pharmion Inside Information Pendolino tipped to Tippee 4, Tippee 4 purchased 333 shares of Pharmion stock.

72. For reasons related to the scheme, each of Pendolino and Deprado sold some of their Pharmion securities prior to the Celgene-Pharmion Announcement.

73. On November 19 and 20, 2007, after the Celgene-Pharmion Announcement, Pendolino sold his remaining Pharmion securities holdings. Also after the Celgene-Pharmion Announcement, Deprado, Tippee 3, and Tippee 4 each sold their Pharmion securities holdings, resulting in illegal profits of more than \$37,000, \$15,500, \$3,000, and \$6,000, respectively.

74. After the Celgene-Pharmion Announcement, Pendolino paid Lazorchak at least \$500 in cash for the illegal tip of the Celgene-Pharmion Inside Information.

The Pharmion Inquiry

75. In or around the spring of 2008, Celgene received an inquiry from a regulator in connection with the Celgene-Pharmion Transaction (the “Pharmion Inquiry”). Among other things, the regulator provided to Celgene a list of persons who traded in advance of the Celgene-Pharmion Announcement and requested that Celgene ask those who worked on the Celgene-Pharmion Transaction whether they knew any of the listed individuals. The list included the names of Foldy and Pendolino. Lazorchak falsely responded to Celgene that he did not know any of the listed individuals.

76. Lazorchak informed both Pendolino and Foldy that they had been identified as traders in the Pharmion Inquiry and that he had not disclosed his relationship with them.

77. Lazorchak also informed Cupo of the Pharmion Inquiry. This was one of the occasions described above, in which Cupo reassured Lazorchak by recounting Castelli and Grum’s efforts at concealment, including the creation of purported research files to justify their illegal trades in the event those trades were ever questioned.

**Illegal Tipping and Trading in Connection
with the Sanofi-Chattem Tender Offer**

78. Prior to the public announcement of the Sanofi-Chattem Tender Offer on December 21, 2009 (the “Sanofi-Chattem Announcement”), Cupo tipped material, nonpublic information about the Sanofi-Chattem Tender Offer to Castelli and Grum, each of whom illegally traded on the basis of that information, and Castelli and Grum tipped Tippee 5.

***By December 18, 2009, Substantial Steps Had Been Taken
to Complete The Sanofi-Chattem Tender Offer.***

79. By December 18, 2009, substantial steps had been taken to complete Sanofi’s tender offer to acquire Chattem.

80. Among other things, the companies had each retained financial advisors and legal counsel, executed a confidentiality agreement, exchanged proposals and draft merger agreements, conducted due diligence, and were negotiating the final terms of the Merger Agreement.

81. Two days later, on December 20, 2009, the Chattem Board of Directors approved the transaction and all agreements were finalized and executed.

***Cupo Tipped Castelli and Grum,
and Grum and Castelli Illegally Traded in Chattem Securities.***

82. At relevant times, Cupo was the Director of Accounting and Reporting at Sanofi. A few days prior to the Sanofi-Chattem Announcement, Cupo learned of the imminent tender offer.

83. Cupo tipped material, nonpublic information about the Sanofi-Chattem Tender Offer (the “Sanofi-Chattem Inside Information”), including the identity of the involved parties and the fact that an announcement of a tender offer was imminent, to Castelli and Grum.

84. On December 18, 2009, on the basis of the Sanofi-Chattem Inside Information tipped to him by Cupo, Castelli purchased 1,000 shares of Chattem stock in his brokerage account. Since at least January 2005, Castelli had not previously traded in Chattem securities in this account.

85. Also on December 18, 2009, on the basis of the Sanofi-Chattem Inside Information tipped to him by Cupo, Grum purchased 1,170 shares of Chattem stock in his brokerage account. Since at least January 2005, Grum had not previously traded in Chattem securities in this account.

86. Before the market opened on December 21, 2009, Sanofi and Chattem issued the Sanofi-Chattem Announcement. That day, Chattem’s stock price closed at \$93.14 per share, an

increase of \$23.16 per share, or approximately 33% over the prior day's closing price of \$69.98 per share. That same day, Chattem's trading volume increased by 3,204% to over 10.4 million shares.

87. On December 21, 2009, after the Sanofi-Chattem Announcement, Castelli and Grum sold all of their Chattem securities. In total, they illegally profited by more than \$23,000 and \$27,000, respectively.

88. After the Sanofi-Chattem Announcement, Castelli and Grum met with Cupo and gave him a cash payment of at least \$1,000 for the illegal tip of the Sanofi-Chattem Inside Information.

***Castelli and Grum Tipped Tippee 5 and
Tippee 5 Traded in Chattem Securities.***

89. While in possession of Sanofi-Chattem Inside Information, Castelli and Grum tipped their friend, Tippee 5, recommending that he purchase Chattem stock and, on December 18, 2009, Tippee 5 purchased 1,998 shares of Chattem stock.

90. On December 21, 2009, after the Sanofi-Chattem Announcement, Tippee 5 sold his Chattem securities, resulting in illegal profits of more than \$46,500.

**Illegal Tipping and Trading in Connection
with the Celgene-Abraxis Acquisition**

91. Prior to the public announcement of the Celgene-Abraxis Acquisition on June 30, 2010 (the "Celgene-Abraxis Announcement"), Lazorchak tipped material, nonpublic information about that transaction to Cupo, who tipped that information to Castelli and Grum. Castelli and Grum illegally traded on the basis of that information and tipped Tippee 5.

92. As Director of Financial Reporting at Celgene, Lazorchak had continuous access to material, nonpublic information regarding the Celgene-Abraxis Acquisition including the name of the target company, expected purchase price, and the date of the transaction.

Lazorchak Tipped Cupo, Cupo Tipped Castelli and Grum, and Castelli and Grum Illegally Traded in Abraxis Securities.

93. Lazorchak tipped material, nonpublic information about the Celgene-Abraxis Acquisition to Cupo (the “Celgene-Abraxis Inside Information”), including that Celgene was looking to acquire Abraxis and that the expected purchase price would include a premium. Lazorchak continued to provide Cupo with additional Celgene-Abraxis Inside Information, including updates, through the date of the Celgene-Abraxis Announcement.

94. Cupo tipped the Celgene-Abraxis Inside Information that he learned from Lazorchak to Castelli and Grum. After Lazorchak tipped to Cupo additional Celgene-Abraxis Inside Information, Cupo passed that information on to Castelli and Grum.

95. Between May 24 and June 29, 2010, on the basis of the Celgene-Abraxis Inside Information tipped by Cupo, Castelli and Grum bought 11,326 and 13,175 shares, respectively, of Abraxis common stock in their respective brokerage accounts. Since at least January 2005, neither Castelli nor Grum had previously traded in Abraxis securities in these brokerage accounts.

