

**UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF MICHIGAN
SOUTHERN DIVISION**

**UNITED STATES SECURITIES
AND EXCHANGE COMMISSION,**

Plaintiff,

Case No.

v.

Hon.

**APPARAO MUKKAMALA,
SURESH ANNE,
JITENDRA PRASAD KATNENI,
MALLIKARJUNARAO ANNE, AND
RAO A.K. YALAMANCHILI,**

Defendants.

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COMPLAINT

Plaintiff, the United States Securities and Exchange Commission (“the Commission”), alleges as follows:

Summary

1. This case arises from insider trading in the securities of American Physicians Capital, Inc. (“ACAP”).

2. Between March 2010 and July 2010, Defendant Apparao Mukkamala (“Mukkamala”) served as chairman of the board of directors (the “board”) of ACAP. On March 12, 2010, ACAP’s board instructed ACAP’s management to evaluate various strategic alternatives, including whether to continue as an independent, stand-alone company or whether it would be in the best interests of ACAP’s shareholders for the board to consider selling ACAP. Between March 12, 2010, and July 8, 2010, when ACAP publicly announced that it had agreed

to be acquired, ACAP's board and management engaged in activities in furtherance of a sale of the company. These activities included meetings of ACAP's board and management, communications with prospective acquirers, the facilitation of due diligence by prospective acquirers, and the retention of a financial advisor to deliver a fairness opinion. The fact that the company was undertaking definite steps towards a sale constituted material nonpublic information.

3. Mukkamala illegally disclosed material nonpublic information concerning the anticipated sale of ACAP, and he made these illegal disclosures to some of his family and friends. Specifically, Mukkamala illegally disclosed material nonpublic information concerning the anticipated sale of ACAP to Defendants Suresh Anne ("Suresh") and Jitendra Prasad Katneni ("Katneni"), both of whom are friends and professional colleagues of Mukkamala's; Mallikarjunarao Anne ("Mallikarjunarao"), who is the brother of Mukkamala's wife; and Rao A.K. Yalamanchili ("Yalamanchili"), who is Mukkamala's friend.

4. Between April 30, 2010, and July 7, 2010, Mukkamala, Suresh, Katneni, Mallikarjunarao, and Yalamanchili illegally purchased almost \$2.2 million of ACAP stock based on material nonpublic information concerning the anticipated sale of ACAP.

5. At 9:00 a.m. (EDT) on July 8, 2010, before the opening of the equity markets, ACAP and The Doctors Company ("TDC") announced an agreement (the "public announcement") under which TDC would acquire ACAP for \$41.50 per share. That day, ACAP shares closed at \$40.63, up \$8.87, a gain of approximately 28% over the previous day's closing price.

6. Following the public announcement, the Defendants realized, collectively, more than \$623,000 in profits from their illegal trading in ACAP.

7. By engaging in this conduct, which is described more fully below, Defendants Mukkamala, Suresh, Katneni, Mallikarjunarao, and Yalamanchili 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. The Court has subject matter 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.

10. This Court has personal jurisdiction over the Defendants, and venue is proper in this District, because Defendants Mukkamala, Suresh, and Katneni reside in this District, and because many of the acts, transactions, and conduct which constitute the violations alleged in this Complaint occurred within this District.

Defendants

11. Apparao Mukkamala, a physician, born 1945, is a resident of Grand Blanc, Michigan. Mukkamala served as a member of ACAP’s board since its formation in July 2000 and became chairman of ACAP’s board in May 2007. He is either a family member or friend of the other Defendants. During the subject period Mukkamala also served as president of Chinmaya Mission West, a charity.

12. Suresh Anne, a physician, born 1956, is a resident of Grand Blanc, Michigan. Suresh, a friend of Mukkamala’s, practices with Mukkamala at Hurley Medical Center (“Hurley”) in Flint, Michigan, and is a fellow contributor to Chinmaya Mission West.

13. Jitendra Prasad Katneni, a physician, born 1949, is a resident of Fenton, Michigan. Katneni, a friend of Mukkamala's, served as the chief of staff at Hurley where both he and Mukkamala practice.

14. Mallikarjunarao Anne, a physician, born 1941, is a resident of Chicago, Illinois. Mallikarjunarao is also the brother of Mukkamala's wife.

15. Rao A.K. Yalamanchili, a physician, born 1943, is a resident of Staten Island, New York. Yalamanchili is a longstanding friend of Mukkamala's.

Other Relevant Entities

16. During the relevant period, American Physicians Capital, Inc., was a holding company for a medical professional liability insurer incorporated in Michigan, with its principal place of business located in East Lansing, Michigan. ACAP's common stock was registered pursuant to Section 12(b) of the Exchange Act, 15 U.S.C. § 781(b), and was listed on the Nasdaq Global Select Market under the symbol "ACAP". On July 8, 2010, ACAP announced that it had agreed to be acquired by TDC.

