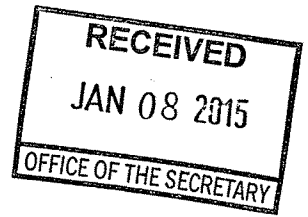


UNITED STATES OF AMERICA  
*before the*  
SECURITIES AND EXCHANGE COMMISSION



**In the Matter of Gregory T. Bolan, Jr. and  
Joseph C. Ruggieri, Respondents.**

Admin. Pro. File No. 3-16178

**RESPONDENT GREGORY T. BOLAN, JR.'S MOTION FOR SUMMARY  
DISPOSITION AGAINST ALL CLAIMS AND MEMORANDUM IN SUPPORT**

Samuel J. Lieberman  
Sadis & Goldberg LLP

*Attorneys for Gregory T. Bolan, Jr.*

January 8, 2015

## TABLE OF CONTENTS

	Page(s)
PRELIMINARY STATEMENT.....	1
FACTUAL BACKGROUND.....	2
A. Relevant Parties.....	2
1. Gregory T. Bolan, Jr.....	2
2. Trader A.....	2
3. Joseph Ruggieri.....	3
B. The Division’s Sparse Allegations of “Personal Benefit”.....	3
LEGAL STANDARD FOR SUMMARY DISPOSITION.....	5
ARGUMENT.....	6
I. THE DIVISION’S ALLEGATIONS OF FRIENDSHIP AND POSITIVE FEEDBACK ARE INSUFFICIENT AS A MATTER OF LAW TO SHOW BOLAN RECEIVED A PECUNIARY OR SIMILARLY VALUABLE BENEFIT AS REQUIRED FOR TIPPER LIABILITY UNDER <i>NEWMAN</i> AND <i>DIRKS</i> .....	6
A. <u>The OIP’s Bare Allegations of “Friendship” are Insufficient as a Matter of             of Law to Sustain the Division’s Claims under <i>Newman</i> and <i>Dirks</i></u> .....	6
B. <u>The Division’s Allegations of “Positive Feedback” that Ruggieri Allegedly             Provided are Insufficient as a Matter of Law Under <i>Newman</i>, Which             Rejected Allegations that a Tippee Gave “Career Advice and Assistance”             and “Put in a Good Word” for a Tipper with a Potential Employer</u> .....	8
II. THE IMPORTANT POLICY IN <i>DIRKS</i> AND <i>NEWMAN</i> OF REQUIRING THE GOVERNMENT TO IDENTIFY A CLEAR, OBJECTIVE, PERSONAL GAIN IN ORDER TO AVOID INHIBITING THE ROLE OF MARKET ANALYSTS WEIGHS STRONGLY IN FAVOR OF SUMMARY DISPOSITION.....	10
CONCLUSION.....	13

**TABLE OF AUTHORITIES**

	<b>Page(s)</b>
<b><u>Cases</u></b>	
<i>Dirks v. S.E.C.</i> , 463 U.S. 646 (1983).....	<i>passim</i>
<i>In the Matter of Jay T. Comeaux</i> , 2014 WL 4160054 (S.E.C., Aug. 21, 2014) .....	6
<i>S.E.C. v. Anton</i> , 2009 WL 1109324 (E.D. Pa., Apr. 23, 2009).....	7
<i>S.E.C. v. Korech</i> , 720 F. Supp. 2d 367 (S.D.N.Y. 2010) .....	8
<i>S.E.C. v. Switzer</i> , 590 F. Supp. 756 (W.D. Okla. 1984).....	9
<i>U.S. v. Newman</i> , --- F.3d ---, 2014 WL 6911278 (2d Cir. Dec. 10, 2014).....	<i>passim</i>
<b><u>Statutes and Rules</u></b>	
17 C.F.R. § 201.250.....	5
17 C.F.R. § 201.323.....	5
<b><u>Other Authorities</u></b>	
<i>Brief of United States of America, U.S. v. Horvath, Newman, et al.</i> , 2013 WL 6163307, at *85 (Nov. 14, 2013) .....	7, 8

Respondent Gregory T. Bolan, Jr. ("Bolan") hereby moves pursuant to S.E.C. Rule of Practice 250 for summary disposition and dismissal of the September 29, 2014 Order Instituting Proceedings ("OIP") against him in its entirety.