96. Before the market opened on June 30, 2010, Celgene and Abraxis issued the Celgene-Abraxis Announcement. That day, Abraxis’s stock price closed at \$74.20 per share, an increase of \$12.89 per share, or approximately 21%, over the prior day’s closing price of \$61.31 per share. That same day, Abraxis’s trading volume increased by over 1,557% to over 1.3 million shares.

97. For reasons related to the scheme, Castelli and Grum sold some of their Abraxis securities prior to the Celgene-Abraxis Announcement.

98. On June 30, 2010, after the Celgene-Abraxis Announcement, Castelli and Grum sold their remaining Abraxis securities. In total, they illegally profited by more than \$107,500 and \$123,000, respectively.

99. After the Celgene-Abraxis Announcement, Castelli and Grum made a series of cash payments to Cupo totaling \$10,000 or more. Castelli also gave Cupo money to pay Lazorchak, and Cupo made two payments to Lazorchak totaling \$10,000 or more. These cash payments were compensation from Castelli and Grum for the illegal tip of the Celgene-Abraxis Inside Information.

***Castelli and Grum Tipped Tippee 5 and
Tippee 5 Traded in Abraxis Securities.***

100. While in possession of Celgene-Abraxis Inside Information, Castelli and Grum tipped their friend, Tippee 5, recommending that he purchase Abraxis stock, and on June 28, 2010, Tippee 5 purchased 2,000 shares of Abraxis stock.

101. On June 30, 2010, after the Celgene-Abraxis Announcement, Tippee 5 sold his Abraxis stock holdings, resulting in illegal profits in excess of \$24,500.

**Illegal Tipping and Trading in Connection
with the Stryker-Orthovita Tender Offer**

102. Prior to the public announcement of the Stryker-Orthovita Tender Offer on May 16, 2011 (the “Stryker-Orthovita Announcement”), Foldy tipped material, nonpublic information about that transaction to Lazorchak and Tippee 6. Lazorchak tipped that information to Cupo and Pendolino. Cupo tipped Castelli and Grum, both Castelli and Grum illegally traded on the basis of that information, and Grum tipped Tippee 2 and Tippee 7. Pendolino tipped Deprado,

both Pendolino and Deprado illegally traded on the basis of that information, and Pendolino tipped the information to Tippee 3.

By April 25, 2011, Substantial Steps Had Been Taken to Complete the Stryker-Orthovita Tender Offer.

103. By April 25, 2011, substantial steps had been taken to complete Stryker's tender offer to acquire Orthovita.

104. Among other things, by April 25, 2011, Stryker and Orthovita had each retained financial advisors and legal counsel, executed a confidentiality agreement, were well into the due diligence process, and both companies' boards of directors had been advised of the proposed transaction. In mid-April, Stryker submitted to Orthovita a non-binding proposal and the purchase price was under negotiation.

Foldy Tipped Lazorchak and Tippee 6.

105. At relevant times, Foldy was employed by Stryker in its marketing department. Prior to April 25, 2011, Foldy learned about the Stryker-Orthovita Tender Offer from colleagues with knowledge of that transaction, including that Stryker and Orthovita were in discussions about a tender offer, Stryker was conducting due diligence at Orthovita, and that plans were being made with respect to the integration of the employees of both companies. He similarly received periodic updates about the transaction, including that Stryker approval of the proposed transaction was imminent, and the anticipated date of announcement. Foldy understood from his colleagues and Stryker policies that such information was to remain confidential.

106. Foldy tipped material, nonpublic information about the Stryker-Orthovita Tender Offer to Lazorchak and Tippee 6 (the "Stryker-Orthovita Inside Information"). Foldy continued to provide to, at least, Lazorchak additional Stryker-Orthovita Inside Information, including updates, through the date of the Stryker-Orthovita Announcement.

107. As with the Celgene-Pharmion Acquisition, Lazorchak and Foldy used code phrases while conversing to identify instances in which Foldy was passing on, or Lazorchak was seeking, material, nonpublic information about the Stryker-Orthovita Tender Offer.

108. On May 5, 2011, on the basis of the Stryker-Orthovita Inside Information tipped to Tippee 6 by Foldy, the spouse of Tippee 6 purchased 4,000 shares of Orthovita stock.

109. Before the market opened on May 16, 2011, Orthovita issued the Stryker-Orthovita Announcement. That day, Orthovita's stock price closed at \$3.83 per share, an increase of \$1.10 per share, or approximately 40% over the prior day's closing price of \$2.73 per share. That same day, Orthovita's trading volume increased by over 14,740% to more than 41.5 million shares.

110. On August 8, 2011, after the Stryker-Orthovita Announcement, the spouse of Tippee 6 sold the Orthovita stock, realizing profits exceeding \$5,500.

111. After the Stryker-Orthovita Announcement, Lazorchak gave Foldy a cash payment of at least \$1,000 for the illegal tip of Stryker-Orthovita Inside Information.

***Lazorchak Tipped the Stryker-Orthovita Inside Information to Pendolino,
Pendolino Tipped Deprado and Tippee 3, and
Pendolino, Deprado, and Tippee 3 Traded.***

112. Lazorchak tipped the Stryker-Orthovita Inside Information to Pendolino, who then tipped that information to Deprado. Pendolino also tipped Tippee 3, recommending that he buy Orthovita stock. Lazorchak told Pendolino that the tipped information came from an insider at Stryker and Pendolino communicated this to Deprado.

113. On May 3, 2011, on the basis of the Stryker-Orthovita Inside Information tipped to him by Lazorchak, Pendolino purchased 18,580 shares of Orthovita stock in his brokerage

account. Since at least January 2007, Pendolino had not previously traded in Orthovita securities in that brokerage account.

114. Also on May 3, 2011, on the basis of the Stryker-Orthovita Inside Information tipped by Pendolino, Tippee 3 purchased 550 shares of Orthovita stock in his brokerage account.

115. On May 6, 2011, on the basis of the Stryker-Orthovita Inside Information tipped to him by Pendolino, Deprado bought 12,000 shares of Orthovita stock in his brokerage account. Since at least January 2007, Deprado had not previously traded in Orthovita securities in that brokerage account.

116. On May 16, 2011, after the Stryker-Orthovita Announcement, Pendolino, Deprado, and Tippee 3 sold their Orthovita securities holdings, resulting in illegal profits of more than \$25,500, \$15,000 and \$750, respectively.

117. After the Stryker-Orthovita Announcement, Pendolino paid Lazorchak at least \$3,000 in cash for the illegal tip of the Stryker-Orthovita Inside Information.