17. The Doctors Company is a private medical liability insurer based in Napa, California.

Relevant Facts

A. ACAP's Board Pursues a Sale of the Company.

18. At its annual board conference held on March 12, 2010, ACAP's board discussed whether it should consider a potential sale of ACAP as one of the company's strategic options. Based on these discussions, the board instructed ACAP's management to evaluate various strategic alternatives, including whether to continue as an independent, stand-alone company or whether it would be in the best interests of ACAP's shareholders for the board to consider selling

ACAP. The board also authorized R. Kevin Clinton (“Clinton”), ACAP’s president and CEO, and Joseph Stilwell (“Stilwell”), a member of ACAP’s board, to identify potential strategic partners and to contact them on a preliminary basis in order to gauge their interest in acquiring ACAP.

19. On March 17, 2010, the initial discussion between ACAP and TDC occurred at the Physician Insurers Association of America conference in Scottsdale, Arizona. Also around this time, Clinton and Stilwell contacted three other potential acquirers, two of whom indicated an interest in exploring a possible acquisition of ACAP and executed confidentiality agreements for the purpose of pursuing further discussions with ACAP towards this end.

20. On April 9, 2010, ACAP implemented a trading ban for all board members and certain others with knowledge of the potential sale of the company.

21. On April 14, 2010, Clinton and Stilwell met with TDC’s CEO in New York. During this meeting, the parties discussed a general price range and ACAP’s desire for an all cash transaction.

22. On April 29, 2010, ACAP management provided ACAP’s board with a report on ACAP’s strategic options, the current state of and prospects for the medical professional liability insurance market, and an update on the initial discussions with the potential strategic partners. In addition, a representative from ACAP’s outside legal counsel reviewed with the board its (the board’s) fiduciary responsibilities in connection with the exploration of strategic alternatives. Following these presentations, the board determined to continue to evaluate a possible sale of the company and authorized management to continue discussions with potential strategic partners.

23. During May 2010, ACAP provided three potentially interested acquirers (including TDC) with additional detailed financial information, reserve reports, and projections,

as requested by the parties.

24. On May 21, 2010, ACAP received preliminary indications of interest from TDC and another potential acquirer and, shortly thereafter, provided each with access to an electronic due diligence data room established to facilitate completion of their due diligence efforts.

25. On May 22, 2010, ACAP's board held a meeting during which outside counsel provided a presentation on the board's fiduciary duties in an auction process, and management informed the board of the preliminary indications of interest received from potential acquirers.

26. On May 28, 2010, ACAP's outside counsel sent the prospective acquirers a draft merger agreement.

27. On June 14, 2010, ACAP's compensation committee held a meeting to address issues in key employees' change of control agreements (which had been discussed with the prospective acquirers).

28. On June 15, 2010, ACAP retained the services of a financial advisor to deliver an opinion as to the financial fairness of the consideration to be received by ACAP shareholders in connection with the contemplated sale of the company.

29. On June 21, 2010, TDC submitted an offer of \$40.00 per share, a markup of the draft merger agreement, and a request that ACAP grant TDC exclusivity of negotiations.

30. On June 22, 2010, ACAP's board held a meeting during which ACAP management provided the board with a summary of the terms of the bids received from two potential acquirers.

31. On June 29, 2010, ACAP's board held a meeting during which ACAP management provided the board with a summary of the terms of the bids received from three potential acquirers and an update as to the then current status of negotiations.

32. On June 30, 2010, Clinton spoke with the prospective acquirers about their respective bids and informed them that final and best bids were due by July 2, 2010.

33. On July 7, 2010, ACAP's board held a meeting to consider the final bids and voted to accept TDC's bid.

34. On July 8, 2010, at 9:00 a.m. (EDT), ACAP and TDC announced an agreement under which TDC would acquire ACAP for \$41.50 per share.

B. Mukkamala's Duties to ACAP and its Shareholders.

35. Mukkamala was chairman of ACAP's board and thus owed a fiduciary duty of trust and confidence to ACAP and its shareholders.

36. In connection with his position as ACAP's chairman, Mukkamala was made privy to confidential ACAP information and was subject both to ACAP's "*Statement of Corporate Policy Regarding Transactions In American Physicians Capital, Inc. Securities*" (the "Statement") and its "*Code of Ethics and Conduct*" (the "Code"). Both of these documents specified that ACAP policy prohibited ACAP employees from trading on material nonpublic ACAP information and, generally, from disclosing such information to others absent a business purpose.

37. Also in connection with his position as ACAP's chairman, Mukkamala, on April 29, 2010, became subject to a trading ban on ACAP shares due to the actions taken by ACAP's board in furtherance of a sale of the company.

38. Mukkamala received the Statement, the Code, and an email notifying him of the trading ban. As a result, he either knew or should have known that he was prohibited from trading in ACAP securities and from disclosing confidential ACAP information to others absent a business purpose.

C. Mukkamala Learned of the Possible Sale of ACAP.

39. At least by March 12, 2010, Mukkamala knew that ACAP's board was earnestly considering the possible sale of the company, which information was both material and nonpublic.

