IN THE UNITED STATES DISTRICT COURT
FOR THE WESTERN DISTRICT OF KENTUCKY
LOUISVILLE DIVISION

SECURITIES AND EXCHANGE COMMISSION, Plaintiff, v. PATRICK M. CARROLL, JAMES P. CARROLL, WILLIAM T. CARROLL, DAVID A. STITT, JOHN P. MONROE, STEPHEN SOMERS, DAVID MARK CALCUTT and CHRISTOPHER T. CALCUTT, Defendants.	Civil Action No. **Trial by Jury Demanded**

COMPLAINT

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

SUMMARY

1. This case involves insider trading in the securities of Steel Technologies, Inc. ("STTX") in the month before STTX's February 28, 2007 public announcement that it would be acquired by Mitsui & Co. (USA) Inc. ("Mitsui"). On the day of the announcement, STTX's stock closed at $29.32, approximately 60% above the prior day's close. The defendants purchased more than $575,000 of STTX stock based on inside information and made approximately $320,000 in illegal profits.

2. During the month before the acquisition was announced, four STTX Vice Presidents of Sales – Patrick M. Carroll ("Patrick"), William T. Carroll ("Tad"), David A. Stitt

("Stitt") and David Mark Calcutt ("Calcutt") – learned material nonpublic information about the forthcoming acquisition of STTX. All of them bought STTX stock based on that information.

3. Patrick, Calcutt and Stitt also violated their obligation of confidentiality to STTX when they tipped family members or friends about the forthcoming acquisition. Specifically, Patrick tipped his son, James P. Carroll ("James"); Calcutt tipped his brother, Christopher T. Calcutt ("Christopher"); and Stitt tipped his best friend, John P. Monroe ("Monroe"). Monroe, in turn, passed the same material nonpublic information to his close friend, Stephen Somers ("Somers"). All of these tippees – *i.e.*, James, Christopher, Monroe and Somers – also traded based on material nonpublic information about the forthcoming acquisition of STTX.

4. All four of these VPs of Sales – *i.e.*, Patrick, Tad, Stitt and Calcutt (hereinafter, collectively referred to as the "four VPs of Sales") – reported to both STTX's Senior VP of Sales and STTX's President and Chief Operating Officer Michael J. Carroll ("Michael"), both of whom knew about the acquisition discussions before any of the trading at issue. Michael is the brother of Patrick and Tad and the uncle of James.

5. Much of the illegal trading occurred in STTX's 401(k) Retirement Savings Plan. The company's 401(k) plan offered employees several different investment options. One of those investment options permitted STTX employees to use their 401(k) savings to purchase STTX stock (hereinafter the "STTX Fund"). Between January 28 and February 28, the four VPs of Sales purchased approximately $339,000 of STTX stock through the STTX Fund in their respective 401(k) accounts. Additionally, during the same time period, Calcutt, Christopher, Monroe, Somers and James purchased approximately $238,000 of STTX securities.

6. After the acquisition was publicly announced, these individuals realized approximately $320,000 in illegal profits from their trading on material nonpublic information.

They exploited their professional, personal and family relationships for monetary gain. Their misuse of confidential information gave them an illegal advantage over other traders in the market.

7. By engaging in this conduct, which is described more fully below, the Defendants violated Section 10(b) of the Securities Exchange Act of 1934 (the "Exchange Act"), 15 U.S.C. § 78j(b), and Rule 10b-5 thereunder, 17 C.F.R § 240.10b-5.

JURISDICTION AND VENUE

8. The Commission brings this action pursuant to Sections 21(d) and 21A of the Exchange Act, 15 U.S.C. §§ 78u(d), and 78u-1.

9. This Court has subject matter jurisdiction over this action pursuant to Sections 21(d), 21(e), 21A and 27 of the Exchange Act, 15 U.S.C. §§ 78u(d), 78u(e), 78u-1 and 78aa.

10. This Court has personal jurisdiction over the Defendants. Venue is proper in this Court because at least one Defendant resides in this District and a substantial part of the events or omissions giving rise to the claim occurred in the Louisville Jury Division of this Court.

DEFENDANTS

11. **Patrick M. Carroll**, age 50, is a resident of Prospect, Kentucky, which is located in Jefferson County. He has been employed by STTX since 1988 and is currently an Officer and Senior VP of STTX's Automotive Division. During January and February 2007, he lived in Plymouth, Michigan and was an Officer and VP of Sales for STTX's Central Region. Patrick's brothers include Michael (STTX President and COO) and Tad (STTX VP of Sales). He is James Carroll's father.

12. **James P. Carroll**, age 26, is a resident of Simpsonville, Kentucky, which is located in Shelby County. During January and February 2007, he was a student majoring in finance at Ferris State University in Big Rapids, Michigan.

13. **William T. Carroll**, age 46, is a resident of Crestwood, Kentucky, which is located in Oldham County. He has worked at STTX since 1987. During February 2007 and continuing to the present, he has been an Officer and VP of Sales for STTX's Southern Region.

14. **David A. Stitt**, age 50, is a resident of Pennsylvania. He has been employed by STTX since 1991. During February 2007 and continuing to the present, he has been an Officer and VP of Sales for STTX's Northeast Region. Stitt, Monroe and Somers have known each other since childhood and Stitt and Monroe have been best friends since that time. During February 2007, Stitt, Monroe and Somers lived within twenty miles of each other.

15. **John P. Monroe**, age 48, is a resident of Pennsylvania. During February 2007, Monroe was the General Manager of an automobile dealership.

