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15 **UNITED STATES DISTRICT COURT**  
16 **FOR THE NORTHERN DISTRICT OF CALIFORNIA**  
17 **SAN FRANCISCO DIVISION**

18 -----  
19 UNITED STATES SECURITIES AND : **Case No. C-05-1299**  
20 EXCHANGE COMMISSION, :  
21 : **COMPLAINT**  
22 Plaintiff, :  
23 :  
24 :  
25 vs. :  
26 :  
27 ANTHONY C. SUDOL, III, :  
28 MICHAEL G. SUDOL, and :  
29 RICHARD J. SUDOL, :  
30 :  
31 Defendants. :  
32 -----

33 Plaintiff United States Securities and Exchange Commission  
34 ("Commission") alleges:

35 **SUMMARY**

36 1. This is an insider trading case involving Anthony C.  
37 Sudol III, a former employee of Cisco Systems, Inc., who on five  
38 separate occasions during the period from January 1999 through

1 November 2003 tipped material, non-public information concerning  
2 upcoming Cisco acquisitions to one or both of his brothers,  
3 Michael G. Sudol and Richard J. Sudol. The Sudol brothers then  
4 used that information to purchase the securities of five publicly-  
5 traded companies in advance of the public announcements that the  
6 companies would be acquired in whole or in part by Cisco.  
7 Michael and Richard Sudol sold the securities in the aftermath of  
8 the acquisition announcements and, as a result of their unlawful  
9 conduct, collectively realized over \$400,000 in trading profits.

10 2. By engaging in the conduct described above Anthony,  
11 Michael, and Richard Sudol violated Section 10(b) of the  
12 Securities Exchange Act of 1934 ("Exchange Act") [15 U.S.C.  
13 § 78j(b)] and Rule 10b-5 [17 C.F.R. § 240.10b-5] promulgated  
14 thereunder, and unless enjoined, they will continue to engage in  
15 transactions, acts, practices, and courses of business similar to  
16 those alleged in this complaint.

17 3. The Commission seeks injunctions against future  
18 violations, disgorgement of ill-gotten gains, prejudgment  
19 interest thereon, and statutory civil monetary penalties.

#### 20 JURISDICTION

21 4. This Court has jurisdiction over this action, pursuant  
22 to authority conferred by Sections 21(d), 21(e) and 27 of the  
23 Exchange Act [15 U.S.C. §§ 78u(d), 77u(e) and 78aa].

#### 24 INTRADISTRICT ASSIGNMENT

25 5. This action arises in San Francisco County because a  
26 substantial part of the events giving rise to the Commission's  
27 claims occurred here.

1 **THE DEFENDANTS**

2 6. Defendant Anthony C. Sudol, III, age 44, lives in  
3 Gilroy, California and at all relevant times was employed by  
4 Cisco, where his duties included integrating newly-acquired  
5 business into Cisco's physical space and operations.

6 7. Defendant Michael G. Sudol, age 42, lives in Beijing,  
7 China where he is employed as a vice president and product  
8 manager for Motorola, Inc. Michael Sudol is the brother of  
9 defendants Anthony and Richard Sudol.

10 8. Defendant Richard J. Sudol, age 41, lives in  
11 Oceanside, California and is the brother of defendants Anthony  
12 and Michael Sudol. Until December 2002, Richard Sudol was  
13 employed at Lucent Technologies Inc. Since that time he has  
14 been on medical leave from his job and has engaged in the "day  
15 trading" of securities.

16 **THE COMPANIES ACQUIRED BY CISCO**

17 9. Cisco acquired the following companies during Anthony  
18 Sudol's employment. In each instance, the price of the common  
19 stock of the acquired company increased after news of the  
20 transaction was publicly announced.

21 10. Latitude Communications, Inc. On November 12, 2003,  
22 Cisco announced it had agreed to acquire all of the outstanding  
23 shares of Latitude for approximately \$80 million in cash. On  
24 the day of the announcement, the price of Latitude's shares  
25 increased 28% (or \$0.86) to close at \$3.89 per share.  
26 Latitude's shares traded on NASDAQ's National Market.