40. Beginning on March 12, 2010, as chairman of ACAP's board, Mukkamala was kept aware of and participated in many of the affirmative steps that led to the sale of ACAP, including, but not limited to:

- (a) Participating in a March 12, 2010, meeting of ACAP's board during which the board discussed whether it should consider a potential sale of ACAP as one of its strategic options and authorized Clinton and Stilwell to identify and then contact potential strategic partners;
- (b) Receiving notification of, and being made subject to, a trading ban implemented by ACAP on April 9, 2010;
- (c) Participating in a April 29, 2010, meeting of ACAP's board during which (i) ACAP management provided the board with a report on ACAP's strategic options and an update on the initial discussions with potential acquirers, (ii) a representative of ACAP's outside legal counsel reviewed with the board its (the board's) fiduciary responsibilities in connection with the exploration of strategic alternatives, and (iii) the board determined to continue to evaluate a possible sale of the company and authorized management to continue discussions with potential acquirers;
- (d) Participating in a May 11, 2010, special meeting of ACAP's board during which Clinton updated the board regarding actions taken since the April 29, 2010,

meeting, including a presentation on the companies selected for a solicitation of interest, the basis for the selection, and the preliminary feedback received from those companies;

- (e) Participating in a May 22, 2010, meeting of ACAP's board held to discuss the initial indications of interest received;
- (f) Participating in a June 14, 2010, meeting of ACAP's compensation committee called to address issues in key employees' change of control agreements;
- (g) Participating in a June 22, 2010, meeting of ACAP's board during which the offers submitted by TDC and another interested party were discussed;
- (h) Participating in a June 29, 2010, meeting of ACAP's board called to discuss the terms of the bids submitted by each potential acquirer; and
- (i) Participating in a July 7, 2010, meeting of ACAP's board during which the board voted to accept TDC's bid for ACAP.

D. Mukkamala Purchased ACAP Shares on the Basis of Material Nonpublic Information.

41. On June 21, 2010, Mukkamala placed a telephone call to Merrill Lynch and placed an order to purchase, for the account of Chinmaya Mission West, 800 shares of ACAP. This order was placed on the basis of Mukkamala's knowledge of the anticipated sale of ACAP. The 800 shares were purchased at approximately \$31.78 per share for a total investment of \$25,427.70. By making this trade, Mukkamala breached duties he owed to ACAP and its shareholders and conferred the benefit of the investment's profit to Chinmaya Mission West, an organization for which he was then serving as president.

42. As a result of Mukkamala's insider trading in ACAP shares, Chinmaya Mission West obtained illegal profits of \$7,076.30.

E. Mukkamala Tipped Material Nonpublic Information to Others.

43. Mukkamala also tipped material nonpublic information concerning the anticipated sale of ACAP to Defendants Suresh, Katneni, Mallikarjunarao, and Yalamanchili. In so doing, Mukkamala breached the duty he owed to ACAP and its shareholders. Mukkamala spoke by telephone with Suresh, Katneni, Mallikarjunarao, and Yalamanchili on numerous occasions during the relevant time period. Mukkamala also spoke in person, at Hurley, with Katneni on multiple occasions during the relevant time period. More specifically:

Date	Time (ET)	Event
3/12/10 (Fri)	N/A	ACAP's board discussed whether it should consider a potential sale of ACAP as one of the company's strategic options and authorized Clinton and Stilwell to contact potential acquirers.
3/17/10 (Wed)	N/A	At a conference, Clinton met briefly with TDC's CEO and asked him if TDC would be interested in submitting a bid if ACAP decided to explore its strategic options. TDC's CEO responded affirmatively.
4/9/10 (Fri)	N/A	ACAP implemented a trading ban for all board members and certain others with knowledge of the potential sale of the company.
4/14/10 (Wed)	N/A	Clinton and Stilwell met with TDC's CEO in New York. During this meeting, the parties discussed a general price range and ACAP's desire for an all cash transaction.
4/29/10 (Thu)	8:15 am	ACAP board meeting during which the board received an update on the initial discussions with the potential acquirers and heard a presentation on its fiduciary responsibilities in connection with the sale of the company. The board determined to continue to evaluate a possible sale of the company and authorized management to continue discussions with potential acquirers.
4/30/10 (Fri)	12:34 pm	15 minute call from Mukkamala to Mallikarjunarao.
"	2:59 pm	Mallikarjunarao began to purchase a total of 2,000 ACAP shares.
5/5/10 (Wed)	4:26 pm	18 minute call from Mukkamala to Mallikarjunarao.
"	8:41 pm	3 minute call from Mukkamala to Mallikarjunarao.
5/7/10 (Fri)	3:50 pm	Mallikarjunarao purchased 400 ACAP shares.
5/20/10 (Thu)	12:15 pm	Mallikarjunarao purchased 1,000 ACAP shares.
5/22/10 (Sat)	9:00 am	ACAP's board held a telephonic meeting during which outside counsel provided a presentation on the board's fiduciary duties in an auction process, and management informed the board of the preliminary