#### PRELIMINARY STATEMENT

Summary disposition dismissing all claims against Bolan should be granted because the OIP fails to allege that he received any concrete "pecuniary or similarly valuable" benefit for tipping inside information, as required for tipper liability. *U.S v. Newman*, --- F.3d ---, 2014 WL 6911278, at \*10 (2d Cir. Dec. 10, 2014). The OIP has just two allegations addressing the issue, (i) Bolan's "friendships with Ruggieri and Trader A," and (ii) "Ruggieri, and his managers at Wells Fargo, provided positive feedback to Bolan's managers." (OIP ¶¶ 35-36.) But *Newman* rejected virtually identical evidence of "the mere fact of friendship" and "career...assistance" as insufficient to show a personal benefit under *Dirks v. S.E.C.*, 463 U.S. 646 (1983). Specifically,

- Newman held it is "impermissible" to infer a personal benefit "from a personal relationship" in the "absence of proof of a meaningfully close personal relationship that generates and exchange that is objective, consequential and represents at least a potential gain of a pecuniary or similarly valuable nature." 2014 WL 6911278, at \*10.
- Thus, the allegations of Bolan's "friendships with Ruggieri and Trader A" (¶ 35) are insufficient as a matter of law because they do not identify any objective, consequential and pecuniary or similarly valuable gain generated. This is fatal for the Trader A claims.
- Similarly, the alleged "positive feedback" that "Ruggieri, and his managers" gave Bolan (¶ 36) is insufficient as a matter of law, because *Newman* held that "career advice and assistance" – which included putting in a good word with an employer – is insufficient to show a personal benefit. 2014 WL 6911278, at \*10.
- Critically, the OIP does not allege the "positive feedback" gave a concrete *quid pro quo* to Bolan for tipping, because it admits that Ruggieri's "managers" also provided the same feedback. (¶ 36) Yet there is no allegation that his managers participated in insider trading. And the OIP does not quantify any gain Bolan received from such feedback.

## FACTUAL BACKGROUND

### A. Relevant Parties

#### 1. Gregory T. Bolan, Jr.

Gregory T. Bolan, Jr. (“Bolan”) was employed as an Equity Research Analyst at Wells Fargo Securities (“Wells Fargo”) from June 2008 to April 25, 2011. (OIP ¶4.) He was promoted to Director in March 2011. (*Id.*) During his employment at Wells Fargo, Bolan’s research analysis focused on companies in the healthcare industry. (*Id.*)

Bolan has not been the subject of any securities regulatory proceeding or regulatory disciplinary action except for this case. This is clear from his publicly-available (and judicially noticeable) FINRA Brokercheck Report. (Ex. 1 to Aff. of S. Lieberman in Support of Mot. for Summ. Disposition (“Lieberman Aff.”).) Further, Bolan has previously served in the United States Army, and was discharged honorably.

#### 2. Trader A

Strikingly, the OIP reveals that the Division has chosen to pursue three allegations of insider trading involving Bolan and Trader A, “who died in May 2013.” (¶6) The Division seeks to impugn the character of the deceased Trader A for alleged insider trading involving profits as low as “\$835” and “\$1007.” (¶30) As Trader A is dead, he is not represented by counsel to clear his name in this administrative hearing.

Critically for this motion, the OIP does not allege any concrete personal benefit provided by Trader A to Bolan. Instead, the OIP merely alleges that Trader A was “Bolan’s friend” (¶6), that they had a “friendship[],” and that Bolan described Trader A (months after the alleged insider trading) as a “trusted friend.” (¶35).

Notably, the OIP concedes that Trader A “does not appear to have been employed” from “June 2009 through November 2010.” (§6.) Trader A’s unemployment is confirmed on his Brokercheck report. The OIP does not – because the Division cannot – explain how an unemployed trader provided Bolan with any concrete pecuniary or similarly valuable benefit.