118. Deprado compensated Pendolino for the tipped information by paying the rental costs for a beach home shared by the Deprado and Pendolino families during the summer of 2011.

***Lazorchak Tipped Cupo, Cupo Tipped Castelli and Grum,
Castelli and Grum Illegally Traded in Orthovita Securities,
and Grum Tipped Tippee 2 and Tippee 7.***

119. Lazorchak tipped the Stryker-Orthovita Inside Information that he received from Foldy to Cupo. Lazorchak told Cupo that the tipped information came from an insider at Stryker. Lazorchak continued to provide Cupo with additional Stryker-Orthovita Inside Information, including updates, through the date of the Stryker-Orthovita Announcement.

120. Cupo tipped the Stryker-Orthovita Inside Information to Castelli and Grum, telling them that the tipped information came from a friend of Lazorchak, who was an insider at Stryker. As Lazorchak tipped to him additional Stryker-Orthovita Inside Information, Cupo passed that same information on to Castelli and Grum.

121. Between April 25 and May 11, 2011, on the basis of the Stryker-Orthovita Inside Information tipped by Cupo, Castelli and Grum bought, in total, 180,352 and 131,000 shares of Orthovita stock, respectively, in their brokerage accounts. Since, at least, January 2005, neither Castelli nor Grum previously traded in Orthovita securities in those brokerage accounts.

122. While in possession of the Stryker-Orthovita Inside Information, Grum tipped that information to Tippee 2 and Tippee 7, recommending that they purchase Orthovita stock, and between May 6, 2011 and May 11, 2011, Tippee 2 and Tippee 7 purchased 10,000 and 8,500 shares of Orthovita stock, respectively.

123. For reasons related to the scheme, Castelli sold some of his Orthovita securities prior to the Stryker-Orthovita Announcement.

124. On May 16, 2011, after the Stryker-Orthovita Announcement, Castelli, Grum, Tippee 2, and Tippee 7 sold their Orthovita securities holdings, resulting in illegal profits of more than \$180,000, \$188,500, \$13,000, and \$8,000, respectively.

125. After the Stryker-Orthovita Announcement, Castelli made payments to Cupo totaling, at least, \$8,000. Castelli also gave Cupo payments for Lazorchak and Foldy. Cupo, in turn, paid Lazorchak at least \$8,000, and gave to Lazorchak an additional, at least, \$1,000 to pass on to Foldy, which Lazorchak did. These cash payments were compensation from Castelli and Grum for the illegal tip of the Stryker-Orthovita Inside Information.

**Illegal Tipping and Trading in Connection
with Celgene's Quarterly Earnings Announcements**

126. In advance of the public announcements of the Celgene Quarterly Earnings on: (1) October 22, 2009 ("October 2009 Announcement"); (2) April 29, 2010 ("April 2010 Announcement"); (3) July 29, 2010 ("July 2010 Announcement"); (4) October 28, 2010 ("October 2010 Announcement"); (5) July 28, 2011 ("July 2011 Announcement"); and (6) April 26, 2012 ("April 2012 Announcement") (collectively, the "Six Earnings Announcements"), Lazorchak tipped to Cupo material, nonpublic information about that quarter's earnings. Cupo tipped Castelli and Grum. Both Castelli and Grum illegally traded on the basis of that material, nonpublic information, and Castelli and Grum tipped certain of the information to Tippee 5.

127. As Director of Financial Reporting at Celgene, Lazorchak had continuous access to material, nonpublic information regarding the Celgene Quarterly Earnings, including details about the financial results for each fiscal quarter.

***Lazorchak Tipped Cupo, Cupo Tipped Castelli and Grum, Castelli
and Grum Illegally Traded in Celgene Securities and Sometimes Tipped Tippee 5.***

128. For each quarter set forth below, Lazorchak tipped to Cupo material, nonpublic information about that quarter's financial results (the "Celgene Quarterly Earnings Inside Information") and Cupo, in turn, tipped this information to Castelli and Grum:

- a. The quarter ended September 30, 2009;
- b. The quarter ended March 31, 2010;
- c. The quarter ended June 30, 2010;
- d. The quarter ended September 30, 2010;
- e. The quarter ended June 30, 2011; and
- f. The quarter ended March 31, 2012.

129. In advance of the respective earnings announcement for each of the listed quarters, Castelli and Grum each traded on the basis of the Celgene Quarterly Earnings Inside Information tipped to them by Cupo. Their illegal trades reflected the direction in which they expected the Celgene stock price to go based on that information. So, when they expected a Celgene stock price increase, they bought the stock, bought call options, and/or wrote put options. When they expected a Celgene stock price decrease, they sold Celgene stock short, bought put options, and/or wrote call options.

130. While in possession of the Celgene Quarterly Earnings Inside Information for the quarters ended March 31, 2010 and June 30, 2010, Castelli and Grum also tipped Tippee 5, recommending that he buy Celgene stock. Tippee 5 then purchased Celgene securities in advance of the respective earnings announcements for each of those quarters.

131. Celgene made each of the Six Earnings Announcements before the market opened, as set forth below:

- a. On October 22, 2009, Celgene made the October 2009 Announcement, disclosing favorable earnings in relation to market expectations. The price of Celgene securities increased as a result of this announcement;
- b. On April 29, 2010, Celgene made the April 2010 Announcement, disclosing favorable earnings in relation to market expectations. The price of Celgene securities increased as a result of this announcement;
- c. On July 29, 2010, Celgene made the July 2010 Announcement, disclosing favorable earnings in relation to market expectations. The price of Celgene securities increased as a result of this announcement;

- d. On October 28, 2010, Celgene made the October 2010 Announcement, disclosing favorable earnings in relation to market expectations. The price of Celgene securities increased as a result of this announcement;
- e. On July 28, 2011, Celgene made the July 2011 Announcement, disclosing favorable earnings in relation to market expectations. The price of Celgene securities increased as a result of this announcement; and
- f. On April 26, 2012, Celgene made the April 2012 Announcement, disclosing adjusted earnings and quarterly revenue below market expectations. The price of Celgene securities dropped as a result of this announcement.

132. After each of the Six Earnings Announcements, Castelli and Grum closed their positions in Celgene by selling the securities that they had purchased, covering the short positions they held, and/or buying to cover options they had written.

133. After each of the April 2010 Announcement and the July 2010 Announcement, Tippee 5 sold the securities purchased on the basis of the Celgene Quarterly Earnings Inside Information for the respective quarter.

134. In total, the foregoing trading by Castelli, Grum, and Tippee 5 in connection with the Celgene Quarterly Earnings and the Six Earnings Announcements resulted in illegal profits of more than \$106,500, \$120,500, and \$7,000, respectively.