		indications of interest then received from the potential acquirers.
6/2/10 (Wed)	11:04 pm	13 minute call from Mukkamala to Suresh.
6/3/10 (Thu)	1:50 pm	6 minute call from Mukkamala to Suresh.
6/3/10 (Thu)	N/A	Katneni purchased 1,000 ACAP shares.
6/4/10 (Fri)	N/A	Katneni purchased 100 ACAP shares.
“	11:14 pm	2 minute call from Mukkamala to Suresh.
6/5/10 (Sat)	10:22 am	5 minute call from Suresh to Mukkamala.
6/7/10 (Mon)	3:38 pm	Suresh purchased 1,000 ACAP shares.
6/14/10 (Mon)	8:00 am	Mukkamala participated, via telephone from Chicago, in a meeting of ACAP’s compensation committee during which issues in key employees’ change of control agreements were discussed.
“	9:43 am	9 minute call from Mukkamala to Suresh.
“	9:53 am	3 minute call from Mukkamala to Suresh.
“	10:56 pm	1 minute call from Mukkamala to Katneni.
“	10:57 pm	1 minute call from Katneni to Mukkamala.
“	10:58 pm	4 minute call from Mallikarjunarao to Katneni.
“	11:04 pm	12 minute call from Mallikarjunarao’s home to Suresh.
“	11:43 pm	16 minute call from Mukkamala to Suresh.
6/15/10 (Tue)	12:01 am	17 minute call from Suresh to Mukkamala.
“	12:18 am	6 minute call from Mukkamala to Suresh.
“	7:54 am	3 minute call from Mukkamala to Suresh.
“	N/A	ACAP retained a financial advisor to render a fairness opinion.
6/20/10 (Sun)	1:32 pm	18 minute call from Mukkamala to Yalamanchili.
“	1:50 pm	4 minute call from Mukkamala to Yalamanchili.
“	2:47 pm	1 minute call from Mukkamala to Suresh.
“	3:12 pm	8 minute call from Suresh to Mukkamala.
“	6:13 pm	13 minute call from Mukkamala to Yalamanchili.
6/21/10 (Mon)	9:07 am	5 minute call from Mukkamala to Suresh.
“	9:21 am	1 minute call from Suresh to Mukkamala.
“	9:24 am	6 minute call from Mukkamala to Suresh.
“	9:48 am	Mukkamala purchased 800 ACAP shares in the Merrill Lynch account of Chinmaya Mission West.
“	5:10 pm	15 minute call from Mukkamala to Suresh.
6/22/10 (Tue)	8:06 am	3 minute call from Suresh to Mukkamala.
“	9:39 am	4 minute call from Mukkamala to Yalamanchili.

“	11:31 am	Suresh purchased 350 ACAP shares.
“	1:00 pm	ACAP’s board held a telephonic meeting during which ACAP management provided the board with a summary of the terms of the bids received from two potential acquirers.
“	2:56 pm	Suresh began to purchase a total of 2,000 ACAP shares.
6/23/10 (Wed)	1:56 pm	5 minute call from Mukkamala to Suresh.
“	2:29 pm	5 minute call from Suresh to Mukkamala.
“	3:10 pm	5 minute call from Mukkamala to Suresh.
“	9:16 pm	10 minute call from Mukkamala to Suresh.
“	10:22 pm	11 minute call from Yalamanchili to Mukkamala.
“	Various	Suresh purchased 6,000 ACAP shares.
6/24/10 (Thu)	Various	Suresh purchased 5,000 ACAP shares.
6/25/10 (Fri)	9:30 am	Yalamanchili purchased 5,000 ACAP shares.
“	4:02 pm	7 minute call from Suresh to Mukkamala.
“	6:29 pm	14 minute call from Mukkamala to Suresh.
6/26/10 (Sat)	3:30 pm	7 minute call from Mukkamala to Suresh.
“	6:21 pm	2 minute call from Mukkamala to Katneni.
6/29/10 (Tue)	12:01 pm	4 minute call from Mukkamala to Yalamanchili.
“	1:00 pm	Suresh began to purchase a total of 10,000 ACAP shares.
“	2:48 pm	Yalamanchili began to purchase a total of 7,300 ACAP shares.
“	4:30 pm	2 minute call from Mukkamala to fellow ACAP board member Stilwell.
“	4:38 pm	2 minute call from Mukkamala to Yalamanchili.
“	7:00 pm	ACAP’s board held a telephonic meeting during which ACAP management provided the board with a summary of the terms of the bids received from three potential acquirers and an update as to the then current status of negotiations.
7/1/10 (Thu)	11:03 am	Yalamanchili began to purchase a total of 1,979 ACAP shares.
7/2/10 (Fri)	1:58 pm	7 minute call from Mukkamala to fellow ACAP board member Schneider.
7/3/10 (Sat)	9:54 am	13 minute call from Mukkamala to Mallikarjunarao.
“	10:53 am	12 minute call from Mallikarjunarao to Mukkamala.
7/4/10 (Sun)	9:13 am	5 minute call from Mukkamala to Mallikarjunarao.
“	10:06 am	3 minute call from Mukkamala to Mallikarjunarao.
“	11:10 am	7 minute call from Mukkamala to Suresh.
“	7:20 pm	21 minute call from Mukkamala to Suresh.