### **3. Joseph Ruggieri**

Joseph Ruggieri (“Ruggieri”) was a senior trader of healthcare industry stocks at Wells Fargo from September 2009 through April 25, 2011. (OIP ¶5.) Ruggieri’s job involved routinely trading the same stocks that Bolan covered as an analyst. Ruggieri traded those stocks both on behalf of Wells Fargo, in a principal capacity, and on behalf of customers, in an agency capacity. (*Id.*) There is no dispute that Mr. Ruggieri made hundreds of thousands of trades every year in healthcare stocks as part of his job.

There is no allegation that Ruggieri had any position in the Equity Research department of Wells Fargo in which Bolan worked. Nor is there any allegation that Ruggieri served as any kind of supervisor of Bolan, nor that he had the power to decide whether Bolan would be promoted or receive greater compensation.

It is undisputed that Bolan published at least 280 analyst reports regarding healthcare stocks during the time Ruggieri actively traded healthcare stocks for Wells Fargo. (Lieberman Aff. Ex. 2 at WF284305 (Wells Fargo Spreadsheet of Bolan Analyst Reports).) It is also undisputed that Ruggieri actively traded all of the healthcare stocks that Bolan covered. This action alleges insider trading arising out of six of these 280 reports. Although the OIP claims a \$117,000 profit from these trades, it concedes Ruggieri only got 6% of that – just \$7,020. (§5)

**B. The Division's Sparse Allegations of "Personal Benefit"**

The OIP does not allege any pecuniary gain by Bolan from the alleged tipping of information. Instead, it merely alleges that "Bolan benefitted from his tipping of Ruggieri and Trader A by virtue of his friendships with Ruggieri and Trader A." (OIP ¶35) As examples, the OIP alleges that Ruggieri let Bolan use his apartment in New York City while Bolan interviewed "After Bolan resigned from Wells Fargo." (*Id.*) The OIP also alleges that Bolan described Trader A in March 2011 as a "trusted friend." (*Id.*)

As to the alleged tipping of Ruggieri, the OIP adds that "Ruggieri, and his managers at Wells Fargo, provided positive feedback to Bolan's managers at Wells Fargo." (¶ 36.) The OIP baldly asserts that the positive feedback helped Bolan obtain a promotion from Vice President to Director. (*Id.*) But the OIP does not assert that Ruggieri's "managers," who gave the same feedback, were involved in alleged insider trading. And nowhere does the OIP identify, explain, or quantify how this feedback allegedly "helped" Bolan get a promotion. (*Id.*)

Indeed, the OIP concedes the decision to promote Bolan was not made by Ruggieri or his managers. Rather, Ruggieri and his managers had to provide the feedback to others who would decide whether to promote Bolan, including "Bolan's managers at Wells Fargo." (¶36.) The OIP thus concedes Ruggieri could not give Bolan a pecuniary or similarly valuable gain through feedback. The decision was entirely out of his hands.

Indeed, the Division cannot show that the alleged "positive feedback" provided a concrete, personal benefit to Bolan, because the undisputed evidence shows that it did not. The undisputed evidence from Bolan's manager at Wells Fargo, Todd Wickwire, is that Bolan's promotion hinged on three inputs under Wells Fargo's guidelines: "client votes, sales force review and external rankings," which he referred to as the "client facing piece." (Ex. 3 to

Lieberman Aff., T. Wickwire Tr. at 19:1-6.) As Mr. Wickwire testified, it is the “client facing piece” that “will ultimately determine where you end up” for a promotion as an analyst. (*Id.*) Thus, any alleged “feedback” from Mr. Ruggieri could not – and in fact did not – provide any concrete, personal gain to Bolan.

Finally, in its December 15, 2014 letter opposing Respondents’ request for leave to move for summary disposition, the Division purported to quote an email that Bolan and Ruggieri formed a “partner[ship]” in which each scratched the other’s back to bolster the other’s career and earnings.” (Dec. 15, 2014 letter from P. Krishnamurthy to Judge Jason S. Patil) But the actual email misquoted by the Division reads as follows: “Bro fk it - Were partners. Together, we can lift this sector team and crush it. We have a LOT of work to do with others to get there but can do it. Biotch.” (Lieberman Aff. Ex. 4, WFC 483158.) *This email says absolutely nothing about insider trading – or any secret conspiracy to tip information.*

Instead, this email discusses Bolan and Ruggieri working “with others” to “lift” the Wells Fargo healthcare “sector team” to win more clients for Wells Fargo. In sum, even the document the Division cites does not support its case.