16. **Stephen Somers**, age 45, is a resident of Pennsylvania. Since at least January 1, 2007, Somers has been a principal of Somers Brothers Capital, LLC, a commodity trading advisor and commodity pool operator registered with the United States Commodity Futures Trading Commission.

17. **David Mark Calcutt**, age 50, is a resident of North Carolina . Calcutt has been employed by STTX since 1997. During January 2007 and continuing to the present, he has been an Officer and VP of Sales for STTX's Southeast Region. He is Christopher Calcutt's brother.

18. **Christopher T. Calcutt**, age 43, is a resident of North Carolina. During February 2007, David Mark Calcutt and Christopher Calcutt lived near one another; in fact, in

February 2007, the only house located between their two homes belonged to their parents. During February 2007, Christopher was a mortgage loan officer at Bank of America.

RELEVANT ENTITIES AND INDIVIDUALS

19. **STTX**, headquartered in Louisville, Kentucky, processes flat-rolled steel to specific requirements for customers in a variety of steel-consuming industries. During the relevant time period, STTX's common stock was registered with the Commission pursuant to Section 12(b) of the Exchange Act and traded on the NASDAQ until June 2007.

20. **Mitsui & Co. (U.S.A.) Inc.** is the largest overseas subsidiary of Mitsui & Co. Ltd., a multi-national conglomerate headquartered in Tokyo, Japan.

21. **Michael J. Carroll**, age 53, is a resident of Louisville, Kentucky. He has worked at STTX since 1979 and he was STTX's President and Chief Operating Officer from 1999 to approximately July 2010. Since July 2010, he has been STTX's President and CEO. During the time period of December 1, 2006 through March 1, 2007, he worked at STTX's corporate headquarters in Louisville, Kentucky. He is the brother of Patrick and Tad, and the uncle of James.

FACTS

A. Background.

22. On February 28, 2007, STTX announced that it had entered into an agreement to be acquired by Mitsui for $30 per share. That day, STTX stock closed at $29.32, approximately 60% above the prior day's closing price. The significant events relating to this acquisition occurred during the three months leading up to the February 28, 2007 public announcement.

23. On November 30, 2006, Mitsui began acquisition negotiations with STTX. These acquisition negotiations were covered by a confidentiality agreement signed by Mitsui and STTX.

24. During the first three weeks of December 2006, STTX's CEO traveled to Japan and Mitsui executives traveled to Louisville to discuss the potential acquisition. In mid-December 2006, Michael attended a meeting in Louisville at which Mitsui executives made an oral offer to purchase STTX for $30 per share. A few days later, Mitsui representatives toured certain STTX facilities, including the STTX facility in Canton, Michigan where Patrick worked.

25. On or about January 8, 2007, a Mitsui executive told STTX's CEO that Mitsui's Board of Directors would approve the acquisition on February 28, 2007. On January 8, 2007, STTX's CEO passed this information on to Michael and others at STTX.

26. In mid-January 2007, Mitsui and STTX representatives worked out a due diligence schedule. On January 23, the parties executed an exclusivity agreement and Mitsui provided a non-binding written expression of interest to acquire STTX common stock for $30 per share. STTX's Board of Directors learned of the potential acquisition at a board meeting held on or about January 25. In late January 2007, Mitsui commenced its due diligence review and, a few days later, senior management from Mitsui and STTX met in New York to discuss the acquisition and due diligence issues. In or about early February 2007, the parties began preparing the written acquisition agreement. Michael – who was a member of STTX's Board of Directors at that time – was involved with the due diligence process and had knowledge of all of these events.

27. In mid-February 2007, Michael traveled to Michigan and Ohio and took Mitsui representatives on tours of two STTX facilities – including another tour of the Canton, Michigan

facility where his brother Patrick worked. On February 19, STTX senior management met at the Louisville headquarters to devise a strategy for communicating the acquisition to STTX officers and to the public.

28. On Friday, February 23, 2007, STTX and Mitsui met to continue discussing the terms of the acquisition. That same day, STTX officers were told to report to Louisville for an officer meeting on Monday, February 26, 2007. STTX publicly announced the deal two days later, on February 28, 2007.

B. STTX's Policies Regarding Insider Trading.

29. In connection with their employment with STTX, Patrick, Tad, Stitt and Calcutt were subject to STTX's Code of Business Conduct and were prohibited from trading in STTX securities while in possession of material information about STTX that had not been disclosed publicly. They were also prohibited from providing such information to others. STTX's Code of Business Conduct provided that information regarding a future or pending merger or acquisition: (i) must be treated as confidential information; (ii) shall never be discussed with anyone other than those within STTX who have a need to know such information for the performance of their job; and (iii) shall not be disclosed to the public or to anyone not authorized to receive it.

30. STTX's Code of Business Conduct is contained within STTX's Employee Handbook. Patrick, Tad, Stitt and Calcutt each signed an acknowledgement that he had received, read and understood the Employee Handbook including the Code of Business Conduct. Patrick and Tad signed such acknowledgements on January 6, 2006. Stitt signed such an acknowledgement on January 8, 2006. Calcutt signed such an acknowledgement on November 15, 2005.

31. On July 7, 2005, each of these individuals also signed a separate acknowledgment confirming that he had (i) read, understood, complied with and agreed to continue to comply with STTX's Code of Business Conduct; (ii) complied with and would continue to comply with STTX's confidential information policy; and (iii) complied with and would continue to comply with STTX's policy against insider trading. Additionally, Calcutt signed another such acknowledgement on August 28, 2006 and Tad signed another such acknowledgment on August 31, 2006.

