



2. From at least 2011 through August 2014, HudBay Minerals, Inc. (“HudBay”), a Canadian mining company, employed Coppero. Coppero worked on a business team responsible for HudBay’s Peruvian mine operations.

3. By at least mid-January 2014, Coppero had learned through his job that HudBay would acquire Augusta Resource Corporation (“Augusta”): material, non-public information, as Coppero knew. At the time, Augusta’s shares were listed on the NYSE MKT exchange.

4. In late January 2014, Coppero told Castro — a close friend and also a Peruvian lawyer — that HudBay’s acquisition of Augusta was imminent.

5. Coppero next told Carrion — a business acquaintance who worked at a Peruvian brokerage firm (the “Brokerage Firm”) — about HudBay’s pending Augusta acquisition.

6. At Castro’s suggestion, Coppero later purchased Augusta shares with Castro in a brokerage account (the “Account”) held in the name of La Encantada, a British Virgin Islands entity Castro controlled.

7. Starting on January 30, 2014, and continuing over approximately the next week, Castro used the Account to sell 2,100 HudBay shares — held since 2012 — and to purchase 104,200 Augusta shares for approximately \$200,000.

8. Funding approximately half the Augusta share purchases, Coppero transferred \$100,000 directly to the Account in La Encantada’s name.

9. Between February 5 and 7, 2014, Carrion’s Brokerage Firm similarly purchased 77,800 Augusta shares for over \$154,000.

10. On Sunday, February 9, 2014, HudBay issued a press release announcing its tender offer to acquire all of Augusta’s shares at approximately \$2.96 per share — approximately 30% higher than Augusta’s closing share price on the preceding Friday.

11. In the four trading days after the announcement, Castro sold most of the Account's Augusta shares. He sold the rest within two weeks of the announcement. The Account profited by over \$112,000 from the Augusta trades.

12. In the first trading day after the announcement, Carrion's Brokerage Firm liquidated its entire Augusta position for over \$73,000 in profits.

13. Over the next several months, Castro first transferred \$100,000 — the amount Coppero had originally transferred to the Account to fund approximately half of its Augusta share purchases — to Coppero's bank account. Castro later transferred \$50,000 — almost exactly half the Account's profits on the Augusta trades — to a bank account held by certain of Coppero's close relatives (the "Relatives' Bank Account").

14. In the months afterward, Coppero and Castro tried to cover up their insider trading in part by pretending that the Account's \$100,000 transfer to Coppero represented the return of principal on a loan.

### **VIOLATIONS**

15. By virtue of the conduct alleged here, Coppero and Castro engaged in insider trading in violation of Section 17(a) of the Securities Act of 1933 ("Securities Act") [15 U.S.C. § 77q(a)], 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], and Coppero, Castro, and Carrion engaged in insider trading in violation of Exchange Act Section 14(e) [15 U.S.C. § 78n(e)] and Rule 14e-3 thereunder [17 C.F.R. § 240.14e-3]. Unless Defendants are permanently restrained and enjoined, they will again engage in the acts, practices, and courses of business set forth in this Complaint and in acts, practices, and courses of business of similar type and object.

**NATURE OF THE PROCEEDINGS AND RELIEF SOUGHT**

16. The Commission brings this action under Securities Act Section 20(b) [15 U.S.C. § 77t(b)] and Exchange Act Section 21(d) [15 U.S.C. § 78u(d)]. The Commission seeks to permanently enjoin Defendants from engaging in the transactions, acts, practices, and courses of business alleged in this Complaint and seeks an order requiring Defendants to disgorge all profits realized and losses avoided (and any other ill-gotten gains) from the unlawful insider trading activity set forth in this Complaint, together with prejudgment interest. The Commission also seeks civil penalties against Defendants pursuant to Exchange Act Section 21A [15 U.S.C. § 78u-1].

**JURISDICTION AND VENUE**

17. The Court has jurisdiction over this action under Securities Act Section 22(a) [15 U.S.C. § 77v(a)] and Exchange Act Sections 21A and 27 [15 U.S.C. §§ 78u-1 & 78aa]. Certain of the acts, practices, transactions, and courses of business alleged in this Complaint were effected, directly or indirectly, by making use of the means, instruments, or instrumentalities of transportation or communication in interstate commerce, or of the mails, or the facilities of a national securities exchange.

18. Venue lies in this District under Exchange Act Section 27 [15 U.S.C. § 78aa]. On information and belief, certain of the Defendants' wire transfers occurred in this District.

**FACTS**

**Defendants**

19. **Coppero** is a lawyer and resident of Lima, Peru. From at least 2011 through September 2014, HudBay employed Coppero in its Lima-based business team. Among other things, Coppero assisted HudBay with community relations and legal work for HudBay's mining activities.

20. **Castro** is a lawyer and resident of Lima, Peru. At all relevant times, Castro was Coppero's close friend. On occasion, Castro provided legal services to HudBay, including by assisting Coppero's community relations work for HudBay.