#### **LEGAL STANDARD FOR SUMMARY DISPOSITION**

Under Rule of Practice 250(b), a hearing officer “may grant the motion for summary disposition if there is no genuine issue with regard to any material fact and the party making the motion is entitled to a summary disposition as a matter of law.” 17 C.F.R. § 201.250(b). Although generally the “facts of the pleadings of the party against whom the motion is made shall be taken as true,” the allegations of the OIP may be overcome by “admissions made by that party, by uncontested affidavits, or by facts officially noticed pursuant to § 201.323,” – i.e.,



judicially noticeable facts. *Id.* § 201.250(a); *see also id.* § 201.323 (“Official notice may be taken of any material fact which might be judicially noticed by a district court.”)

Notably, the Division cannot merely rest on its bare allegations when Respondents have made a preliminary showing that the factual record warrants summary disposition. “Once the moving party has carried its burden of establishing that it is entitled to summary disposition on the factual record, the opposing party may not rely on bare allegations or denials but instead must present specific facts showing a genuine issue of material fact for resolution at hearing. *In the Matter of Jay T. Comeaux*, 2014 WL 4160054, at \*3 (S.E.C., Aug. 21, 2014).

#### ARGUMENT

#### I. THE DIVISION’S ALLEGATIONS OF FRIENDSHIP AND POSITIVE FEEDBACK ARE INSUFFICIENT AS A MATTER OF LAW TO SHOW BOLAN RECEIVED A PECUNIARY OR SIMILARLY VALUABLE BENEFIT AS REQUIRED FOR TIPPER LIABILITY UNDER *NEWMAN* AND *DIRKS*

##### A. The OIP’s Bare Allegations of “Friendship” are Insufficient as a Matter of Law to Sustain the Division’s Claims under *Newman* and *Dirks*

All of the Division’s claims against Bolan involving Trader A (¶ 30) – and the similar allegations as to Ruggieri – are insufficient as a matter of law because *Newman* and *Dirks* reject mere “friendship” as insufficient to show a personal benefit for tipper liability. Under *Dirks*, an allegation of tipper/tippee insider trading requires a “personal benefit” meeting “objective criteria” to satisfy the securities fraud element of conduct that “deceive[s], manipulate[s], or defraud[s].” 463 U.S. at 663. *Newman* held that it is “impermissible” to infer a personal benefit from “the mere fact of a friendship” absent “proof of a meaningfully close personal relationship that generates an exchange that is objective, consequential, and represents at least a potential gain of a pecuniary or similarly valuable nature.” *Newman*, --- F.3d ---, 2014 WL 6911278, at \*10 (Dec. 10, 2014). Because the Division alleges nothing more than mere “friendship[.]”(¶ 35)

as a personal benefit to support its Trader A claims, those claims should be dismissed under *Newman and Dirks*.

Indeed, the allegations of friendship by the Division in this case – involving both Trader A and Ruggieri – fall well short of the friendship allegations rejected as insufficient in *Newman*. *Newman* rejected these allegations of friendship as insufficient to show a personal benefit:

- Tipper Ray and Tippee Goyal “had known each other for years, having both attended business school and worked at Dell together.” *Newman*, 2014 6911278 at \*10.
- Goyal and Ray “knew each other’s wives, talked about going on vacation together, and spoke frequently, often for long periods of time, late at night while each of them was at home.” Br. for U.S., *U.S. v. Horvath, Newman, et al.*, 2013 WL 6163307, at \*85 (Nov. 14, 2013) (hereinafter “*Newman Brief*”).
- Tipper Choi and Tippee Lim “were ‘family friends’ that had met through church and occasionally socialized together.” *Newman*, 2014 6911278 at \*10.
- “Lim described Choi as a ‘family friend’ he had known for years.” *Newman Brief*, 2013 WL 6163307, at \*89 (Nov. 14, 2013).