32. After signing the acknowledgments described in Paragraphs 30 and 31 of this Complaint, Patrick, Tad, Stitt and Calcutt understood that they were prohibited from trading in STTX securities, or recommending that others purchase STTX securities, based on any material information about the company which had not been publicly disclosed.

33. During January and February 2007, Patrick, Tad, Stitt and Calcutt had a duty to refrain from trading in STTX securities based on any material information about the company which had not been publicly disclosed.

34. During January and February 2007, Patrick, Tad, Stitt and Calcutt had a duty to refrain from recommending that others purchase STTX securities based on any material information about the company which had not been publicly disclosed.

35. During January and February 2007, Patrick, Tad, Stitt and Calcutt had a duty to never discuss confidential information about STTX with anyone other than those within STTX who had a need to know such information for the performance of their job.

36. During January and February 2007, Patrick, Tad, Stitt and Calcutt had a duty not to disclose confidential information about STTX to the public or to anyone not authorized to receive it.

C. David Stitt's Knowledge and the Trading of STTX Stock by Stitt and His Tippees.

1. Stitt Learned Nonpublic Information about the Acquisition and Used that Information to Purchase STTX Securities.

37. Stitt regularly communicated with his direct supervisor, STTX's Senior VP of Sales. Stitt's direct supervisor, who worked out of STTX's corporate headquarters in Louisville, was informed of the acquisition negotiations with Mitsui by late December 2006.

38. On Friday, February 23, 2007, Stitt was told that he must attend an officer meeting at STTX's Louisville headquarters at 4:00 p.m. on Monday, February 26, 2007. Stitt believes his direct supervisor told him about the February 23 meeting. According to Stitt, he was not told the purpose of this meeting when he was initially told to report to corporate headquarters. Never before had Stitt been told to fly to Louisville for a meeting at corporate headquarters on such short notice without being told the purpose of the meeting.

39. Shortly after receiving this unusual directive, Stitt had numerous telephone calls to and from individuals at STTX. Stitt placed 13 calls from his cell phone to a number that connects to STTX's corporate headquarters between 9:00 a.m. and 3:22 p.m., for a total of 87 minutes. Between 3:58 and 4:41 p.m., Stitt received a series of 5 consecutive incoming calls from that same number connected to STTX's corporate headquarters, for a total of 32 minutes.

40. This last series of calls reflects an unusual pattern, as at no other time during the months of February or March 2007 was there such close succession of consecutive calls <u>from</u> the number connected to STTX's corporate headquarters to Stitt's cell phone. The same minute one of those incoming calls ended, Stitt called the customer service line for STTX's 401(k) plan and placed an order to purchase approximately $38,500 of STTX stock through the STTX Fund of his 401(k) account. Because Stitt placed his order late in the afternoon and after the February 23

stock fund trading deadline set by STTX's 401(k) plan, his order was processed on the next trading day (*i.e.*, Monday, February 26) and completed on February 27.

41. Prior to placing his February 23 purchase order, Stitt learned material nonpublic information about the forthcoming acquisition of STTX.

2. After He Traded, Stitt Immediately Tipped His Mother and His Best Friend, John Monroe.

42. During February 2007, Stitt was a sales manager and/or a VP of Sales for STTX.

43. During February 2007, Monroe knew that (i) Stitt was a sales manager and/or a VP of Sales for STTX; and (ii) insider trading is illegal.

44. In the two days after learning he was being summoned to STTX's corporate headquarters for an unexplained officer meeting and purchasing nearly $40,000 of STTX stock, Stitt told his mother and his best friend, John Monroe, about the forthcoming acquisition of STTX, which information was not publicly known at the time.

45. As a result of one or more communications with Stitt, some of which are set forth below, Stitt's mother and Monroe learned material nonpublic information about the forthcoming acquisition of STTX:

(a) On Saturday, February 24, 2007, Stitt placed a 2-minute call from his cell phone to Monroe's work phone.

(b) On Sunday, February 25, 2007, Stitt placed a 10-minute call from his cell phone to his parent's phone.

(c) On Sunday, February 25, 2007, Stitt placed a 14-minute call from his cell phone to Monroe's cell phone.

3. On the First Available Trading Day, Monroe Tipped His Close Friend, Somers, and Both of Them Traded that Same Day.

46. During February 2007, Somers knew that (i) Stitt and Monroe were close friends; and (ii) Stitt worked for STTX.

47. During February 2007, Somers knew that an employee of a publicly traded company in possession of nonpublic information regarding a likely acquisition has a duty of confidentiality with respect to such information.

48. On the morning of Monday, February 26, 2007 – the first available trading day after he was tipped – Monroe placed a 10-minute call from his cell phone to the cell phone of his close friend Somers. During this call with Somers, Monroe passed along the material nonpublic information he had received from Stitt about the forthcoming acquisition of STTX.

49. That same day, both Monroe and Somers placed their orders to purchase STTX securities before the 4:00 p.m. meeting Stitt was scheduled to attend at STTX headquarters.

50. Stitt's 75-year old mother also purchased STTX securities before the public announcement of the acquisition.

4. The Trades by Stitt, Monroe and Somers were Unusual.

51. Stitt's trade was unusual because:

(a) Stitt placed his purchase order the same day he received an unusual directive to fly to Louisville for an unexplained officer meeting at corporate headquarters on the next business day;

(b) He placed his purchase order at the same time he received an unusual series of consecutive telephone calls from STTX headquarters;

(c) He had not made a transaction in his 401(k) account in the previous 17 months;

(d) In September 2005, Stitt reduced his 401(k) investment in STTX stock to approximately 2% of his 401(k) portfolio and his 401(k) investment in STTX stock remained at that approximate level until his unusual transfer in late February 2007;

(e) Stitt's February 2007 trade increased his position in the STTX Fund from approximately 2% to approximately 17% of his overall 401(k) portfolio;

(f) When asked for the reasons for his February 2007 trade in STTX, Stitt said that he traded because of consolidation in the steel industry. When asked for specifics, he provided examples of consolidation that occurred between 2000 and 2005 and one merger in mid-2006; and

(g) Stitt needed extra money at the time he made his unusual trade in February 2007. Approximately one month before his trade, the administrator of STTX's 401(k) plan processed Stitt's request for a loan of approximately $20,000.

