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IN THE UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF TENNESSEE
AT CHATTANOOGA

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SECURITIES AND EXCHANGE)
COMMISSION)

Plaintiff,)

v.)

SARATH B. GANGAVARAPU)

Defendant.)

No.

1:09-cv-231
Collier/Lee

U.S. DISTRICT COURT
EASTERN DIST. TENN.
BY _____

COMPLAINT

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

SUMMARY OF THE ACTION

1. This case involves unlawful insider trading by Defendant Sarath B. Gangavarapu ("Gangavarapu"), whose sister is married to a former executive officer of Covansys Corporation ("Covansys"). In April 2007, Gangavarapu, a frequent trader, misappropriated material, non-public information from his sister in advance of Covansys' public announcement on April 25, 2007 that it would be acquired by Computer Sciences Corporation ("CSC") for \$34 per share. Based on this information, Gangavarapu purchased 54,006 shares of Covansys stock at a cost of \$1,431,480.84 in three different brokerage accounts during the nine days leading up to the public announcement of the acquisition. After the public announcement, the price of Covansys' stock rose over 24% from the previous day's closing price of \$26.80 to \$33.29 per share. As a result of his trading, Gangavarapu earned profits of \$361,761.56.

2. By misappropriating inside information from his sister, to whom he owed a duty of loyalty, trust, and confidence, and trading on that information, Gangavarapu

violated Section 10(b) of the Securities Exchange Act of 1934 (“Exchange Act”) [15 U.S.C. § 78j(b)] and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5].

JURISDICTION AND VENUE

3. The Court has jurisdiction over this action pursuant to Sections 21(e), 21A, and 27 of the Exchange Act [15 U.S.C. §§ 78u(e), 78u-1, and 78aa]. Gangavarapu, directly or indirectly, has made use of the means and instrumentalities of interstate commerce, of the mails, or of the facilities of a national securities exchange in connection with the acts, practices and courses of business alleged in this Complaint.

4. Venue is proper in this District pursuant to Section 27 of the Exchange Act [15 U.S.C. §78aa] because the acts and transactions constituting the violations alleged in this Complaint occurred within the Eastern District of Tennessee and because Defendant Gangavarapu resides within the district.

DEFENDANT

5. Sarath B. Gangavarapu, age 54, resides in Chattanooga, Tennessee and works as a licensed psychiatrist. His younger sister’s husband was an executive officer at Covansys during the relevant time period.

RELEVANT ENTITIES

6. Until July 2007, Covansys Corporation was a Michigan corporation with headquarters in Farmington Hills, Michigan. Covansys operated as an information technology company with substantial operations in India. Until its acquisition by CSC in July 2007, Covansys’ securities were registered with the Commission pursuant to Section 12(g) of the Exchange Act [15 U.S.C. §781(g)] and were publicly-traded on the NASDAQ under the symbol “CVNS.”

7. Computer Sciences Corporation is a Nevada corporation with headquarters

in Falls Church, Virginia. CSC is an information technology and business consulting company with more than 92,000 employees. CSC's securities are registered with the Commission pursuant to Section 12(g) of the Exchange Act [15 U.S.C. §781(g)] and are publicly-traded on the NYSE under the symbol "CSC."

FACTS

A. Background

8. In early April 2007, senior officers at Covansys and CSC began discussing CSC's interest in acquiring Covansys. At the same time, Covansys also was involved in discussions with another company interested in acquiring it. On April 16, 2007, CSC and the other company submitted detailed acquisition proposals to Covansys. The next day, Covansys rejected these initial proposals and asked both CSC and the other company to submit their final acquisition offers by no later than April 24, 2007. During the evening of April 24, 2007, CSC and the other company submitted their final offers to acquire Covansys.

9. On April 25, 2007, Covansys' board of directors voted to accept CSC's offer. After the close of the stock market on April 25, 2007, Covansys and CSC publicly announced that CSC would acquire Covansys for \$34 per share in an all-cash transaction valued at approximately \$1.3 billion. On April 26, 2007, the first day of trading after the announcement, Covansys' stock closed at \$33.29 per share, a 24% increase from the previous day's closing price of \$26.80. CSC completed its acquisition of Covansys on July 2, 2007.

B. Defendant Gangavarapu Misappropriated Material Non-Public Information Related to Covansys And Traded On That Information

10. Gangavarapu's brother-in-law (his sister's husband) was one of Covansys'

executive officers and was heavily involved in Covansys' acquisition negotiations with both CSC and the other company. During April 2007, Gangavarapu's brother-in-law traveled to India on two separate occasions for approximately four days each time as part of CSC's and the other company's due diligence efforts. Gangavarapu's brother-in-law also was aware of and involved in the decision by Covansys' board of directors to accept CSC's final offer to acquire Covansys.