27 11. Active Voice Corp. On November 10, 2000, Cisco  
28 announced it had agreed to acquire all of the outstanding shares

1 of Active Voice in a share exchange valued at approximately \$296  
2 million. On the day of the announcement, the price of Active  
3 Voice's stock increased 28% (or \$4.19) to close at \$19.13 per  
4 share. Active Voice's shares traded on NASDAQ's National  
5 Market.

6 12. CAIS Internet, Inc. On October 20, 2000, Cisco  
7 announced it had agreed to acquire CAIS Software Solutions, a  
8 wholly-owned subsidiary of CAIS Internet, for approximately \$170  
9 million in cash and Cisco stock. On October 20, 2000, after the  
10 pre-open announcement of the acquisition, CAIS opened at \$8.34  
11 or 30% higher than its closing price on the previous day.  
12 However, the price of CAIS's stock closed at \$6.37 per share, 6  
13 cents lower than the previous day's close. CAIS's shares traded  
14 on NASDAQ's National Market.

15 13. ArrowPoint Communications, Inc. On May 5, 2000, Cisco  
16 announced it had agreed to acquire all of the outstanding shares  
17 of ArrowPoint in a share exchange valued at approximately \$5.7  
18 billion. On the day of the announcement, the price of  
19 ArrowPoint's shares increased 4% (or \$5.37) to close at \$140.19  
20 per share. ArrowPoint's shares traded on NASDAQ's National  
21 Market.

22 14. GeoTel Communications Corp. On April 13, 1999, Cisco  
23 announced it had agreed to acquire all of the outstanding shares  
24 of GeoTel in a share exchange valued at approximately \$2  
25 billion. On the day of the announcement, the price of GeoTel's  
26 shares increased 26%(or \$11.69) to close at \$55.94 per share.  
27 GeoTel's shares traded on NASDAQ's National Market.  
28



1 negotiated the terms of the acquisitions) and the integration  
2 group (which managed the integration of the acquired companies  
3 into Cisco's operations). The integration staff and the  
4 acquisition staff essentially operated as one unit. Both groups  
5 were located on the same floor and their members were  
6 intermingled in open cubicles. Cisco entrusted Anthony Sudol  
7 with material, non-public information concerning acquisitions so  
8 that, among other things, he could manage the integration of  
9 newly-acquired companies into Cisco's operations.

10 **UNLAWFUL INSIDER TRADING BY THE SUDOL BROTHERS**

11 **A. Latitude Communications, Inc.**

12 19. In September 2003, Cisco and Latitude executed  
13 confidentiality agreements and engaged in extensive due  
14 diligence for the purpose of evaluating a possible acquisition  
15 of Latitude by Cisco.

16 20. In October 2003, Anthony Sudol attended a business  
17 integration staff meeting during which he learned that Cisco was  
18 finalizing plans to acquire Latitude. Anthony Sudol knew this  
19 information was material and non-public.

20 21. In violation of the duties of trust and confidence he  
21 owed Cisco, Anthony Sudol communicated Cisco's plan to acquire  
22 Latitude to his brother Richard. Anthony Sudol disclosed this  
23 information to Richard Sudol with the knowledge and intent that  
24 Richard Sudol would use it for trading purposes and share the  
25 information with their brother Michael.

26 22. Between October 6, 2003 and November 11, 2003, Richard  
27 Sudol accumulated a total of 42,750 shares of Latitude's common  
28 stock shares in two separate brokerage accounts.

1           23. Richard Sudol also communicated Cisco's plans to  
2 acquire Latitude to Michael Sudol. Michael purchased a total of  
3 13,000 shares of Latitude's common stock shares on margin in a  
4 series of transactions in October and November 2003. Latitude  
5 was the only stock Michael bought or sold in October or November  
6 2003.

7           24. Michael and Richard Sudol knew or were reckless in not  
8 knowing that the information they received from their brother  
9 Anthony was material, non-public and provided in violation of  
10 the duties of trust and confidence he owed to his employer,  
11 Cisco.

12           25. Before market open on November 12, 2003, Cisco  
13 publicly announced it had a definitive agreement to acquire  
14 Latitude for \$3.95 in cash for each outstanding share of  
15 Latitude or approximately \$80 million. On the day of the  
16 announcement, the price of Latitude's shares increased 28% (or  
17 \$0.86) to close at \$3.89 per share.