52. Monroe's purchase of STTX securities was unusual because:

(a) Monroe described himself as an "infrequent" trader. In fact, this was Monroe's largest purchase of stock to date;

(b) For almost a year, Monroe's broker had offered to open a new brokerage account for Monroe but Monroe had not accepted that offer. Then, on February 26, 2007 – the first trading day after he was tipped – Monroe instructed this broker to open an account for him so he could immediately purchase STTX stock that same day. After receiving that instruction, Monroe's broker faxed a new account application to Charles Schwab with a cover page containing the following note: "Need new account # immediately for trade today (2-26) original paperwork with check will be overnighted 2-27. Thanks [name of broker]";

(c) Although an original signature and receipt of funds is normally required before opening a new account, this broker asked his employer for permission to make an immediate trade for Monroe with only a fax signature and Monroe's promise to provide a check for the funds via overnight delivery; and

(d) Monroe placed his order with his broker before the 4:00 p.m. meeting Stitt was scheduled to attend at STTX corporate headquarters.

53. Somers's purchase of STTX securities was unusual because:

(a) Somers knew that (i) Monroe was close friends with Stitt; (ii) Stitt worked at STTX; (iii) Monroe's tip regarding the STTX acquisition came from Stitt; and (iv) Stitt's information about the forthcoming acquisition was based in part on the fact that he had been directed to fly to Louisville for a February 26, 2007 meeting at STTX corporate headquarters;

(b) Somers understood that Monroe's tip about STTX concerned a matter that would impact the share price for STTX stock;

(c) Somers immediately traded the same day he received the tip from Monroe and he placed his order before the 4:00 p.m. meeting Stitt was scheduled to attend at STTX corporate headquarters;

(d) Somers sold General Electric securities he had held for over a year and used the funds to purchase STTX stock in his TD Ameritrade ("Ameritrade") account (*i.e.*, his personal brokerage account); and

(e) Other than closing a short position in another stock in August 2006, Somers had not made any other trades in his Ameritrade account during the previous year.

5. Attempts by Stitt and Monroe to Deceive the Commission and FINRA.

54. During his testimony taken as part of the Commission's investigation, Monroe initially testified that his decision to buy STTX stock was based on "consolidation" in the steel industry and that Stitt had not said anything to influence him. Monroe also initially testified that he did not express any sense of urgency when discussing his purchase of STTX stock with his broker.

55. After he was confronted with contrary evidence , Monroe admitted that he told his broker to place an immediate trade to buy STTX securities and, after he took a break to confer with his counsel, he further admitted that (i) his decision to buy STTX stock was based on a conversation he had with Stitt; specifically, Stitt told him that he had been called to corporate headquarters for a meeting and, based on that fact, Stitt believed that STTX would be involved in an acquisition; and (ii) he passed this information to Somers.

56. In or about May 2007, the Financial Industry Regulatory Authority ("FINRA"), formerly known as the National Association of Securities Dealers, sent a written request to STTX's corporate headquarters in Louisville seeking, *inter alia*, information about communications between STTX employees and individuals who purchased STTX stock in advance of the February 28, 2007 public announcement. On May 21, 2007 and again on June 7, 2007, STTX's General Counsel caused FINRA's request for information to be forwarded to Stitt. In or about June 2007, Stitt sent his written response to the FINRA request for information back to STTX's corporate headquarters in Louisville.

57. In response to FINRA's written request requiring him to provide "[a] synopsis of any contact [with Monroe] which occurred during the period of November 30, 2006 through February 28, 2007," Stitt falsely wrote that he and Monroe had "no discussions regarding Steel Technologies" during that time period.

58. During his subsequent testimony taken as part of the Commission's investigation, and after learning that Monroe had already testified before the Commission, Stitt claimed he misunderstood FINRA's written request and admitted that he did have discussions with Monroe regarding STTX between November 30, 2006 and February 28, 2007. Nevertheless, and contrary to Monroe's testimony, Stitt falsely testified that (i) he did not have any discussions with Monroe regarding STTX's involvement in a potential acquisition; and (ii) he had no suspicion that the February 26, 2007 meeting at STTX corporate headquarters might relate to a possible merger or consolidation.

D. Calcutt's Knowledge and the Trading of STTX Stock by Calcutt and His Tippee.

1. Calcutt Has a History of Trading STTX Stock Shortly Before the Public Release of Information Likely to Affect the Share Price.

59. The pattern of Calcutt's trades in STTX stock in 2005 and 2006 indicates that he had access to material nonpublic information about STTX. On three occasions, Calcutt purchased STTX stock shortly before STTX issued positive public announcements. On one other occasion, he sold STTX stock shortly before STTX issued a negative earnings announcement. On each of these occasions, Calcutt made the correct decision to buy or sell STTX stock just before the public announcement. On two of the occasions involving positive public announcements by STTX, Calcutt's brother, Christopher, also purchased STTX stock shortly before those public announcements. Like his brother, Christopher also made the correct decision to buy STTX stock just before those two positive public announcements by STTX.