In stark contrast, the OIP’s meager examples of friendship are that (i) Bolan asked Wells Fargo to consider Trader A for a job, calling him a trusted friend; and (ii) Ruggieri gave Bolan keys to his apartment when Bolan was interviewing *after* leaving Wells Fargo. (¶¶ 35-36.) But *Newman* specifically rejected an attempt to help someone get a job as insufficient to state a personal benefit. 2014 6911278 at \*10 (rejecting “editing resume and sending it to a Wall Street recruiter”); *Newman Brief*, 2013 WL 6163307, at \*89 (“Goyal ‘put in a good word’ for Ray with a potential employer”). And the OIP has it backwards regarding Bolan’s attempt to help Trader A get a job. The Division needs to show that the Tippee (Trader A) gave the Tipper (Bolan) a benefit. It has failed to do so, and thus the Trader A claims should be dismissed.

Moreover, that Ruggieri gave Bolan access to his apartment during interview *after Bolan left Wells Fargo* is not a “pecuniary or similarly valuable” gain. *Newman*, 2014 WL 6911278, at

\*10. As the OIP concedes, this occurred well after the alleged tipping of information, and thus was not a *quid pro quo* exchanged for allegedly tipping information starting over a year earlier. Further, this was little more than a common courtesy that might be afforded to any former work colleague. *See id.* at \*11 (rejecting career advice that alleged tippee provided for other “industry colleagues”); *see also S.E.C. v. Anton*, 2009 WL 1109324, at \*9 (E.D. Pa., Apr. 23, 2009) (rejecting personal benefit where tipper had been to tippee’s “home only once”). This falls well short of the detailed vacation planning and family relationships rejected in *Newman*. *Id.*

As *Newman* concluded, if such a minimal showing of friendship “was a ‘benefit,’ practically anything would qualify.” *Newman*, 2014 6911278 at \*10. This applies *Dirks*, which requires facts showing that a relationship “suggests a *quid pro quo* from the” tippee, 463 U.S. at 664, to satisfy *Dirks*’s holding that “Absent some personal gain, there has been no breach of duty” triggering liability. 463 U.S. at 662. Thus, the Division’s failure to provide allegations or proof that a friendship generated a “pecuniary or similarly valuable” gain to Bolan renders those allegations insufficient as a matter of law. *Newman*, 2014 6911278 at \*10.

**B. The Division’s Allegations of “Positive Feedback” that Ruggieri Allegedly Provided are Insufficient As a Matter of Law Under Newman, Which Rejected Allegations that a Tippee Gave “Career Advice and Assistance” and “Put in a Good Word” for a Tipper with a Potential Employer**

Similarly, the allegations that Bolan tipped Ruggieri should also be dismissed because they rely on virtually identical allegations of “positive feedback” rejected in *Newman*. *Newman* rejected as insufficient allegations that the tipper Goyal gave the tippee Ray significant “career advice and assistance,” 2014 WL 6911278, at \*10:

- Goyal had “‘put in a good word’ for Ray with a potential employer.” *Newman Brief*, 2013 WL *Newman Brief*, 2013 WL 6163307, at \*85.
- “[E]diting Ray’s resume” *Newman*, 2014 WL 6911278, at \*10:

- Sending Ray's resume "to a Wall Street recruiter." *Id.*
- Advising "Ray on a range of topics," including "the qualifying examination in order to become a financial analyst." *Id.*

*Newman* involved the same type of unquantifiable positive input to an employer and intangible career guidance as the Division has alleged in this case. Thus, it should govern here. *See S.E.C. v. Rorech*, 720 F. Supp. 2d 367, 415-16 (S.D.N.Y. 2010) (rejecting personal benefit where S.E.C. "failed to establish that" tipper "*obtained any quantifiable or direct financial benefit* as a result" of allegedly tipping information (emphasis added)).<sup>1</sup>

Under *Newman*, an allegation that a tippee gave positive feedback to an employer is insufficient as a matter of law. 2014 WL 6911278, at \*10. Yet that is exactly what the Division is relying on here – only with less career assistance as *Newman*. Such an allegation fails the test of being "objective, consequential" or providing a "pecuniary or similarly valuable" gain. *Id.*

The insufficiency of the Division's feedback allegation is also clear from the OIP's failure to satisfy *Dirks*'s requirement of showing an "objective" or quantifiable gain flowing from the feedback. 463 U.S. at 663. The OIP concedes that the same feedback was also provided by Ruggieri's "managers" – whom are not alleged to be part of the fraud – and thus fails to distinguish Ruggieri's actions from his managers' identical and fully lawful conduct. Further, the OIP fails to identify or otherwise quantify how this feedback "helped" Bolan obtain a promotion – particularly since the OIP concedes that the promotion decision was entirely out of Ruggieri's hands. (¶36.) Such feedback, which is common among "industry colleagues," is insufficient as a matter of law under *Newman*. 2014 WL 6911278, at \*10-\*11.