18           26. On the day the acquisition was announced, Richard  
19 Sudol sold his entire position in Latitude stock for a profit of  
20 \$46,107.79. On November 14 and November 19, 2003, Michael Sudol  
21 liquidated his entire Latitude position for a profit of \$13,302.

#### 22                           **B. Active Voice Corporation**

23           27. On September 29, 2000, Active Voice and Cisco entered  
24 into a limited confidentiality and non-solicitation agreement  
25 for the purpose of conducting due diligence and to negotiate a  
26 proposed merger.

27           28. During October 2000, Cisco's Business Development  
28 Group and Active Voice representatives discussed the terms of

1 the merger and conducted due diligence. Anthony Sudol was a  
2 member of the Cisco group that handled the negotiations for the  
3 Active Voice acquisition. He knew that information concerning  
4 Cisco's plans to acquire Active Voice was material and non-  
5 public.

6 29. In October 2000, in violation of the duties of trust  
7 and confidence he owed to Cisco, Anthony Sudol communicated  
8 material, non-public information concerning Cisco's plans to  
9 acquire Active Voice to his brothers Michael and Richard with  
10 the knowledge and intent that they use it for trading purposes.

11 30. Michael and Richard Sudol began purchasing shares of  
12 Active Voice's common stock thereafter. Michael Sudol  
13 accumulated 10,000 shares of Active Voice from October 5, 2000  
14 through November 2, 2000 while Richard Sudol accumulated 20,000  
15 shares of Active Voice from October 6, 2000 through November 9,  
16 2000.

17 31. Michael and Richard Sudol knew or were reckless in not  
18 knowing that the information they received from their brother  
19 Anthony was material, non-public and provided in violation of  
20 the duties of trust and confidence he owed to his employer,  
21 Cisco.

22 32. Prior to market open on November 10, 2000, Cisco  
23 announced that it had a definitive agreement to acquire Active  
24 Voice for approximately \$296 million in stock. On the day of  
25 the announcement, the price of Active Voice's stock increased  
26 28% (or \$4.19) to close at \$19.13 per share.

27 33. Michael Sudol sold his Active Voice shares on the day  
28 the acquisition was announced and on the following trading day

1 for a profit of \$72,905.08. Richard Sudol liquidated his Active  
2 Voice position shortly after the acquisition announcement for a  
3 profit of \$137,163.20.

4 **C. CAIS Software Solutions**

5 34. On September 8, 2000, Cisco and CAIS Internet Inc.  
6 executed a confidentiality agreement for the purpose of  
7 evaluating whether Cisco would acquire CAIS Software Solutions,  
8 a subsidiary of CAIS. Anthony Sudol was a member of Cisco's  
9 group that handled negotiations for the CAIS Software  
10 acquisition. He knew that information concerning Cisco's plans  
11 to acquire CAIS Software was material and non-public.

12 35. Beginning in or around September 2000 and continuing  
13 in October, in violation of the duties of trust and confidence  
14 he owed to Cisco, Anthony Sudol communicated material, non-  
15 public information concerning Cisco's plans to acquire CAIS  
16 Software to his brothers Michael and Richard with the knowledge  
17 and intent that they use it for trading purposes.

18 36. Thereafter, Richard Sudol accumulated 16,000 shares at  
19 a total cost of \$84,370 while Michael Sudol accumulated 25,000  
20 shares of CAIS at a total cost of \$140,498.26.

21 37. Michael and Richard Sudol knew or were reckless in not  
22 knowing that the information they received from their brother  
23 Anthony was material, non-public and provided in violation of  
24 the duties of trust and confidence he owed to his employer,  
25 Cisco.

26 38. Before market open on October 20, 2000, Cisco publicly  
27 announced that it had entered into a definitive agreement with  
28 CAIS to acquire CAIS Software for \$17 million in cash and stock.

1 After the pre-open announcement of the acquisition, CAIS opened  
2 at \$8.34, or 30% higher than its close on the previous day.

3 39. From October 20 through the 23, Richard Sudol sold all  
4 16,000 of his shares of CAIS common stock for a total profit of  
5 \$19,474.

6 40. On October 23, Michael Sudol sold 5,000 shares of CAIS  
7 common stock for a profit of \$555.