2. Calcutt's Unusual Trades on January 29 and 30.

60. For most of January 2007, Calcutt's strategy was to sell and not hold STTX stock. Calcutt's trades on January 29 and 30 (which are set forth below) were unusual because he completely reversed this strategy and began purchasing STTX stock at higher prices than the prices at which he had just sold that stock.

61. On January 5, after receiving a steel industry analyst report predicting a decline in steel imports in the first quarter of 2007, Calcutt sold all of the STTX stock he held in his brokerage account at $17.38/share. He also sold approximately $25,000 of STTX stock he held in the STTX Fund in his 401(k) account, reducing his position in STTX stock to approximately 1.9% of his overall 401(k) portfolio.

62. As a result of one or more of his communications with Michael, some of which are set forth below, Calcutt learned material nonpublic information about the forthcoming acquisition of STTX.

63. On or about the weekend of January 20 and 21, Calcutt went on a hunting trip to Wyoming with Michael.

64. Between January 23 and 29, Calcutt had multiple telephone calls with Michael. During that same time period, Michael was involved in or had knowledge of several significant events related to the acquisition negotiations.

65. On January 29 and 30, Calcutt placed two limit orders to purchase STTX securities. During this time period, Calcutt had additional communications with Michael. Specifically:

(a) On January 29, 2007, Calcutt placed a limit order to purchase 3000 shares of STTX stock at $17.75/share; this limit order was good for 60 days or until cancelled.

(b) That evening, Calcutt placed a 2-minute call and a 1-minute call from his cell phone to Michael's cell phone.

(c) On January 30, 2007, Calcutt placed a 1-minute call from his cell phone to Michael's cell phone and Michael placed a 17-minute call from his cell phone to Calcutt's cell phone.

(d) Later in the day on January 30, 2007, Calcutt placed a limit order to purchase 2000 shares of STTX stock at $18.50/share; this limit order was good for 60 days or until cancelled.

66. Calcutt's January 30, 2007 limit order was filled on January 31, 2007.

67. Calcutt's January 29, 2007 limit order was filled on February 7, 2007.

3. Calcutt's Unusual Trades on February 16 and 22.

68. Similar to his trades in late January, Calcutt made unusual purchases of STTX securities in February 2007 that were closely linked to communications with Michael. During one or more communications, some of which are set forth below, Calcutt and Michael discussed material nonpublic information about the forthcoming acquisition of STTX.

69. On February 2, Mitsui and STTX began negotiating the final written acquisition agreement. Calcutt placed a 10-minute call from his cell phone to Michael's cell phone the next morning.

70. On February 16, just four minutes after a 4-minute call with Michael, Calcutt logged on to the website for STTX's 401(k) plan and placed an order to purchase approximately

$20,000 of STTX stock through the STTX Fund in his 401(k) account. This purchase order was completed on February 20. At the same time he made his successful purchase order on February 16, Calcutt unsuccessfully attempted to purchase approximately $132,000 of additional STTX stock through the STTX Fund in his 401(k) account.

71. On February 19, Michael attended a meeting regarding STTX's strategy for communicating the acquisition to STTX's officers and to the public and also participated in a STTX Board of Directors conference call regarding the acquisition. That evening, Calcutt placed a 6-minute call from his cell phone to Michael's cell phone and Michael placed a 1-minute call from his cell phone to Calcutt's cell phone.

72. On the morning of February 22, Calcutt placed a 2-minute call from his cell phone to Michael's cell phone. Later that morning, Calcutt called the customer service number for the STTX 401(k) plan and learned that the majority of his February 16 orders to purchase STTX stock had not been processed. That same day, Calcutt logged on to the website for STTX's 401(k) plan and placed an order to purchase approximately $117,500 of STTX stock through the STTX Fund in his 401(k) account. This purchase order was completed on February 23.

73. Calcutt's February 16 and February 22 trades increased his position in STTX stock from approximately 1.9% to approximately 45% of his overall 401(k) portfolio. This was unusual for Calcutt. At the beginning of 2005, Calcutt had approximately 4.6% of his 401(k) account invested in STTX stock; at the beginning of 2006, he had approximately 8.4% of his 401(k) portfolio invested in STTX stock; and at the beginning of 2007, he had approximately 9.6% of his 401(k) portfolio invested in STTX stock. As a result of his January 5, 2007 transfers out of the STTX Fund, Calcutt reduced his 401(k) investment in STTX to approximately 1.9% of

his 401(k) portfolio, and his 401(k) investment in STTX stock remained at that approximate level until his unusual transfers in February 2007.

74. On February 22, Calcutt liquidated approximately $33,000 in mutual fund holdings, used all available cash in his account and took out a margin loan to fund a market day purchase order for 2,000 more shares of STTX stock at approximately $19.42/share.

4. Calcutt Tipped His Brother, Christopher.

75. During January and February 2007, Calcutt was a VP of Sales for STTX.

76. During January and February 2007, Christopher knew that his brother was a VP of Sales for STTX.

77. During January and February 2007, Christopher knew that insider trading is illegal.

78. As a result of one or more of his communications with Calcutt, some of which are set forth below, Christopher learned material nonpublic information about the forthcoming acquisition of STTX.

79. In the evening of February 16 – the same day he began purchasing large amounts of STTX stock through the STTX Fund in his 401(k) account – Calcutt placed a 1-minute call from his cell phone to Christopher's cell phone. On Saturday, February 17, Calcutt placed a 4-minute call from his cell phone to Christopher's home phone. At that time, the two Calcutt brothers (*i.e.*, Calcutt and Christopher) were neighbors, saw each other every week and talked regularly.

