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CLERK U.S. DISTRICT COURT
CENTRAL DIST. OF CALIF.
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FILED

8 **UNITED STATES DISTRICT COURT**
9 **CENTRAL DISTRICT OF CALIFORNIA**

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12 **SECURITIES AND EXCHANGE
COMMISSION,**

13 Plaintiff,

14 vs.

15 **NOAH J. GRIGGS, JR.,**

16 Defendant.
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Case No.

CV 12-2203 - GAF
(Fmax)

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

1 Plaintiff Securities and Exchange Commission (“Commission”) alleges as
2 follows:

3 **JURISDICTION AND VENUE**

4 1. This Court has jurisdiction over this action pursuant to Sections
5 21(d)(1), 21(e), 21A(a) and 27(a) of the Securities Exchange Act of 1934
6 (“Exchange Act”), 15 U.S.C. §§ 78(u)(d)(1), 78u(e), 78u-1(a) & 78aa(a).
7 Defendant has, directly or indirectly, made use of the means or instrumentalities
8 of interstate commerce, of the mails, or of the facilities of a national securities
9 exchange in connection with the transactions, acts, practices, and courses of
10 business alleged in this Complaint.

11 2. Venue is proper in this district pursuant to Section 27 of the
12 Exchange Act, 15 U.S.C. § 78aa, because certain of the transactions, practices,
13 and courses of business constituting violations of the federal securities laws
14 occurred within this district.

15 **SUMMARY**

16 3. This case involves unlawful insider trading by Defendant Noah J.
17 Griggs, Jr. (the “Defendant” or “Griggs”) in the securities of CKE Restaurants,
18 Inc. (“CKE”) shortly before the February 26, 2010 announcement that Thomas H.
19 Lee Partners (“THL”) planned to acquire CKE for \$11.05 per share.

20 4. From 2006 through the time of the conduct alleged in this complaint,
21 Griggs served as the executive vice-president of training and leadership
22 development for CKE.

23 5. On Friday, November 20, 2009, Griggs attended a regularly-
24 scheduled, monthly strategic planning meeting held by CKE chief executive
25 officer Andrew Puzder (“Puzder”).

26 6. Puzder informed the meeting’s attendees that CKE was in
27 discussions with private equity investors about the potential acquisition of CKE.

28 7. Puzder cautioned the meeting’s attendees that this information was

1 confidential and nonpublic, and that no one should act on the information.

2 8. On Monday, November 23, 2009, the first trading day after attending
3 the November 20, 2009 strategic planning meeting at which the potential
4 acquisition was described, Griggs bought 30,000 shares of CKE at \$8.769 per
5 share on the open market.

6 9. On December 17, 2009, THL submitted an initial non-binding
7 indication of interest to acquire all the stock of CKE at \$10 per share.

8 10. On January 8, 2010, Griggs purchased 20,000 shares of CKE at \$8
9 per share.

10 11. On February 26, 2010, CKE and THL publicly announced a
11 definitive merger agreement in which THL would acquire CKE, and CKE
12 stockholders would receive \$11.05 for each share of CKE common stock.

13 12. When the CKE-THL merger was announced, on February 26, 2010,
14 CKE shares closed at \$11.37, up more than 27% from the closing price of \$8.91
15 on February 25, 2010.

16 13. Griggs's profits from his November 23 and January 8 purchases of
17 CKE stock totaled at least \$145,430.

18 14. Griggs violated Section 10(b) of the Exchange Act, 15 U.S.C. §
19 78j(b), and Exchange Act Rule 10b-5, 17 C.F.R. § 240.10b-5(a) & (c), by trading
20 in CKE securities while he was aware of material nonpublic information, in
21 breach of a duty of trust or confidence Griggs owed to CKE shareholders.

22 DEFENDANT

23 15. Noah J. Griggs, Jr., age 48, currently resides in Tallassee, Alabama.
24 During the time of the conduct alleged herein, Griggs resided in Santa Barbara,
25 California and worked at CKE's corporate headquarters in Carpinteria, California.

26 OTHER RELEVANT ENTITES

27 16. CKE Restaurants, Inc., a Delaware corporation, has its principal
28 offices in Carpinteria, California. Its common stock was listed on the New York

1 Stock Exchange ("NYSE") under the ticker symbol CKR until July 13, 2010,
2 when the NYSE suspended trading of the stock following the company's
3 acquisition by Columbia Lake Acquisition Holdings, Inc.

4 17. Thomas H. Lee Partners is a limited partnership organized in
5 Massachusetts with its principal place of business in Boston, Massachusetts.

6 FACTS

7 A. Griggs Learns That CKE Is In Negotiations To Be Acquired

8 18. Griggs began his career with CKE as a summer employee of a
9 Hardee's restaurant in 1979, worked his way up through the Hardee's organization
10 to regional vice-president in 1997, and joined CKE when it acquired Hardee's in
11 1997. He became the executive vice president of U.S. restaurant operations for
12 Hardee's in 2000, and ultimately was appointed to executive vice president of
13 training and leadership development in 2006.

14 19. Puzder conducted monthly strategic planning meetings for CKE's
15 executives. As part of the executive team, Griggs was expected to, and usually
16 did, attend these meetings.

17 20. On or about September 2009, Puzder and other CKE executives
18 began meeting with THL executives and investment banking representatives about
19 the possibility of a merger.