135. After each of the Six Earnings Announcements, Castelli and Grum met with Cupo and gave him payments ranging from \$1,000 to \$3,000. They also provided the same amount to Cupo to pass on to Lazorchak, which he did. These cash payments were compensation for the illegal tips of the Celgene Quarterly Earnings Inside Information.

**Illegal Tipping and Trading in Connection
with the Revlimid Withdrawal**

136. Prior to the public announcement by Celgene of the Revlimid Withdrawal on June 21, 2012 (the “Revlimid Withdrawal Announcement”), Lazorchak tipped material, nonpublic information about that transaction to Cupo, who tipped Castelli and Grum. Both Castelli and Grum illegally traded on the basis of that information.

137. As Director of Financial Reporting at Celgene, Lazorchak had access to material, nonpublic information regarding the Revlimid Withdrawal. Specifically, in or around late May 2012, Lazorchak learned that the CHMP likely would not approve the Revlimid application for expanded use. After learning this, Lazorchak was asked to perform some financial modeling to project the effect the denial would have on Celgene’s financials.

***Lazorchak Tipped Cupo, Cupo Tipped Castelli and Grum,
Castelli and Grum Illegally Traded in Celgene Securities.***

138. In or around May or June of 2012, when Cupo was meeting Lazorchak to pay him money from Castelli and Grum, Cupo asked Lazorchak if he had any information about the Celgene application to the CHMP for expanded use of Revlimid. In response, Lazorchak tipped material, nonpublic information about the Revlimid Withdrawal (the “Revlimid Withdrawal Inside Information”), including the likelihood of CHMP’s rejection of the Celgene application, to Cupo.

139. Cupo tipped this information to Castelli and Grum.

140. Between June 15, 2012 and June 20, 2012, on the basis of the Revlimid Withdrawal Inside Information tipped by Cupo, Castelli purchased the following Celgene securities in his brokerage account: 100 put options with a \$65 strike price and a July 2012 expiration, and 80 put options with a \$67.50 strike price and a July 2012 expiration.

141. Also between June 15, 2012 and June 20, 2012, on the basis of the Revlimid Withdrawal Inside Information tipped by Cupo, Grum purchased the following Celgene securities in his brokerage account: 100 put options with a \$65 strike price and a July 2012 expiration, and 80 put options with a \$67.50 strike price and a July 2012 expiration.

142. On June 20, 2012, Grum also wrote and sold 20 Celgene call options with a \$67.50 strike price and a July 2012 expiration.

143. Before the market opened on June 21, 2012, Celgene issued the Revlimid Withdrawal Announcement. That day, Celgene's stock closed at \$59.45 per share, a decrease of \$7.71 per share or approximately 11.48% over the prior day's close of \$67.16 per share. That same day, Celgene's trading volume increased by over 706% to more than 23.3 million shares.

144. On June 21, 2012, after the Revlimid Withdrawal Announcement, Castelli sold the Celgene securities described above, paragraph 140. In total, he illegally profited by more than \$83,000.

145. Also on June 21, 2012, after the Revlimid Withdrawal Announcement, Grum sold the Celgene securities and closed the positions described above, paragraphs 141 and 142. In total, he illegally profited by more than \$87,500.

146. On or about July 13, 2012, Cupo paid Lazorchak \$3,500 as compensation from Castelli and Grum for the illegal tip of the Revlimid Withdrawal Inside Information. At the same time, Cupo asked Lazorchak if he had any additional material, nonpublic information for Castelli and Grum.

147. Apart from their Celgene securities trading specified herein, Castelli and Grum frequently traded in Celgene securities to create the appearance that they were actively trading

the securities and not simply trading in advance of Celgene related news, thereby attempting to conceal their illegal trading.

The Defendants Each Violated the Federal Securities Laws

***Lazorchak, Cupo, and Foldy Illegally Tipped Information
In Breach of a Duty of Trust or Confidence.***

148. Each of Lazorchak, Cupo, and Foldy violated the federal securities laws by tipping material, nonpublic information in breach of a fiduciary duty or a duty of trust, confidence, and/or loyalty, for personal benefit.

***Lazorchak Violated the Federal Securities Laws by Tipping Material,
Nonpublic Information that He Learned in the Course of his Celgene Employment.***

149. Lazorchak learned the Celgene-Pharmion Inside Information, the Celgene-Abraxis Inside Information, the Celgene Quarterly Earnings Inside Information, and the Revlimid Withdrawal Inside Information (collectively, the “Celgene Inside Information”) in the course of his employment at Celgene.

150. Lazorchak, as an employee of Celgene with access to material nonpublic information, owed a duty of trust or confidence to the shareholders of Celgene. He knowingly or recklessly breached that duty when he tipped the nonpublic Celgene Quarterly Earnings Inside Information and the nonpublic Revlimid Withdrawal Inside Information, which ultimately resulted in the illegal trading of Celgene securities.

151. Lazorchak, as an employee of Celgene with access to material nonpublic information, owed a duty of trust or confidence to his employer, Celgene, to keep such information confidential. He knowingly or recklessly breached this duty when he misappropriated the Celgene-Pharmion Inside Information and the Celgene-Abraxis Inside

Information and tipped that information, which ultimately resulted in the illegal trading of Pharmion and Abraxis securities.

152. Lazorchak's duty to not disclose material nonpublic information that he learned in the course of his employment at Celgene is expressly stated in Celgene's Securities Trading Policy ("Celgene's STP"), which is reviewed by every employee at the start of his or her employment. Specifically, the Celgene STP prohibited, among other things, employee disclosure of any "material information regarding a company that has not been broadly/widely disclosed to the public," including but not limited to "Earnings information," and any "Significant merger, joint venture, partnering, acquisition or sales proposals or agreements" to "anyone, except persons within Celgene or third party agents of Celgene whose positions require them to know it (such as investment banking advisors or outside legal counsel)."

153. In addition, as a condition of employment, all Celgene employees sign an Invention and Confidential Information Agreement that provides, among other things, that the employee "will not, at any time, during or after [the employee's] employment with CELGENE, reveal to anyone or use any ... confidential information of CELGENE and its affiliates except as required to properly perform [the employee's] work for CELGENE. This applies to all information not generally available to the public which [the employee learned] while employed. It can be information about business activities of CELGENE, an affiliated company, a company doing business with CELGENE or a company revealing information in confidence to CELGENE."

154. The Celgene STP further prohibits employees from recommending "the purchase or sale of any securities of any company when they are aware of Inside Information about that company."