80. Based on material nonpublic information received from his brother, Christopher purchased 400 shares of STTX stock on February 21, 2007.

81. Christopher's purchase was unusual because:

(a) On January 23, Christopher, purchased 50 shares of Apple. According to Christopher, if the price of a stock goes down, he is more likely to hold onto that stock than to sell it for a loss. However, on February 20, Christopher sold all of his Apple stock realizing a small loss on the sale of that stock;

(b) On February 21, Christopher used the proceeds from the sale of his Apple stock, the remaining cash in his account and the proceeds of a margin loan to buy 400 shares of STTX; and

(c) For the period of July 29, 2006 to March 31, 2007, Christopher's February 2007 purchase of STTX stock was the only time he used a margin loan from his Ameritrade account to purchase stock.

82. The day after the public announcement, Christopher sold all of his STTX stock.

5. Calcutt's Trades are Inconsistent with His Claimed Trading Strategy.

83. Calcutt testified that he had a strategy of "buy low and sell high." However, his suspicious trades in late-January and mid-February were contrary to this strategy. On January 5, after he received a negative forecast for steel imports in early 2007, Calcutt liquidated all of the STTX stock in his brokerage account, and reduced his 401(k) investment in STTX to approximately 1.9% of his overall 401(k) portfolio. Three weeks later, Calcutt began aggressively buying STTX stock at higher prices.

84. Calcutt claims that he purchased STTX stock because he "want[ed] a larger position in steel stocks" and because he was bullish with respect to steel industry stocks in "late 2006 and early 2007." However, in early January 2007, he reduced his position in steel stocks by selling almost all of his STTX stock. Moreover, during this time period, Calcutt owned stock in only one other steel company; he owned 500 shares of Nucor Corporation. Despite his claim

that he wanted "a larger position in steel stocks," Calcutt did not purchase any additional Nucor stock, nor did he purchase stock in any other steel company other than STTX.

6. Calcutt's Attempt To Minimize His Relationship With Michael.

85. In an attempt to conceal the frequency of his contact with Michael, Calcutt also testified that he did not have regular interaction with Michael and further stated that he does not have a personal friendship with anyone from STTX's Louisville office. To the contrary, Calcutt had more than occasional communications with Michael – including telephone calls early in the morning, in the evening and on the weekends. On multiple occasions, Calcutt had communications with Michael soon after significant events in acquisition negotiations. Also, Calcutt and Michael took a weekend hunting trip together approximately one week before Calcutt purchased STTX stock.

86. Calcutt's e-mail correspondence with Michael reflects a friendly relationship. For example, Michael sent multiple e-mails to Calcutt in which he referred to Calcutt in a friendly manner as "brother." Calcutt and Michael also exchanged e-mails regarding their respective investments in the stock market.

E. Patrick's Knowledge and the Trading of STTX Stock by Patrick and His Tippee.

1. Patrick Carroll Acquired Nonpublic Information about the Acquisition and Traded While in Possession of that Information.

87. Before 2007, Michael shared with Patrick confidential information regarding STTX acquisitions.

88. Before and during the due diligence process, Mitsui representatives traveled from Japan to the United States and toured several STTX facilities, including repeated tours of the Canton, Michigan facility where Patrick worked. As a result of those tours and one or more

communications with his brother Michael, some of which are set forth below, Patrick learned material nonpublic information about the forthcoming acquisition of STTX.

89. In early December 2006, arrangements were made for Mitsui representatives to tour certain STTX facilities, including the Canton, Michigan facility.

90. On December 14 and 15, Mitsui representatives from Japan met with Michael and STTX's CEO in Louisville and made an oral offer to acquire STTX for $30 per share.

91. On December 18, Patrick e-mailed Michael, asking questions about the Mitsui representatives scheduled to tour the Canton facility on December 19. Patrick had several calls with Michael that day and the next day (*i.e.*, the day of the tour).

92. On February 12, Michael personally escorted Mitsui representatives on tours of STTX's Canton and Ottawa facilities – both of which are in Patrick's region. At the Canton facility, Michael introduced the Mitsui representatives to Patrick.

93. On February 13, Michael remained in Michigan to meet with Patrick that afternoon.

94. On February 14, Patrick had a telephone call and e-mail correspondence with Michael. In one of those e-mails, Michael informed Patrick that the company "may need to call a special meeting next week anyway in Louis[ville]."

95. Less than two hours after receiving that e-mail, Patrick placed an order to purchase approximately $60,000 of STTX stock through the STTX Fund in his 401(k) account. This purchase order was completed on February 16.

2. Patrick Tipped His Son, James.

96. During January and February 2007, Patrick was a VP of Sales for STTX.

97. During January and February 2007, James knew that (i) his father was a VP of Sales for STTX; (ii) his uncle Michael was president of STTX; and (iii) his uncle Tad worked for STTX.

98. During January and February 2007, James knew that insider trading is illegal.

99. As a result of one or more communications with his father (*i.e.* Patrick), some of which are set forth below, James learned material nonpublic information about the forthcoming acquisition of STTX.

100. During January and February 2007, James had multiple communications with his father regarding the stock market in general and the value of STTX stock in particular.

101. In late February 2007, James traveled to the Louisville area for his grandmother's funeral. The funeral for James's grandmother was held on Saturday, February 24. Patrick, Michael and Tad also attended the funeral. James talked to his father during the weekend of his grandmother's funeral. As of that time, both Patrick and Tad had already traded in STTX stock based on material nonpublic information and both had been informed that they had to attend a meeting at STTX's corporate headquarters on Monday, February 26.