7/5/10 (Mon)	7:32 pm	10 minute call from Mukkamala to Suresh.
“	7:41 pm	1 minute call from Mukkamala to Katneni.
“	7:43 pm	2 minute call from Katneni to Mukkamala.
“	9:52 pm	1 minute call from Mukkamala to Yalamanchili.
“	9:53 pm	6 minute call from Mukkamala to Suresh.
“	10:57 pm	3 minute call from Mukkamala to Yalamanchili.
7/6/10 (Tue)	Various	Yalamanchili purchased 2,015 ACAP shares.
“	Various	Mallikarjunarao purchased 10,700 ACAP shares.
“	Various	Suresh purchased 3,000 ACAP shares.
“	7:06 pm	7 minute call from Mukkamala to ACAP CEO Clinton.
“	7:13 pm	3 minute call from Mukkamala to Stilwell.
“	7:16 pm	5 minute call from Mukkamala to Suresh.
“	10:20 pm	7 minute call from Mukkamala to Katneni.
7/7/10 (Wed)	9:30 am	Suresh began to purchase a total of 9,500 ACAP shares.
“	2:04 pm	2 minute call from Suresh to Mukkamala.
“	3:00 pm	ACAP’s board convened a telephonic meeting during which they considered the final bids and voted to accept TDC’s bid.
“	3:22 pm	1 minute call from Katneni to Mukkamala.
“	4:12 pm	4 minute call from Mukkamala to Katneni.
“	8:36 pm	7 minute call from Mukkamala to Mallikarjunarao.
“	9:57 pm	2 minute call from Mallikarjunarao to Mukkamala.
7/8/10 (Thu)	9:00 am	Public announcement of the ACAP-TDC deal.
“	9:49 am	2 minute call from Mukkamala to Suresh.
“	9:51 am	1 minute call from Mukkamala to Yalamanchili.
“	9:57 am	Suresh began the sale of a total of 36,850 ACAP shares.
“	11:01 am	Yalamanchili began the sale of a total of 10,494 ACAP shares.
“	12:04 pm	1 minute call from Katneni to Mukkamala.
“	10:51 pm	16 minute call from Mukkamala to Suresh.

44. During these conversations, in person and by telephone, Mukkamala disclosed to the other Defendants material nonpublic information concerning the anticipated sale of ACAP, and thus obtained a personal benefit of making a gift of this information to them. By disclosing such material nonpublic information, Mukkamala breached the duties he owed to ACAP and its shareholders.

45. For their part, Suresh, Katneni, Mallikarjunarao, and Yalamanchili knew, or should have known, that Mukkamala had breached the duties he owed to ACAP and its shareholders by disclosing to them material nonpublic information concerning the anticipated sale of ACAP. As a result, Suresh, Katneni, Mallikarjunarao, and Yalamanchili, by trading in ACAP shares based on this nonpublic information, each violated his derivative duty owed to ACAP and its shareholders either to refrain from trading on this information or to disclose it publicly.

F. Suresh Purchased ACAP Shares on the Basis of Material Nonpublic Information.

46. Suresh purchased ACAP shares in two accounts (an investment club he controlled and his revocable trust's account) on the basis of material nonpublic information and thereby violated his duty either to refrain from trading on this information or to disclose it publicly. More specifically:

Account	Date of Trade	No. of ACAP Shares Bought	Purchase Amount (Principal)	No. of ACAP Shares Sold	Sale Amount (Principal)	Illegal Gain
Revocable trust account	June 22, 2010	350	\$11,126.00			
	June 23, 2010	6,000	\$190,440.20			
	June 24, 2010	5,000	\$157,958.22			
	July 7, 2010	1,500	\$47,250.00			
	July 8, 2010			12,850	\$523,580.45	
<i>Subtotal</i>	<i>N/A</i>	<i>12,850</i>	<i>\$406,774.42</i>	<i>12,850</i>	<i>\$523,580.45</i>	<i>\$116,806.03</i>
Investment club account	June 7, 2010	1,000	\$29,697.00			
	June 22, 2010	2,000	\$63,258.72			
	June 29, 2010	10,000	\$316,480.15			
	July 6, 2010	3,000	\$94,397.38			
	July 7, 2010	8,000	\$252,000.00			
	July 8, 2010				24,000	
<i>Subtotal</i>		<i>24,000</i>	<i>\$755,833.25</i>	<i>24,000</i>	<i>\$977,161.93</i>	<i>\$221,328.68</i>
<i>Dividends</i>						<i>\$90.00</i>
Total		36,850	\$1,162,607.67	36,850	\$1,500,742.38	\$338,224.71

47. In total, Suresh purchased 36,850 shares of ACAP stock, at prices ranging between approximately \$29.69 and \$31.79 per share, for an investment of \$1,162,607.67.