155. In each instance described above in which Lazorchak tipped the Celgene Inside Information, Lazorchak:

- a. deliberately or recklessly tipped the information, knowing that there was a reasonable expectation that his tippees would trade on the basis of or tip that information, or recklessly indifferent to the same;
- b. knew or was reckless in not knowing that the information that he tipped was material and nonpublic; and
- c. tipped the information with the expectation of receiving a benefit and received a benefit, often in the form of payments in cash.

Cupo Violated the Federal Securities Laws by Tipping Material, Nonpublic Information that He Learned in the Course of His Sanofi Employment.

156. Cupo learned the Sanofi-Chattem Inside Information in the course of his employment at Sanofi.

157. Cupo, as an employee of Sanofi with access to material nonpublic information, owed a duty of trust or confidence to his employer, Sanofi, to keep such information confidential. Cupo knowingly or recklessly breached this duty when he misappropriated the Sanofi-Chattem Inside Information and tipped that information, which ultimately resulted in the illegal trading of Chattem securities.

158. As early as 2007, Sanofi's Code of Business Conduct entitled "A Prescription for Compliance," which Cupo received, stated that "[i]nformation relating to our business, future business plans, research, and other technical information is a valuable corporate asset" and that "[e]ach employee and contractor must strictly safeguard all confidential and proprietary information" It further provided that Sanofi and "many other companies with which we do business... issue securities that are publicly traded in the U.S." and that "[t]o avoid the risk of

unlawful insider trading, you must not, at any time, use inside information or give inside information to someone else (also known as ‘tipping’) to purchase or sell securities of that Company. To avoid the possibility of unintentional ‘tipping,’ be very cautious about any recommendations to anyone, including family members, friends, or others, the purchase or sale of any security of Sanofi-[A]ventis or any company with which [S]anofi-[A]ventis has a business relationship.”

159. Cupo’s duty to not disclose material, nonpublic information that he learned in the course of his employment at Sanofi is also expressly stated in Sanofi’s “Prevention of insider trading Code of Conduct” (the “Sanofi Code”), which was in effect at the time Cupo tipped the Sanofi-Chattem Inside Information. Among other things, the Sanofi Code provides that employees who have knowledge of “information that, if made public, would have a material impact on the price, whether positive or negative, of the shares of [Sanofi] or another company,” are bound to maintain the confidentiality of that information. According to the Sanofi Code, such information includes earnings, plans for major acquisitions, and the results of important clinical trials. Each employee is asked to sign the last page of the document, acknowledging that he or she has agreed to the Sanofi Code.

160. In each instance described above in which Cupo tipped the Sanofi-Chattem Inside Information, Cupo:

- a. deliberately or recklessly tipped the information, knowing that there was a reasonable expectation that his tippees would trade on the basis of or tip that information, or recklessly indifferent to the same;
- b. knew or was reckless in not knowing that the information that he tipped was material and nonpublic; and

- c. tipped the information with the expectation of receiving a benefit and received a benefit, often in the form of payments in cash.

Foldy Violated the Federal Securities Laws by Tipping Material Nonpublic Information that He Learned in Connection with his Stryker Employment.

161. Foldy learned the Stryker-Orthovita Inside Information in the course of his employment at Stryker.

162. Foldy, as an employee of Stryker with access to material nonpublic information, owed a duty of trust or confidence to his employer, Stryker, to keep such information confidential. He knowingly or recklessly breached this duty when he misappropriated the Stryker-Orthovita Inside Information and tipped that information, which ultimately resulted in the illegal trading of Orthovita securities.

163. Foldy's duty to not disclose the Stryker-Vita Inside Information and, in particular, material nonpublic information about the Stryker Vita Tender Offer, is made clear in Stryker's Confidentiality Policy and Practices ("Stryker's CPP"). In particular, Stryker's CPP states that only those employees who have a "need to know" are made aware of specific transactions and become part of a transaction team. "If a non- team member becomes aware of a transaction, that person is brought into the deal team and receives initial notification of confidentiality responsibilities." In the case of a transaction involving a public company, "the team is advised that they now possess material non-public information and that they may not execute any trading activity in the Target's stock."

164. In each instance described above in which Foldy tipped the Stryker-Orthovita Inside Information, Foldy:

- a. deliberately or recklessly tipped the information, knowing that there was a reasonable expectation that his tippees would trade on the basis of or tip that information, or recklessly indifferent to the same;
- b. knew or was reckless in not knowing that the information that he tipped was material and nonpublic; and
- c. tipped the information with the expectation of receiving a benefit and received a benefit, often in the form of payments in cash.

All of the Defendants Violated the Federal Securities Laws by Tipping, and/or Trading On the Basis of, Material, Nonpublic Information.

165. Each of the Defendants violated the federal securities laws by, for personal benefit, tipping, or trading on the basis of, material nonpublic information that they knew or should have known was tipped to them in breach of a duty of trust or confidence owed by the tipper.

Lazorchak Violated the Federal Securities Laws by Tipping the Material, Nonpublic Information Tipped to Him by Foldy.

166. Lazorchak knew or reasonably should have known that the Stryker-Orthovita Inside Information that he received from Foldy was obtained and transmitted by Foldy in breach of a duty of trust or confidence based on, among other things, his professional experience, his knowledge of Foldy's employer, and his use of code phrases when discussing the Stryker-Orthovita Inside Information with Foldy.

167. In each instance described above in which Foldy disclosed to Lazorchak Stryker-Orthovita Inside Information, Lazorchak assumed a duty to maintain the confidentiality of that

information. Lazorchak knowingly or recklessly breached this inherited duty by tipping that information to Cupo and Pendolino.

168. In each instance described above in which Lazorchak tipped Stryker-Orthovita Inside Information, Lazorchak:

- a. deliberately or recklessly tipped the information, knowing that there was a reasonable expectation that his tippees would trade on the basis of or tip that information, or recklessly indifferent to the same;
- b. knew or was reckless in not knowing that the information that he tipped was material and nonpublic; and
- c. tipped the information with the expectation of receiving a benefit and received a benefit, often in the form of payments in cash.

Cupo Violated the Federal Securities Laws by Tipping to Castelli and Grum Material, Nonpublic Information Tipped to him by Lazorchak.

169. Cupo knew or reasonably should have known that the Celgene Inside Information that Cupo received from Lazorchak was obtained and transmitted by Lazorchak in breach of a duty of trust or confidence. It was precisely Lazorchak's access to this type of material, nonpublic information that caused Grum and Castelli to devise, and Cupo and Lazorchak to participate in, the insider trading scheme.

170. Cupo also knew or reasonably should have known that the Stryker-Orthovita Inside Information that Cupo received from Lazorchak, was obtained and transmitted through a breach of a duty of trust or confidence based on, among other things, his involvement in the illegal insider trading scheme, professional experience, knowledge that the information was from an insider at Stryker, and his payment of compensation from Castelli and Grum for the Stryker-Orthovita Inside Information.