8 **D. ArrowPoint Communications, Inc.**

9 41. In March 2000, Cisco's representatives from its  
10 Business Development Group and ArrowPoint representatives met to  
11 discuss a possible strategic relationship. Anthony Sudol  
12 learned of this potential acquisition by virtue of being a  
13 member of Cisco's Business Development Group. He knew that  
14 information concerning Cisco's plans to acquire ArrowPoint was  
15 material and non-public.

16 42. In violation of the duties of trust and confidence he  
17 owed to Cisco, Anthony Sudol communicated material, non-public  
18 information about Cisco's plans to acquire ArrowPoint to his  
19 brothers Michael and Richard with the knowledge and intent that  
20 they use it for trading purposes.

21 43. Michael Sudol purchased 1,000 shares of ArrowPoint  
22 thereafter.

23 44. Michael Sudol knew or was reckless in not knowing that  
24 the information he received from his brother Anthony was  
25 material, non-public and provided in violation of the duties of  
26 trust and confidence he owed to his employer, Cisco.

27 45. Prior to market open on May 5, 2000, Cisco publicly  
28 announced it had a definitive agreement to acquire ArrowPoint

1 for approximately \$5.7 billion. Pursuant to the agreement,  
2 Cisco agreed to exchange 2.12 shares of Cisco common stock for  
3 every outstanding share and option of ArrowPoint. On the day of  
4 the announcement, the price of ArrowPoint's shares increased 4%  
5 (or \$5.37) to close at \$140.19 per share.

6 46. On May 8, Michael Sudol sold his entire position  
7 realizing profits of \$39,123.24.

8 **E. GeoTel Communications Corp.**

9 47. On April 2, 1999, Cisco and GeoTel entered into an  
10 exclusivity and confidentiality agreement to explore a possible  
11 merger of the companies. Anthony Sudol learned of this  
12 potential acquisition by virtue of being a member of Cisco's  
13 Business Development Group. He knew that the information he  
14 learned was material and non-public.

15 48. Commencing on or around April 1999, in violation of  
16 the duties of trust and confidence he owed to Cisco, Anthony  
17 communicated to Michael and Richard material, non-public  
18 information concerning Cisco's plans to acquire GeoTel with the  
19 knowledge and intent that they use it for trading purposes.

20 49. Michael Sudol purchased call options contracts for  
21 14,000 shares of GeoTel thereafter. These options were trading  
22 far out-of-the-money and were set to expire in four days.  
23 Richard Sudol purchased 1,000 shares of GeoTel common stock.

24 50. Michael and Richard Sudol knew or were reckless in not  
25 knowing that the information they received from their brother  
26 Anthony was material, non-public and provided in violation of  
27 the duties of trust and confidence he owed to his employer,  
28 Cisco.



1 corporations that were the target of these acquisitions.

2 56. Defendants Michael Sudol and Richard Sudol, while in  
3 possession of such information, and knowing, having reason to  
4 know, or recklessly disregarding the fact that such information  
5 had been communicated to them by their brother Anthony in breach  
6 of his fiduciary duty to Cisco, purchased the securities  
7 described above in their respective accounts.

8 57. By the conduct described above, defendants, directly  
9 or indirectly, violated Section 10(b) of the Exchange Act [15  
10 U.S.C. § 78j(b)] and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-  
11 5].

12 **PRAYER FOR RELIEF**

13 WHEREFORE, the Commission respectfully requests that this  
14 Court enter a final judgment:

15 a) Permanently enjoining Defendants Anthony, Michael and  
16 Richard Sudol, their agents, servants, employees, attorneys, and  
17 all persons in active concert or participation with them who  
18 receive actual notice of the injunction by personal service or  
19 otherwise, and each of them, from future violations of Section  
20 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5  
21 thereunder [17 C.F.R. § 240.10b-5];

22 b) Ordering Defendants Anthony, Michael and Richard Sudol  
23 to disgorge jointly and severally the ill-gotten gains derived  
24 from the unlawful trading alleged herein, plus prejudgment  
25 interest on that amount;

26 c) Imposing civil penalties against Defendants Anthony,  
27 Michael and Richard Sudol pursuant to Section 21A of the  
28 Exchange Act [15 U.S.C. § 78u-1]; and

1 d) Granting such other relief as this Court deems just and  
2 proper.

3 Dated: March \_\_\_\_\_, 2005

4 Respectfully submitted,

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