20 21. On Friday, November 20, 2009, Puzder held his regular, monthly
21 strategic planning meeting with his executive team.

22 22. At the November 20 meeting, Puzder informed his executive team
23 that CKE was in discussions with private equity investors about a possible
24 acquisition of CKE.

25 23. At the November 20 meeting, Puzder asked the meeting attendees to
26 cooperate with the due diligence process, and cautioned them that information
27 about the potential transaction was confidential and nonpublic, and that no one
28 should act on that information.

1 24. Griggs attended, and made a presentation at, the November 20
2 meeting.

3 **B. After Becoming Aware of Material Nonpublic Information about CKE,**
4 **Griggs Purchased CKE Stock**

5 25. On Monday, November 23, 2009, the first trading day after he
6 attended the strategic planning meeting at which the potential acquisition of CKE
7 was described, Griggs placed a "limit order" to purchase 20,000 shares of CKE
8 stock at a price not exceeding \$8.30 per share.

9 26. A few hours later, when that limit order had not been filled because
10 the price of CKE stock had not declined to \$8.30 per share, Griggs cancelled the
11 limit order.

12 27. Griggs then placed a "market order" to purchase 30,000 shares of
13 CKE stock at the market price. Griggs's market order was filled, and, through
14 that market order, he purchased 30,000 shares at an average price of \$8.769 on
15 November 23, 2009.

16 28. Griggs had previously purchased CKE stock twice in the eighteen
17 months prior to November, 2009; however, each of those purchases was for
18 10,000 shares — 1/3 as many shares as his November 23, 2009 purchase.

19 29. On or about December 17, 2009, THL submitted an initial non-
20 binding indication of interest to acquire all the stock of CKE at \$10 per share.

21 30. On January 5, 2010, Griggs met with Puzder at CKE's offices. That
22 same day, investment banking personnel conducted due diligence at CKE's
23 offices in person.

24 31. On January 8, 2010, Griggs purchased 20,000 shares of CKE stock at
25 \$8.00 per share pursuant to an \$8.00 limit order.

26 32. Griggs placed his November 23, 2009 and January 8, 2010 orders to
27 purchase CKE stock through his broker at UBS Financial Services in Charlotte,
28 North Carolina, via telephone.

1 **C. CKE Publicly Announces the Proposed Merger**

2 33. On February 25, 2010, trading in CKE stock closed at a price of
3 \$8.91 per share.

4 34. On February 26, 2010, CKE and THL publicly announced a
5 definitive merger in which THL would acquire CKE and CKE stockholders would
6 receive \$11.05 for each share of CKE common stock.

7 35. Following the announcement, on February 26, 2010, trading in CKE
8 stock closed at a price of \$11.37 per share.

9 **D. Griggs's Trading Violated CKE's Insider Trading Policy**

10 36. During the time period covered by this complaint, CKE had a written
11 insider trading policy prohibiting employees from trading during blackout periods
12 or while in the possession of material, non-public information.

13 37. The policy required CKE employees to notify a compliance officer of
14 the nature and amount of a trade in CKE stock.

15 38. Griggs did not notify compliance officers of the nature or amount of
16 his November 23, 2009 and January 8, 2010 purchases of CKE stock.

17 **E. Griggs Breached His Fiduciary Duty to the Shareholders of CKE When**
18 **He Traded on the Basis of Material Nonpublic Information**

19 39. During the conduct alleged in this complaint, Griggs was a corporate
20 insider by virtue of his position as executive vice president of training and
21 leadership development.

22 40. Griggs had a fiduciary duty to CKE's shareholders arising from his
23 status as a corporate insider.

24 41. Griggs knew, or was reckless in not knowing, that if he obtained
25 material, nonpublic information about CKE, he should not use that information to
26 his personal benefit.

27 42. Until February 26, 2010, information about the planned acquisition
28 of CKE was nonpublic.

1 Section 10(b) of the Exchange Act, 15 U.S.C. § 78j(b), and Rule 10b-5 thereunder,
2 17 C.F.R. § 240.10b-5.

3 **III.**

4 Enter an order, pursuant to Section 21(d)(2) of the Exchange Act, 15 U.S.C.
5 § 78u(d)(2), prohibiting Griggs from acting as an officer or director of any issuer
6 that has a class of securities registered pursuant to Section 12 of the Exchange Act,
7 15 U.S.C. § 781, or that is required to file reports pursuant to Section 15(d) of the
8 Exchange Act, 15 U.S.C. § 78o(d).

9 **IV.**

10 Order Griggs to pay disgorgement of the illegal trading profits described
11 herein, plus prejudgment interest.

12 **V.**

13 Order Griggs to pay a civil penalty under Section 21A of the Exchange Act,
14 15 U.S.C. § 78u-1.

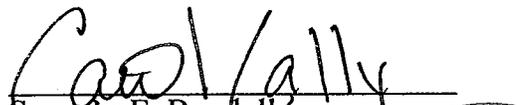
15 **VI.**

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

20 **VII.**

21 Grant such other and further relief as this Court may determine to be just and
22 necessary.

23
24 DATED: March 15, 2012


Spencer E. Bendell
Carol Lally
Attorneys for Plaintiff
Securities and Exchange Commission