48. These ACAP purchases were unusual when compared with the then recent trading history in Suresh's accounts.

(a) Suresh's revocable trust account had been inactive from January 1, 2009, until June 22, 2010, when Suresh made his first illegal purchase of ACAP in this account. On June 23, 2010, Suresh made deposits of \$250,000 and \$100,000 into this account and used a portion of these funds to finance more ACAP transactions. As of June 30, 2010, the ACAP position was by far the largest single position in the account, representing approximately 85% of the account value. Suresh then increased his ACAP position still more by purchasing an additional 1,500 ACAP shares in early July 2010.

(b) The investment club account Suresh controlled had been mostly inactive from January 2009 through June 2010, with the exception of some non-ACAP trades which were made on March 18, 2009. On June 25, 2010, Suresh liquidated all of the stock holdings in the account except for ACAP and used approximately 79% of the funds thus raised to purchase additional ACAP shares.

49. As a result of Suresh's insider trading in ACAP shares, he obtained illegal profits of \$338,224.71.

G. Katneni Purchased ACAP Shares on the Basis of Material Nonpublic Information.

50. Katneni purchased ACAP shares in two accounts (an account he held jointly with his daughter, and a Uniform Transfers to Minors Act ("UTMA") account he held for the benefit of his son) on the basis of material nonpublic information and thereby violated his duty either to refrain from trading on this information or to disclose it publicly. More specifically:

Account	Date of Trade	No. of ACAP Shares Bought	Purchase Amount (Principal)	No. of ACAP Shares Sold	Sale Amount (Principal)	Illegal Gain
Joint account	June 3, 2010	1,000	\$30,990.22			
	June 30, 2010	2.8	\$90.00			
	After July 8, 2010			1,002.8	\$40,743.76	
<i>Subtotal</i>	<i>N/A</i>	<i>1,002.8</i>	<i>\$31,080.22</i>	<i>1,002.8</i>	<i>\$40,743.76</i>	<i>\$9,663.54</i>
UTMA account	June 4, 2010	100	\$3,025.10			
	June 30, 2010	0.28	\$9.00			
	After July 8, 2010			100.28	\$4,074.38	
<i>Subtotal</i>		<i>100.28</i>	<i>\$3,034.10</i>	<i>100.28</i>	<i>\$4,074.38</i>	<i>\$1,040.28</i>
<i>Dividends</i>						<i>\$99.00</i>
Total		1,103.08	\$34,114.32	1,103.08	\$44,818.14	\$10,802.82

51. In total, Katneni purchased 1,103.08 shares of ACAP stock, at prices ranging between approximately \$30.25 and \$32.14, for an investment of \$34,114.32.

52. These ACAP share purchases were unusual when compared with the then recent trading history in these accounts.

(a) Between January 2009 and August 2010, there was only one other trade placed in Katneni's joint account. As of June 30, 2010, the month when the illegal purchase of ACAP shares was made, the ACAP position was the largest in the account and represented approximately 20% of the account value.

(b) Between January 2009 and August 2010, Katneni's UTMA account was inactive other than the illegal trade in ACAP. In spite of totaling only 100 shares, as of June 30, 2010, the ACAP position was the fourth largest of the eight stocks held in the account.

53. As a result of Katneni's insider trading in ACAP shares, he obtained illegal profits of \$10,802.82.

H. Mallikarjunarao Purchased ACAP Shares on the Basis of Material Nonpublic Information.

54. Mallikarjunarao purchased ACAP shares in four accounts (his revocable trust's account, his wife's Roth individual retirement account ("IRA"), his daughter's individual account, and his profit sharing plan account) on the basis of material nonpublic information and thereby violated his duty either to refrain from trading on this information or to disclose it publicly. More specifically:

Account	Date of Trade	No. of ACAP Shares Bought	Purchase Amount (Principal)	No. of ACAP Shares Sold	Sale Amount (Principal)	Illegal Gain
Living trust account	July 6, 2010	5,000	\$159,772.40			
	After July 8, 2010			5,000	\$203,150.00	
<i>Subtotal</i>	<i>N/A</i>	<i>5,000</i>	<i>\$159,772.40</i>	<i>5,000</i>	<i>\$203,150.00</i>	<i>\$43,377.60</i>
Wife's Roth IRA	July 6, 2010	1,700	\$53,890.00			
	After July 8, 2010			1,700	\$69,071.00	
<i>Subtotal</i>		<i>1,700</i>	<i>\$53,890.00</i>	<i>1,700</i>	<i>\$69,071.00</i>	<i>\$15,181.00</i>
Daughter's account	May 7, 2010	400	\$12,040.00			
	May 20, 2010	1,000	\$31,000.00			
	July 6, 2010	2,200	\$69,190.00			
	After July 8, 2010			3,600	\$146,268.00	
<i>Subtotal</i>	<i>N/A</i>	<i>3,600</i>	<i>\$112,230.00</i>	<i>3,600</i>	<i>\$146,268.00</i>	<i>\$34,038.00</i>
Profit sharing plan account	April 30, 2010	2,000	\$67,950.00			
	July 6, 2010	1,800	\$56,610.00			
	After July 8, 2010			3,800	\$154,394.00	
<i>Subtotal</i>		<i>3,800</i>	<i>\$124,560.00</i>	<i>3,800</i>	<i>\$154,394.00</i>	<i>\$29,834.00</i>
<i>Dividends</i>						<i>\$306.00</i>
Total		14,100	\$450,452.40	14,100	\$572,883.00	\$122,736.60