171. In each instance described above in which Lazorchak disclosed to Cupo Celgene Inside Information or Stryker-Orthovita Inside Information, Cupo assumed a duty to maintain the confidentiality of that information. Cupo knowingly or recklessly breached this inherited duty by tipping that material, nonpublic information to Castelli and Grum.

172. In each instance described above in which Cupo tipped Celgene Inside Information or Stryker-Orthovita Inside Information, Cupo:

- a. deliberately or recklessly tipped the information, knowing that there was a reasonable expectation that his tippees would trade on the basis of or tip that information, or recklessly indifferent to the same;
- b. knew or was reckless in not knowing that the information that he tipped was material and nonpublic; and
- c. tipped the information with the expectation of receiving a benefit and received a benefit, often in the form of payments in cash.

Castelli and Grum Violated the Federal Securities Laws by Tipping, and Trading on the Basis of Material, Nonpublic Information Tipped to them by Cupo.

173. Castelli and Grum each knew or reasonably should have known that the Celgene Inside Information that Cupo received from Lazorchak, and Castelli and Grum received from Cupo, was obtained and transmitted through a breach of a duty of trust or confidence. It was precisely Lazorchak's access to this type of material, nonpublic information that caused Castelli and Grum, through Cupo, to propose the insider trading scheme to Lazorchak, and to provide compensation to Cupo and Lazorchak for the information.

174. Castelli and Grum also each knew or reasonably should have known that the Sanofi-Chattem Inside Information that Castelli and Grum received from Cupo, was obtained and transmitted through a breach of a duty of trust or confidence based on, among other things,

their involvement in the illegal insider trading scheme, Grum's substantial experience in the securities industry, their knowledge of Cupo's employer, and their payment of Cupo for the Sanofi-Chattem Inside Information.

175. For similar reasons, including their knowledge that a Stryker insider was the source of the information and was employed by Stryker, and their payment of Cupo, Lazorchak, and Foldy for the Stryker-Orthovita Inside Information, Castelli and Grum also each knew or reasonably should have known that the Stryker-Orthovita Inside Information that Castelli and Grum received from Cupo, was obtained and transmitted through a breach of a duty of trust or confidence.

176. In each instance described above in which Cupo disclosed to Castelli Celgene Inside Information, Sanofi-Chattem Inside Information, and Stryker-Orthovita Inside Information, Castelli assumed a duty to maintain the confidentiality of that information. Castelli knowingly or recklessly breached this inherited duty by trading on the basis of that information and by tipping that information to Grum and Tippee 5.

177. In each instance described above in which Cupo disclosed to Grum Celgene Inside Information, Sanofi-Chattem Inside Information, and Stryker-Orthovita Inside Information, Grum assumed a duty to maintain the confidentiality of that information. Grum knowingly or recklessly breached this inherited duty by trading on the basis of that information and by tipping Tippee 1, Trade 2, Tippee 5, and Tippee 7.

178. Castelli and Grum each knowingly or recklessly traded in Celgene, Pharmion, and Abraxis securities while in possession, and on the basis of the Celgene Inside Information before that information was released to the public.

179. Castelli and Grum each knowingly or recklessly traded in Chattem securities while in possession, and on the basis of the Sanofi-Chattem Inside Information before that information was released to the public.

180. Castelli and Grum each knowingly or recklessly traded in Orthovita securities while in possession, and on the basis of the Stryker-Orthovita Inside Information before that information was released to the public.

181. In each instance described above in which Castelli and Grum tipped the Celgene Inside Information, the Sanofi-Chattem Inside Information, and the Stryker-Orthovita Inside Information, each of Castelli and Grum:

- a. deliberately or recklessly tipped the information, knowing that there was a reasonable expectation that his tippees would trade on the basis of or tip that information, or recklessly indifferent to the same;
- b. knew or was reckless in not knowing that the information that he tipped was material and nonpublic; and
- c. tipped the information with the expectation of receiving a benefit and received a benefit, often in the form of payments in cash.

Foldy Violated the Federal Securities Laws by Trading on the Basis of Material, Nonpublic Information Tipped to Him by Lazorchak.

182. Foldy knew or reasonably should have known that the Celgene-Pharmion Information that he received from Lazorchak was obtained and transmitted by Lazorchak in breach of a duty of trust or confidence based on, among other things, his professional experience, his knowledge of where Lazorchak was employed, his use of code phrases when discussing the Celgene-Pharmion Inside Information with Lazorchak, and his compensation of Lazorchak for that information.

183. In each instance described above in which Lazorchak disclosed to Foldy Celgene-Pharmion Inside Information, Foldy assumed a duty to maintain the confidentiality of that information. Foldy knowingly or recklessly breached this inherited duty by trading on the basis of that information.

184. Foldy knowingly or recklessly traded in Pharmion securities while in possession, and on the basis of the Celgene-Pharmion Inside Information before that information was released to the public.

Pendolino and Deprado Violated the Federal Securities Laws by Tipping and/or Trading on the Basis of Material, Nonpublic Information Tipped to Pendolino by Lazorchak.

185. Pendolino and Deprado knew or reasonably should have known that the Celgene-Pharmion Information that Pendolino received from Lazorchak was obtained and transmitted by Lazorchak in breach of a duty of trust or confidence based on, among other things, their knowledge that Lazorchak was the source of the Celgene-Pharmion Inside Information and that Lazorchak was employed by Celgene.

186. Pendolino and Deprado also each knew or reasonably should have known that the Stryker-Orthovita Inside Information that Pendolino received from Lazorchak was obtained and transmitted through a breach of a duty of trust or confidence based on, among other things, their knowledge that an insider at Stryker had provided the Stryker-Orthovita Inside Information to Lazorchak.

187. In each instance described above in which Lazorchak disclosed to Pendolino Celgene-Pharmion Inside Information and Stryker-Orthovita Inside Information, Pendolino assumed a duty to maintain the confidentiality of that information. Pendolino knowingly or recklessly breached this inherited duty by trading on the basis of that information and by tipping Deprado, Tippee 3, and Tippee 4.

188. In each instance described above in which Pendolino disclosed to Deprado Celgene-Pharmion Inside Information and Stryker-Orthovita Inside Information, Deprado assumed a duty to maintain the confidentiality of that information. Deprado knowingly or recklessly breached this inherited duty by trading on the basis of that information.

189. Pendolino and Deprado each knowingly or recklessly traded in Pharmion securities while in possession, and on the basis of the Celgene-Pharmion Inside Information before that information was released to the public.