102. On Sunday, February 25, the day after his grandmother's funeral, James returned to Big Rapids, Michigan by car. After the approximate 7-hour car ride, at 8:23 p.m. that evening, James placed an order to purchase 300 shares of STTX stock on margin. This was the first time James had ever purchased stock on margin.

103. In May 2007 – approximately one week after STTX received a FINRA request for information in connection with trades in STTX stock in the months before the February 28 public announcement – James sent an e-mail to his father, Patrick, boasting of the virtues of having access to insiders. In that e-mail, James wrote that the "advantage of having steel in my

portfolio is having insiders like you to keep me informed!" Within ten minutes of receiving this e-mail, Patrick wrote the following reply e-mail to his son: "Call me at the office or my cell. I need to tell you something."

3. Unusual Nature of Trades by Patrick and James.

104. The trades by Patrick and James were unusual in several respects:

(a) Patrick traded immediately after his brother Michael (STTX President and COO) made a two-day visit to the Detroit area and introduced Patrick to Mitsui representatives during their tour of the Canton facility in connection with the acquisition negotiations;

(b) Patrick testified that he "has never been a trader" and has engaged in "very minimal" trading in the last ten years. Other than when he "rebalanced" his 401(k) account in June 2006 (*i.e.*, transferred money between various funds), Patrick had not made any transactions in his 401(k) account in the twenty months before his February 14 trade;

(c) Patrick's February 14 trade increased his position in STTX stock from approximately 20% to approximately 36% of his overall 401(k) portfolio. Increasing his investment in STTX stock to more than 25% of his 401(k) portfolio was unusual for Patrick. During the period of January 2005 through early 2007, Patrick invested between approximately 20 and 24% of his 401(k) account in STTX stock;

(d) James had just started trading stocks in November 2006 and this was the first time he purchased STTX stock and the first time he purchased any stock on margin;

(e) On Monday, February 26, the day after he returned to Michigan from his grandmother's funeral in Kentucky, James tried to open an options account. E*Trade denied his application because James did not have the required minimum balance to qualify for an options account;

(f) James and Patrick exchanged e-mails in late January 2007 in which James stated that STTX stock is "way overvalued" at $18.73 per share, and Patrick responded that STTX stock is undervalued. However, Patrick did not trade in STTX stock until he met the Mitsui representatives who toured the Canton facility more than two weeks later. When questioned during the Commission's investigation, Patrick had no explanation why he waited until after that tour to make his trade; and

(g) In an e-mail response to his father's statement that STTX stock was undervalued, James agreed that STTX might be undervalued in the long term (which he defined as a 5-year range) but reiterated his position that STTX stock was overvalued in the short term (which he defined as the next 3 months). Despite his belief that STTX stock was overvalued at $18.73 per share, James purchased STTX less than a month later at $19.21 per share.

F. Tad Carroll's Knowledge and Trading of STTX Stock.

1. Tad Carroll Acquired Nonpublic Information about the Acquisition and Traded While in Possession of that Information.

105. During January and February 2007, Tad was a VP of Sales for STTX.

106. Before 2007, Michael shared with Tad confidential information regarding STTX acquisitions.

107. Tad made two trades in STTX stock during the relevant time period. During the days leading up to each trade, Tad had communications with his brother Michael during a time when Michael was heavily involved in the acquisition negotiations. As a result of communications with his brother Michael, some of which are set forth below, Tad learned material nonpublic information about the forthcoming acquisition of STTX.

<u>Tad's January 28 Trade</u>

108. On Thursday, January 25, Michael attended a STTX Board of Directors meeting during which the potential acquisition was discussed. Later that day, Tad had a 5-minute telephone call with Michael.

109. On Friday, January 26, and through the weekend, Michael and other members of STTX's executive team prepared for meetings with Mitsui representatives scheduled for Monday and Tuesday of the following week.

110. On Saturday, January 27, Michael was at STTX's corporate headquarters working on the Mitsui acquisition for the majority of the morning and early afternoon. Michael and Tad also spent part of that day together taking care of their mother, who needed to be moved from one assisted-living facility to another. Tad and Michael communicated with each other during the weekend of January 27 and January 28.

111. The next day, Sunday, January 28, Tad placed an order to purchase approximately $17,500 of STTX stock through the STTX Fund in his 401(k) account. This purchase order was completed on January 30.

<u>Tad's February 20 Trade</u>

112. Tad took off work the week of February 19 to care for his critically ill mother.

113. However, that same week, Michael attended a meeting at STTX's corporate headquarters to discuss the company's strategy for communicating the acquisition to STTX's officer team and the public.

114. During this week – while family members took turns caring for their critically ill mother – Tad had several phone calls with his brother Michael.

115. On Tuesday, February 20, Tad placed an order to purchase approximately $85,000 of STTX stock through the STTX Fund in his 401(k) account. This purchase order was completed on February 22.

116. On Wednesday, February 21, Tad's and Michael's mother passed away.

2. Unusual Nature of Tad's Trades.

117. Tad's trades in STTX stock were unusual in several respects:

(a) At the time of his January 28 trade, Tad had not made any other transactions in his 401(k) account in the previous eighteen months;

(b) From the beginning of 2006 until his unusual trades in early 2007, Tad had approximately 1% of his 401(k) portfolio invested in STTX stock. Tad's January 28 and February 20 trades increased his position in STTX stock from approximately 1% to approximately 35% of his overall 401(k) portfolio; and

(c) Tad's trades occurred at the same time he was taking care of his critically ill mother and shortly after communications with his brother Michael, who was working on the STTX acquisition. Even though they both lived in the Louisville area, Michael had only limited time to help Tad take care of their mother because he had to work on the acquisition.