55. In total, Mallikarjunarao purchased 14,100 shares of ACAP stock, at prices ranging between approximately \$30.10 and \$33.98, for an investment of \$450,452.40.

56. These ACAP share purchases were unusual when compared with the then recent trading history in these accounts.

- (a) In Mallikarjunarao's living trust account, no stocks were traded in the account between January 1, 2009, and July 6, 2010, when an additional 5,000 shares of ACAP were purchased (adding to the 2,000 ACAP shares already in the account).
- (b) In Mallikarjunarao's wife's Roth IRA, another stock was sold the same day that 1,700 ACAP shares were illegally purchased. Other than these two trades, the account was inactive between January 1, 2009 and July 31, 2010. As of July 31, 2010, ACAP was the larger of only two stock positions in the account and represented approximately 28% of the account value.
- (c) In Mallikarjunarao's daughter's account, other than the illegal ACAP share purchases, the only other trades made in this account between January 1, 2009, and July 31, 2010, were the sale of an equity exchange traded fund ("ETF") and an additional investment into an index mutual fund. As of July 31, 2010, ACAP was the only stock holding in the account and represented approximately 33% of the account value.
- (d) Between January 1, 2009, and July 31, 2010, the only trading in Mallikarjunarao's profit sharing account were the illegal ACAP trades and the sales of some mutual fund shares made to raise funds for the ACAP purchases. As of July 31, 2010, ACAP was the only stock position held in the account and represented approximately 57% of the account value.

57. As a result of Mallikarjunarao's insider trading in ACAP shares, he obtained illegal profits of \$122,736.60.

I. Yalamanchili Purchased ACAP Shares on the Basis of Material Nonpublic Information.

58. Yalamanchili purchased ACAP shares in four accounts (his IRA, a trust account for which he serves as trustee, an account held jointly with his brother, and his son's Roth IRA) on the basis of material nonpublic information and thereby violated his duty either to refrain from trading on this information or to disclose it publicly. More specifically:

Account	Date of Trade	No. of ACAP Shares Bought	Purchase Amount (Principal)	No. of ACAP Shares Sold	Sale Amount (Principal)	Illegal Gain
IRA	June 25, 2010	3,000	\$96,090.00			
	June 29, 2010	5,000	\$159,276.00			
	July 1, 2010	1,979	\$61,478.91			
	July 6, 2010	2,015	\$63,168.33			
	July 8, 2010			6,994	\$284,087.04	
	After July 8, 2010			5,000	\$203,150.00	
<i>Subtotal</i>	<i>N/A</i>	<i>11,994</i>	<i>\$380,013.24</i>	<i>11,994</i>	<i>\$487,237.04</i>	<i>\$107,223.80</i>
Musunuru Income Trust	June 25, 2010	2,000	\$64,060.00			
	June 29, 2010	1,500	\$47,669.00			
	July 8, 2010			3,500	\$142,229.80	
<i>Subtotal</i>		<i>3,500</i>	<i>\$111,729.00</i>	<i>3,500</i>	<i>\$142,229.80</i>	<i>\$30,500.80</i>
Joint account	June 29, 2010	250	\$7,942.20			
	After July 8, 2010			250	\$10,157.50	
<i>Subtotal</i>	<i>N/A</i>	<i>250</i>	<i>\$7,942.20</i>	<i>250</i>	<i>\$10,157.50</i>	<i>\$2,215.30</i>
Son's Roth IRA	June 29, 2010	550	\$17,481.75			
	After July 8, 2010			550	\$22,346.50	
<i>Subtotal</i>		<i>550</i>	<i>\$17,481.75</i>	<i>550</i>	<i>\$22,346.50</i>	<i>\$4,864.75</i>
Total		16,294	\$517,166.19	16,294	\$661,970.84	\$144,804.65

59. In total, Yalamanchili purchased 16,294 shares of ACAP stock, at prices ranging between approximately \$31.06 and \$32.03, for an investment of \$517,166.19.