190. Pendolino and Deprado each knowingly or recklessly traded in Orthovita securities while in possession, and on the basis of the Stryker-Orthovita Inside Information before that information was released to the public.

191. In each instance described above in which Pendolino tipped Celgene-Pharmion Inside Information and Stryker-Orthovita Inside Information, Pendolino:

- a. deliberately or recklessly tipped the information, knowing that there was a reasonable expectation that his tippees would trade on the basis of or tip that information, or recklessly indifferent to the same;
- b. knew or was reckless in not knowing that the information that he tipped was material and nonpublic; and
- c. tipped the information with the expectation of receiving a benefit and received a benefit, often in the form of payments in cash.

Each of Tippee 1, Tippee 2, Tippee 3, Tippee 4, Tippee 5, and Tippee 7, and the Spouse of Tippee 6 Purchased Securities on the Basis of Material, Nonpublic Information.

192. Prior to the Celgene-Pharmion Announcement, Tippee 1 and Tippee 2 each purchased Pharmion securities on the basis of Celgene-Pharmion Inside Information that Grum tipped to them.

193. Prior to the Celgene-Pharmion Announcement, Tippee 3 and Tippee 4 each purchased Pharmion securities on the basis of Celgene-Pharmion Inside Information that Pendolino tipped to them.

194. Prior to the Sanofi-Chattem Announcement, Tippee 5 purchased Chattem securities on the basis of Sanofi-Chattem Inside Information that Castelli and Grum tipped to Tippee 5.

195. Prior to the Celgene-Abraxis Announcement, Tippee 5 purchased Abraxis securities on the basis of the Celgene-Abraxis Inside Information that Castelli and Grum tipped to Tippee 5.

196. Prior to the Stryker-Orthovita Announcement, the spouse of Tippee 6 purchased Orthovita securities on the basis of the Stryker-Orthovita Inside Information that Foldy tipped to Tippee 6.

197. Prior to the Stryker-Orthovita Announcement, Tippee 2 and Tippee 7 purchased Orthovita securities on the basis of the Stryker-Orthovita Inside Information that Grum tipped to them.

198. Prior to the Stryker-Orthovita Announcement, Tippee 3 traded in Orthovita securities on the basis of the Stryker-Orthovita Inside Information that Pendolino tipped to Tippee 3.

199. Prior to two of the Six Earnings Announcements, Tippee 5 purchased Celgene securities on the basis of Quarterly Earnings Inside Information that Castelli and Grum tipped to Tippee 5.

Lazorchak, Grum, and Castelli Fraudulently Concealed Their Illegal Activities.

200. In the spring of 2008, in connection with the Pharmion Inquiry, Lazorchak actively and deliberately concealed his illegal activity by denying to Celgene, and ultimately, a regulator, any knowledge of, or association with, Foldy and Pendolino, his two high school friends to whom he had tipped the Celgene-Pharmion Inside Information.

201. Moreover, as part of the scheme that Grum and Castelli, through Cupo, proposed to Lazorchak, Grum and Castelli took deliberate, contemporaneous steps to conceal their illegal trading and to create purported research files by which they could justify their trading in the event it was questioned, including trading in a manner to conceal their illegal activity and compiling documents to create the false impression that their trading was legitimate.

202. In sworn testimony during October of 2009, Grum expressly denied having knowledge of the Celgene-Pharmion Acquisition prior to the Celgene-Pharmion Announcement; denied having any Celgene contacts in November 2007; and offered false evidence of legitimate trading.

203. The Commission proceeded with due diligence during the limitations period and commenced this action within that period.

204. These deliberate attempts by Lazorchak, Castelli, and Grum to conceal their securities fraud and to thwart regulatory investigative efforts effectively hid their misconduct until the identification of, among other things, a pattern of coordinated trading by Grum and Castelli in connection with the last ten Material Events, the first two of which were first announced in late 2009, and the last of which occurred in June 2012.

I.

FIRST CLAIM FOR RELIEF

Violations of Section 10(b) of the Exchange Act and Rule 10b-5 thereunder
(Against All Defendants)

205. The Commission re-alleges and incorporates by reference each and every allegation in paragraphs 1 through 204, inclusive, as if they were fully set forth herein.

206. All of the inside information discussed herein, including the Celgene-Pharmion Inside Information, Sanofi-Chattem Inside Information, Celgene-Abraxis Inside Information, Stryker-Orthovita Inside Information, the Celgene Quarterly Earnings Inside Information, and the Revlimid Withdrawal Inside Information, was material and nonpublic.

207. At all relevant times, each Defendant acted knowingly and/or recklessly.

208. The Defendants, by engaging in the conduct described above, knowingly or recklessly, in connection with the purchase or sale of securities, directly or indirectly, by use of the means or instrumentalities of interstate commerce, or the mails, or the facilities of a national securities exchange:

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

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

(c) engaged in acts, practices, or courses of business which operated or would operate as a fraud or deceit upon any person in connection with the purchase or sale of any security.

209. By reason of the foregoing, the Defendants violated, and, unless enjoined, will continue to violate, Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)], and Rule 10b-5 [17 C.F.R. § 240.10b-5], thereunder.

II.

SECOND CLAIM FOR RELIEF

Violations of Section 17(a) of the Securities Act (Against Defendants Castelli and Grum)

210. The Commission re-alleges and incorporates by reference each and every allegation in paragraphs 1 through 209, inclusive, as if they were fully set forth herein.

211. Defendants Castelli and Grum, in the offer or sale of securities, have:

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

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

(c) engaged in acts, practices and courses of business which operate as a fraud or deceit upon purchasers, prospective purchasers, and other persons.

212. By reason of the foregoing, Defendants Castelli and Grum violated, and unless enjoined, will continue to violate Section 17(a) of the Securities Act [15 U.S.C. § 77q].

III.

THIRD CLAIM FOR RELIEF

Violations of Section 14(e) of the Exchange Act and Rule 14e-3 thereunder (Against All Defendants)

213. The Commission re-alleges and incorporates by reference each and every allegation in paragraphs 1 through 212, inclusive, as if they were fully set forth herein.

214. By December 18, 2009, the date of the first illegal trade in Chattem securities alleged herein, substantial steps had been taken to complete Sanofi's tender offer to acquire Chattem.

215. By April 25, 2011, the date of the first illegal trade in Orthovita securities alleged herein, substantial steps had been taken to complete Stryker's tender offer to acquire Orthovita.

216. As described above, Defendant Cupo knew or had reason to know that the Sanofi-Chattem Inside Information was nonpublic information that had been acquired from Sanofi, the offering entity. Cupo was required to refrain from communicating this information to third-parties, including Castelli and Grum, under circumstances in which it was reasonably foreseeable that such communications were likely to result in unlawful trading.