COUNT ONE

Violations of Section 10(b) of the Exchange Act and Rule 10b-5 Thereunder

(Against all Defendants)

118. The Commission realleges and incorporates by reference Paragraphs 1 through 117 as though fully set forth herein.

119. As more fully described in Paragraphs 1 through 117 above, the Defendants, in connection with the purchase and sale of securities, by the use of the means and instrumentalities of interstate commerce or of the mails, directly or indirectly: used or employed devices, schemes and artifices to defraud; made untrue statements of material fact or omitted to state a material fact necessary to make the statements made, in light of the circumstances under which they were made, not misleading; and/or engaged in acts, practices and courses of business which had operated as a fraud and deceit upon sellers of securities.

120. Patrick M. Carroll knew, or was reckless in not knowing, that information regarding the forthcoming acquisition of STTX was confidential, material and nonpublic. Patrick M. Carroll breached the fiduciary duty of trust and confidence which he owed to STTX by (i) purchasing STTX securities on the basis of material nonpublic information; and (ii) disclosing material nonpublic information to James P. Carroll, who he either knew, or was reckless in not knowing, would purchase STTX securities on the basis of that information. Patrick M. Carroll also received a personal benefit from his disclosure to his son.

121. James P. Carroll knew, or was reckless in not knowing, that the information regarding the forthcoming acquisition of STTX was confidential, material, nonpublic and was conveyed to him in violation of a relationship of trust and confidence. On the basis of this information, James P. Carroll purchased STTX securities.

122. William T. Carroll knew, or was reckless in not knowing, that information regarding the forthcoming acquisition of STTX was confidential, material and nonpublic. William T. Carroll breached the fiduciary duty of trust and confidence which he owed to STTX by purchasing STTX securities on the basis of material nonpublic information.

123. David A. Stitt knew, or was reckless in not knowing, that information regarding the forthcoming acquisition of STTX was confidential, material and nonpublic. David A. Stitt breached the fiduciary duty of trust and confidence which he owed to STTX by (i) purchasing STTX securities on the basis of material nonpublic information; and (ii) disclosing material nonpublic information to John P. Monroe, who he either knew, or was reckless in not knowing, would purchase STTX securities and recommend that another would purchase STTX securities, on the basis of that information. David A. Stitt also received a personal benefit from his disclosure to his friend.

124. John P. Monroe knew, or was reckless in not knowing, that the information regarding the forthcoming acquisition of STTX was confidential, material, nonpublic and was conveyed to him in violation of a relationship of trust and confidence. On the basis of this information, John P. Monroe purchased STTX securities and recommended the purchase of STTX securities to Stephen Somers. John P. Monroe also received a personal benefit from his disclosure to his friend.

125. Stephen Somers knew, or was reckless in not knowing, that the information regarding the forthcoming acquisition of STTX was confidential, material, nonpublic and was conveyed to him in violation of a relationship of trust and confidence. On the basis of this information, Stephen Somers purchased STTX securities.

126. David Mark Calcutt knew, or was reckless in not knowing, that information regarding the forthcoming acquisition of STTX was confidential, material and nonpublic. David Mark Calcutt breached the fiduciary duty of trust and confidence which he owed to STTX by (i) purchasing STTX securities on the basis of material nonpublic information; and (ii) disclosing material nonpublic information to Christopher T. Calcutt, who he either knew, or was reckless in not knowing, would purchase STTX securities on the basis of that information. David Mark Calcutt also received a personal benefit from his disclosure to his brother.

127. Christopher T. Calcutt knew, or was reckless in not knowing, that the information regarding the forthcoming acquisition of STTX was confidential, material, nonpublic and was conveyed to him in violation of a relationship of trust and confidence. On the basis of this information, Christopher T. Calcutt purchased STTX securities.

128. Defendants Patrick M. Carroll, James P. Carroll, William T. Carroll, David A. Stitt, John P. Monroe, Stephen Somers, David Mark Calcutt and Christopher T. Calcutt, all acted with *scienter* by trading and/or disclosing confidential information regarding STTX's forthcoming acquisition when they either knew, or were reckless in not knowing, that they were doing so in breach of a duty not to trade on that information and/or not to disclose that information to others.

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

PRAYER FOR RELIEF

WHEREFORE, the Commission respectfully requests that the Court:

I.

Permanently enjoin Defendants Patrick M. Carroll, James P. Carroll, William T. Carroll, David A. Stitt, John P. Monroe, Stephen Somers, David Mark Calcutt and Christopher T. Calcutt from violating Section 10(b) of the Exchange Act and Rule 10b-5 thereunder;

II.

Order Defendants Patrick M. Carroll, James P. Carroll, William T. Carroll, David A. Stitt, John P. Monroe, Stephen Somers, David Mark Calcutt and Christopher T. Calcutt, jointly and severally, to disgorge the ill-gotten gains from each trade in STTX securities which either they, or the persons they tipped, entered into on the basis of material nonpublic information, including prejudgment interest thereon;

III.

Order Defendants Patrick M. Carroll, James P. Carroll, William T. Carroll, David A. Stitt, John P. Monroe, Stephen Somers, David Mark Calcutt and Christopher T. Calcutt to pay civil penalties pursuant to Section 21A of the Exchange Act, 15 U.S.C. § 78u-1; and

IV.

Grant such other and further relief as the Court deems just and appropriate.

JURY DEMAND

Pursuant to Rule 39 of the Federal Rules of Civil Procedure, Plaintiff demands that this case be tried to a jury.

Respectfully submitted,

DATED: March 17, 2011

s/ Daniel J. Hayes

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