11. Gangavarapu's brother-in-law told his wife (Gangavarapu's sister) about all significant aspects of the acquisition discussions between Covansys and both companies, with the expectation that the information would remain confidential.

12. Gangavarapu and his sister talked frequently by telephone throughout April 2007. Gangavarapu's sister often confided in him because of their close personal relationship as siblings and based on his professional background as a psychiatrist. During their telephone calls, Gangavarapu asked his sister about her husband's work activities and whereabouts. Among other things, Gangavarapu's sister told him that her husband was often in meetings behind closed doors and working extra hours like "he was on a road show." Gangavarapu's sister also told him about her husband's two trips to India for work.

13. Between April 17 and April 24, 2007, Gangavarapu purchased 17,006 shares of Covansys stock in seven separate transactions at a cost of \$448,361.38. He used limit orders to make each of these purchases.

14. At 10:16 p.m. on April 24, 2007, Gangavarapu's sister's husband called her and told her that CSC and the other company had made their final offers to acquire Covansys and described the details of the offers. He also told her that Covansys' board

of directors would make their final decision about which offer to accept during a board meeting the next day on April 25, 2007.

15. Gangavarapu's sister telephoned Gangavarapu at 10:22 p.m., approximately three minutes after she finished the telephone call with her husband. She and Gangavarapu talked for 39 minutes. During this telephone call, among other things, Gangavarapu's sister told Gangavarapu "by tomorrow, it's a relief, it will be over."

16. Starting first thing in the morning on April 25, 2007, the day after his late-night telephone call with his sister, Gangavarapu began purchasing additional shares of Covansys stock. Throughout the day, in fourteen separate transactions, Gangavarapu purchased 37,000 shares of Covansys stock at a cost of \$983,119.46. Gangavarapu used three separate brokerage accounts to make these purchases and sold 5,000 shares of a blue chip stock at a loss to fund his purchase of additional shares of Covansys stock.

17. Unlike his prior stock purchases which were limit orders, Gangavarapu used market orders to purchase all but 1,000 of the 37,000 shares of Covansys stock that he purchased on April 25, 2007.

18. Between April 17 and April 25, 2007, Gangavarapu purchased a total of 54,006 shares of Covansys stock at a cost of \$1,431,480.84. At the close of the market on April 25, 2007, Covansys stock accounted for 95% of the total holdings in Gangavarapu's brokerage accounts and nearly half of his net worth.

19. The realized and unrealized gains from Gangavarapu's purchases of Covansys stock total \$361,761.56.

COUNT ONE

*Violations 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]*

20. The Commission realleges and incorporates by reference Paragraphs 1 through 19.

21. Gangavarapu's purchases of 54,006 shares of Covansys stock between April 17 and April 25, 2007 were based on material, non-public information that Gangavarapu misappropriated from his sister in violation of the duties of trust and confidence that he owed to her.

22. Gangavarapu knew, or was reckless in not knowing, that the information he misappropriated was material and non-public. His purchases of securities based on such information constituted a breach of a duty of trust and confidence that he owed to his sister.

23. By engaging in the conduct described above, Gangavarapu, directly or indirectly, in connection with the purchase or sale of securities, by the use of means or instrumentalities of interstate commerce, of the mails, or the facilities of a national securities exchange, with scienter:

- (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 the light of the circumstances under which they were made, not misleading; and

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

24. As a result of the activities described above, Gangavarapu has violated, and unless restrained and enjoined, will continue to violate Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 thereunder [17 C.F.R. §240.10b-5].

PRAYER FOR RELIEF

WHEREFORE, the Commission respectfully requests that this Court:

I.

Issue an Order of Permanent Injunction restraining and enjoining Defendant Gangavarapu from directly or indirectly violating 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];

II.

Order Defendant Gangavarapu to disgorge any ill-gotten gains derived from his unlawful insider trading described herein, plus prejudgment interest;

III.

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

IV.

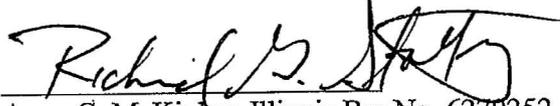
Retain jurisdiction of this action in accordance with the principles of equity and the Federal Rules of Civil Procedure in order to implement and carry out the terms of all orders and decrees that may be entered, or to entertain any suitable application or motion for additional relief within the jurisdiction of this Court; and

V.

Grant such other relief as this Court may determine to be just and appropriate.

Respectfully Submitted,

DATED: August 31, 2009



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