The Division does not allege a quantifiable benefit from such feedback because it cannot

---

<sup>1</sup> *See also S.E.C. v. Switzer*, 590 F. Supp. 756, 764 (W.D. Okla. 1984) (rejecting insider trading claim where tipper "did not share in the profits" nor "receive any other financial benefit").

do so. The undisputed evidence is that Bolan's promotion relied on "client votes, sales force review and external rankings," – the "client facing piece." (Lieberman Aff. Ex. 4, T. Wickwire Tr. at 19:1-6.) Under Wells Fargo guidelines, the "client facing piece" "will ultimately determine where you end up" for a promotion as an analyst. (*Id.*) Thus, there is no basis to claim Ruggieri's feedback gave any "objective, consequential...pecuniary or similarly valuable" benefit to Bolan.<sup>2</sup> *Newman*, 2014 WL 6911278, at \*10.

In sum, *Newman* has made clear that allegations of friendship and positive feedback are insufficient to satisfy the objective, pecuniary personal benefit requirement for an insider trading claim. The Division's personal benefit arguments are far less substantial than those rejected in *Newman*. Accordingly, Bolan asks the Court to apply the law set forth in *Newman*, and dismiss the allegations against Bolan in the OIP in their entirety.

## **II. THE IMPORTANT POLICY IN *DIRKS* AND *NEWMAN* OF REQUIRING THE GOVERNMENT TO IDENTIFY A CLEAR, OBJECTIVE, PERSONAL GAIN IN ORDER TO AVOID INHIBITING THE ROLE OF MARKET ANALYSTS WEIGHS STRONGLY IN FAVOR OF SUMMARY DISPOSITION**

Summary disposition should also be granted to reinforce the important policy in *Dirks* and *Newman* that requiring a clear, objective personal gain is necessary to avoid inhibiting the role of market analysts with the threat of government prosecution for good faith conduct. *Dirks* held that "it is essential" to apply the personal benefit requirement as a "limiting principle" to protect research analysts like Bolan from the omnipresent threat of SEC charges. 463 U.S. at 664. Absent a concrete benefit meeting "objective criteria" of a "pecuniary gain" or similar value, analysts would invariably be left in the "hazardous" position of constant jeopardy to insider trading charges limited only by "the reasonableness of the SEC's litigation strategy." *Id.*

---

<sup>2</sup> As noted above, the misquoted email regarding a Bolan/Ruggieri partnership also provides no evidence of a personal benefit. Nothing in that email addresses or even implies anything about insider trading or tipping information. (Lieberman Aff. Ex. 4, WFC 483158.)

at 663. This would have “an inhibiting influence on the role of market analysts, which the SEC itself recognizes is necessary to the preservation of a healthy market.” *Id.* at 658. *Dirks* thus required a concrete personal benefit to clarify “where the line is between permissible and impermissible disclosures,” so analysts “can be sure when the line is crossed.” *Id.* at 659 n.17.

*Dirks* recognizes that research analysts like Bolan perform a valuable market function by routinely speaking with traders and “clients of the firm” to amplify or explain their opinions in a manner that is not “made simultaneously available” to the public generally.” 463 U.S. at 659. Indeed, it is undisputed that the “Best Practices” for analysts at Wells Fargo (then-Wachovia) instructed analysts like Bolan to “stay in touch with your trader,” “walk the sales/trading floor to get the word out,” and have “150-200 calls per month” with clients about his analysis. (Lieberman Aff. Ex. 5 at WF508355, pp. 7, 12-13.) Thus, an analyst’s communications with his firm’s trader, clients and others both benefit the market and are part of an analyst’s job.