60. These ACAP purchases were unusual when compared with the then recent trading history in these accounts.

- (a) Although Yalamanchili's IRA was active from December 2009 through July 2010, the majority of this trading activity occurred in ETFs and mutual funds and was undertaken by a third party asset manager. The ACAP position was unusual because it was one of only two stock positions held in the account during this period and was, on July 31, 2010 – even after 6,994 ACAP shares had been sold earlier that month on the date of the public announcement – the single largest investment position held in the account.
- (b) From January 1, 2009, through July 31, 2010, the Musunuru Income Trust account, for which Yalamanchili served as trustee, had no trading activity except for Yalamanchili's illegal ACAP trades. During that 19-month period, ACAP was the only stock held in the account. The illegally purchased ACAP shares were financed by using approximately 87% of the liquid funds that were available in the account as of June 1, 2010. As of June 30, 2010, the ACAP position represented approximately 71% of the account value.
- (c) In the joint account Yalamanchili shared with his brother, the illegal purchase of ACAP shares was the only trade made between January 1, 2009, and July 31, 2010. As of July 31, 2010, ACAP was the largest of seven stocks held in the account and represented approximately 37% of the account value.
- (d) In Yalamanchili's son's Roth IRA, the illegal purchase of ACAP shares was the only trade made in the account between January 1, 2009, and July 31, 2010. Before the ACAP share purchase the account was entirely invested in a money market fund. However, as of July 31, 2010, the ACAP position represented approximately 95% of the account value.

61. As a result of Yalamanchili's insider trading in ACAP shares, he obtained illegal profits of \$144,804.65.

Count I

**Violation of Section 10(b) of the Exchange Act and Rule 10b-5 Thereunder
(Against All Defendants)**

62. The Commission incorporates by reference the allegations in paragraphs 1 – 61 as though fully set forth herein.

63. Mukkamala knew, or was reckless in not knowing, that information concerning the anticipated sale of ACAP was confidential, material, and nonpublic. Mukkamala breached the fiduciary duty of trust and confidence which he owed to ACAP and its shareholders by: (a) purchasing ACAP securities on the basis of this material nonpublic information; and (b) disclosing this material nonpublic information to Defendants Suresh, Katneni, Mallikarjunarao, and Yalamanchili, whom he either knew, or was reckless in not knowing, would purchase ACAP securities on the basis of that information. Mukkamala received a personal benefit from his disclosures.

64. Defendants Suresh, Katneni, Mallikarjunarao, and Yalamanchili each knew or should have known that the information regarding the anticipated sale of ACAP was material and nonpublic and was conveyed to him in violation of a relationship of trust. On the basis of this information, Suresh, Katneni, Mallikarjunarao, and Yalamanchili each purchased ACAP securities.

65. Through the conduct described above, all of the Defendants, in connection with the purchase or sale of securities and by the use of means or instrumentalities of interstate commerce or of the mails, directly or indirectly: (a) employed devices, schemes, or artifices to defraud; (b) made untrue statements of material fact, or omitted to state material facts necessary

in order to make statements made, in the light of the circumstances under which they were made, not misleading; or (c) engaged in acts, practices, or courses of business which operated as a fraud or deceit upon other persons.

66. Defendants Mukkamala, Suresh, Katneni, Mallikarjunarao, and Yalamanchili each acted with *scienter* by trading in ACAP stock based on confidential information regarding the anticipated sale of ACAP. Additionally, Mukkamala acted with *scienter* in disclosing this confidential information to the other Defendants.

67. 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. § 78j(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 Apparao Mukkamala, Suresh Anne, Jitendra Prasad Katneni, Mallikarjunarao Anne, and Rao A.K. Yalamanchili from 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.

Permanently prohibit Defendant Apparao Mukkamala, pursuant to Section 21(d)(2) of the Exchange Act, 15 U.S.C. § 78u(d)(2), from acting as an officer or director of any issuer that has a class of securities registered pursuant to Section 12 of the Exchange Act, 15 U.S.C. § 78l, or that is required to file reports pursuant to Section 15(d) of the Exchange Act, 15 U.S.C. § 78o(d).

III.

Order Defendants Apparao Mukkamala, Suresh Anne, Jitendra Prasad Katneni, Mallikarjunarao Anne, and Rao A.K. Yalamanchili each to disgorge his ill-gotten gains, including dividends received, from each trade in American Physicians Capital, Inc., securities which he entered into on the basis of material nonpublic information, including prejudgment interest thereon;

IV.

Order Defendants Apparao Mukkamala, Suresh Anne, Jitendra Prasad Katneni, Mallikarjunarao Anne, and Rao A.K. Yalamanchili each to pay civil penalties pursuant to Section 21A of the Exchange Act, 15 U.S.C. § 78u-1; and

V.

Grant such other relief as the Court deems appropriate.

Respectfully submitted,
/s/ John E. Birkenheier
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CERTIFICATE OF SERVICE

I, John E. Birkenheier, an attorney for Plaintiff United States Securities and Exchange Commission, hereby certify that I, on July 10, 2012, caused true and correct copies of the foregoing document to be served upon the following persons via the means specified below:

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