217. Defendant Castelli knew or had reason to know that the Sanofi-Chattem Inside Information was nonpublic information that had been acquired from a representative of Sanofi, the offering entity. Castelli was required to refrain from communicating this information to third-parties, including Tippee 5, under circumstances in which it was reasonably foreseeable that such communications were likely to result in unlawful trading.

218. Defendant Grum knew or had reason to know that the Sanofi-Chattem Inside Information was nonpublic information that had been acquired from a representative of Sanofi, the offering entity. Grum was required to refrain from communicating this information to third-parties, including Tippee 5, under circumstances in which it was reasonably foreseeable that such communications were likely to result in unlawful trading.

219. At the time Defendants Castelli and Grum traded in Chattem securities as described herein, they were in possession of material nonpublic information regarding the Sanofi-Chattem Tender Offer that they knew or had reason to know was nonpublic and acquired

directly or indirectly from a representative of Sanofi, the offering entity, and they traded on the basis of that information.

220. Defendant Foldy knew or had reason to know that the Stryker-Orthovita Inside Information was nonpublic information that had been acquired from Stryker, the offering entity. Stryker was required to refrain from communicating this information to third-parties, including Lazorchak and Tippee 6, under circumstances in which it was reasonably foreseeable that such communications were likely to result in unlawful trading.

221. Defendant Lazorchak knew or had reason to know that the Stryker-Orthovita Inside Information was nonpublic information that had been acquired from a representative of Stryker, the offering entity. Lazorchak was required to refrain from communicating this information to third-parties, including Cupo, under circumstances in which it was reasonably foreseeable that such communications were likely to result in unlawful trading.

222. Defendant Cupo knew or had reason to know that the Stryker-Orthovita Inside Information was nonpublic information that had been acquired from a representative of Stryker, the offering entity. Cupo was required to refrain from communicating this information to third-parties, including Castelli and Grum, under circumstances in which it was reasonably foreseeable that such communications were likely to result in unlawful trading.

223. As described above, Defendant Grum knew or had reason to know that the Stryker-Orthovita Inside Information was nonpublic information that had been acquired from a representative of Stryker, the offering entity. Under the law, Grum was required to refrain from communicating this information to third-parties, including Tippee 2 and Tippee 7, under circumstances in which it was reasonably foreseeable that such communications were likely to result in unlawful trading.

224. Defendant Pendolino knew or had reason to know that the Stryker-Orthovita Inside Information was nonpublic information that had been acquired from a representative of Stryker, the offering entity. Pendolino was required to refrain from communicating this information to third-parties, including Deprado and Tippee 3, under circumstances in which it was reasonably foreseeable that such communications would result in unlawful trading.

225. At the time Defendants Castelli, Grum, Pendolino, and Deprado traded in Orthovita securities as described herein, they were in possession of material nonpublic information regarding the Stryker-Orthovita Tender Offer that they knew or had reason to know was nonpublic and acquired directly or indirectly from a representative of Stryker, the offering entity, and they traded on the basis of that information.

226. By reason of the foregoing, the Defendants violated, and unless enjoined, will continue to violate, Section 14(e) of the Exchange Act [15 U.S.C. § 78n(e)] and Rule 14e-3 thereunder [17 C.F.R. § 240.14e-3].

PRAYER FOR RELIEF

WHEREFORE, the Commission respectfully requests that the Court enter final judgment:

I.

Permanently restraining and enjoining Lazorchak, Cupo, Foldy, Castelli, Grum, Pendolino, and Deprado from, directly or indirectly, engaging in conduct in violation of 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] and from engaging in conduct in violation of Section 14(e) of the Exchange Act [15 U.S.C. § 78n(e)] and Rule 14e-3 thereunder [17 C.F.R. § 240.14e-3];

II.

Permanently restraining and enjoining Castelli and Grum from, directly or indirectly, engaging in conduct in violation of Section 17(a) of the Securities Act [15 U.S.C. § 77q];

III.

Ordering each Defendant to disgorge all ill-gotten gains or unjust enrichment derived from the activities set forth in this Complaint, together with prejudgment interest thereon;

IV.

Ordering each Defendant to disgorge all ill-gotten gains or unjust enrichment derived by their direct and indirect tippees as set forth in this Complaint, together with prejudgment interest thereon;

V.

Ordering each Defendant to pay civil penalties pursuant to Section 21A of the Exchange Act [15 U.S.C. § 78u-1];

VI.


Issue an order pursuant to Section 21(d)(2) of the Exchange Act, 15 U.S.C. §78u(d)(2), barring defendants Lazorchak, Cupo, and Foldy from serving as officers or directors of any issuer that has a class of securities registered with the Commission pursuant to Section 12 of the Exchange Act, 15 U.S.C. §78l, or that is required to file reports with the Commission pursuant to Section 15(d) of the Exchange Act, 15 U.S.C. §78o(d); and

VII.

Grant such other and further relief as this Court may deem just, equitable, or necessary in connection with the enforcement of the federal securities laws and for the protection of investors.

Respectfully submitted,

Date: November 19, 2012

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CERTIFICATION

Pursuant to Local Rule 11.2, I certify that the matter in controversy alleged in the foregoing Complaint is the subject of a criminal action pending in this Court, No.: U.S. v. Lazorchak, et al., Mag. No. 12-6755. The United States is the plaintiff in that matter, and John Lazorchak, Mark S. Cupo, Mark D. Foldy, Michael Castelli, Lawrence D. Grum, and Michael Pendolino are the defendants.

Date: November 19, 2012

s/Catherine E. Pappas
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**UNITED STATES DISTRICT COURT
DISTRICT OF NEW JERSEY**

SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

v.

JOHN LAZORCHAK,
MARK S. CUPO,
MARK D. FOLDY,
MICHAEL L. CASTELLI,
LAWRENCE D. GRUM,
MICHAEL T. PENDOLINO, and
JAMES N. DEPRADO,

Defendants.

Case No.


**DESIGNATION OF AGENT
FOR SERVICE**

Pursuant to Local Rule 101.1(f), because the Securities and Exchange Commission (the "Commission") does not have an office in this district, the United States Attorney for the District of New Jersey is hereby designated as eligible as an alternative to the Commission to receive service of all notices or papers in the captioned action. Therefore, service upon the United States or its authorized designee, James Clark, Chief, Civil Division, United States Attorney's Office for

the District of New Jersey, 970 Broad Street, 7th Floor, Newark, NJ 07102 shall constitute service upon the Commission for purposes of this action.

Respectfully submitted,

Date: November 19, 2012

BY: 
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