Yet permitting the SEC to proceed with insider trading charges absent a concrete, objective pecuniary benefit would pressure analysts into self-imposed solitary confinement whenever they get close to publishing an analyst report. After all, there is no way for an analyst to prevent anyone with whom he talks from later trading a stock that he covers. And the OIP shows there is little to stop the SEC from asserting that unrecorded analyst communications before any report was published tipped the report “in words or substance.” (¶ 40.)

Ultimately, this would risk silencing analysts entirely. As Bolan’s undisputed research report history shows, he published at least 280 analyst reports in the roughly 600 days between the time Ruggieri was hired and Bolan left Wells Fargo. (Lieberman Aff. Ex. 2 at WF284305.) That amounts to one report every 2.2 days. Based on that average, the only way Bolan or a similar analyst could have definitively protected himself from SEC charges of tipping a report

would be to entirely avoid communicating with anyone. Such a chilling effect is exactly what *Dirks* and *Newman* seek to prevent. So should this Court.

*Dirks* and *Newman* recognizes this chilling effect is a serious concern, because both cases involved government attempts to undermine a clear, objective and consequential personal benefit standard with novel legal theories based on subjective and intangible benefits. *Dirks* noted that “the facts of this case make plain,” the need for an objective pecuniary or similarly valuable benefit. 463 U.S. at 664 n.24 There, the SEC’s case conflicted with a prior speech by an SEC Chairman stating “the Commission in future cases normally should not” bring charges against “an analyst or reporter who learns of inside information.” *Id.* (citation omitted).

Similarly, *Newman* specifically noted the “doctrinal novelty” of the government’s “recent insider trading prosecutions” in rejecting its claims. 2014 WL 6911278, at \*6. *Dirks* and *Newman* thus sought to draw a clear, objective personal gain requirement as an important bulwark for market professionals against the constant threat of career-ending charges based on novel and subjective legal theories by aggressive government prosecutors.<sup>3</sup> To prevent this chilling effect, *Dirks* and *Newman* require “an exchange that is objective, consequential” and a “gain of a pecuniary or similarly valuable nature.” *Id.* This objective standard is not met by mere allegations of friendship and positive feedback to employers, because otherwise “the personal benefit requirement would be a nullity.” *Id.* at \*10.

Just like in *Dirks* and *Newman*, the Division here has brought a doctrinally novel case. No federal court (of which Respondent is aware) has held a market analyst is liable for insider

---

<sup>3</sup> There can be no doubt about the “career-ending” aspect of S.E.C. insider trading charges. As a practical matter, when the S.E.C. even announces charges against an analyst or Wall Street professional, his career is instantly threatened. Investment banks have a practice of instantly firing anyone against whom charges are made. And other market professionals avoid defendants out of fear of guilt by association, for reasons including the government’s practice of bringing insider trading cases based on subjective and intangible personal benefits. Accordingly, a meaningful opportunity to obtain summary disposition of deficient insider trading allegations is crucial to help restoring an unfairly accused analyst’s career.

trading for allegedly tipping his own research opinions in exchange for “friendship” or “positive feedback.” And no federal court has held an analyst should be liable for insider trading for allegedly tipping his own opinions to a trader at his own firm and causing the firm itself to profit.

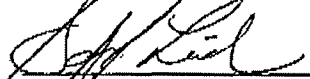
Yet despite *Dirks*, and now *Newman*, the Division seeks to kick Messrs. Bolan and Ruggieri out of the securities profession based on a novel claim relying on intangible “benefits.” And it is doing so with nothing more than allegations of a circumstantial pattern of phone calls consistent with the typical analyst-trader dialogue that occurs in the marketplace every day. Thus, “it is essential” for this Court to apply the “limiting principle” requiring an objective, consequential, and pecuniary or similar valuable gain to state a claim of tipper liability. *Dirks*, 463 U.S. at 664. Bolan never received any financial or similarly valuable consequential gain from his alleged conduct. Accordingly, the OIP should be dismissed.

**CONCLUSION**

For the foregoing reasons, Respondent Gregory T. Bolan, Jr. respectfully requests that the Court grant his motion for summary disposition, and dismiss all claims against him.

Dated: January 8, 2015

Respectfully submitted,



Samuel J. Lieberman, Esq.  
Sadis & Goldberg LLP