21. **Carrion** is the Brokerage Firm's manager of corporate finance. He is a resident of Lima, Peru.

### **Relevant Entities**

22. **La Encantada** is a British Virgin Islands corporation. At all relevant times, Castro had authority to act on La Encantada's behalf.

23. **The Account** is a brokerage account held in La Encantada's name. At all relevant times, the Account cleared its trades through a clearing firm located in the United States. Castro has controlled La Encantada's Account at all relevant times.

24. **The Brokerage Firm** is a Peruvian brokerage firm with its principal place of business in Lima, Peru.

25. **HudBay** is a mining company focused on the discovery, production, and marketing of base copper and other precious metals in North and South America. Incorporated in Canada, HudBay has its principal place of business in Toronto, Canada. At all relevant times, HudBay's shares were registered with the Commission under Exchange Act Section 12(b) [15 U.S.C. § 78l(b)] and listed on the New York Stock Exchange.

26. **Augusta** is a mining company whose principal business involves a copper mine near Tucson, Arizona. On February 9, 2014, HudBay announced its intention to purchase all outstanding Augusta shares in a tender offer, and on July 29, 2014, HudBay announced the successful completion of its tender offer. Before the tender offer was complete, Augusta's shares were listed on the NYSE MKT exchange and registered with the Commission pursuant to Exchange Act Section 12(b) [15 U.S.C. § 78l(b)].

**HudBay Plans a Tender Offer for Augusta's Shares**

27. By at least March 2010, HudBay and Augusta began discussing the possibility of HudBay's acquisition of Augusta. Although these negotiations did not lead to a business combination, HudBay began purchasing Augusta shares on the Toronto Stock Exchange.

28. In March 2013, the two entities resumed deal discussions. HudBay increased its ownership in Augusta to 16% of Augusta's total shares outstanding.

29. In August 2013, HudBay engaged investment bankers to advise it on a potential acquisition of Augusta.

30. From then until December 12, 2013, Augusta and HudBay management communicated many times about the acquisition.

31. Between August 2013 and December 2013, HudBay's financial advisers conducted valuation work and analyses on the potential Augusta acquisition.

32. Although Augusta and HudBay did not meet after December 12, 2013, to discuss a potential deal, HudBay and its advisers continued to consider an acquisition of Augusta.

33. On January 8, 2014, HudBay's Board of Directors (the "HudBay Board") received a presentation from its advisers with updated due diligence on Augusta.

34. On January 14, 2014, HudBay management informed the HudBay Board that management remained interested in a potential transaction with Augusta.

35. By January 30, 2014, HudBay had taken a substantial step or steps to commence a tender offer for Augusta's shares.

36. On January 30, 2014, HudBay management again met with its investment bankers and legal advisers to consider strategic alternatives involving Augusta. HudBay and its advisers began preparing documents, including a presentation about Augusta's valuation, for delivery to the HudBay Board.

37. Between February 4 and 6, 2014, the HudBay Board members received these documents.

38. On February 7, 2014, the HudBay Board met to discuss the Augusta acquisition. HudBay's investment bankers advised the HudBay Board on the acquisition, and the HudBay Board decided to convene later for a final determination.

39. Until Sunday, February 9, 2014, when HudBay publicly announced its tender offer for all of Augusta's outstanding shares, HudBay's acquisition of Augusta was highly confidential and non-public.

**Coppero Receives HudBay's Restricted Lists and Insider Trading Policies**

40. On March 11, 2013, Coppero signed an acknowledgment that he had received HudBay's corporate confidentiality policy and insider trading policy. The insider trading policy, written in Spanish, prohibited HudBay employees from trading in the securities of companies with whom HudBay had a relationship while in possession of material, nonpublic information. It also prohibited divulging such information to third parties.

41. On May 13, 2013, a HudBay employee based in Toronto sent an e-mail to Coppero and others attaching a "Restricted List." The Restricted List named companies in whose securities certain HudBay employees were prohibited from trading without the prior consent of HudBay's legal department.

42. As the email made clear, the Restricted List limited Coppero's trading.

43. The Restricted List alphabetically named several dozen companies whose securities Coppero and others were prohibited from trading. Augusta's name appeared third on the list.

44. On October 8, 2013, Coppero received a similar restricted list. It again named Augusta.

45. On January 8, 2014, Coppero received an e-mail from the same HudBay employee in Toronto. It attached certain HudBay company policies, including its insider trading policies. The employee asked Coppero to circulate these policies to HudBay employees in Peru, to obtain certifications from these employees that they agreed to abide by the policies, and to report back regarding which employees had made the required certification.

**Coppero Tips Castro and Carrion About the Acquisition**

46. Beginning in at least December 2013, Coppero learned of HudBay's possible acquisition of Augusta.

47. By at least mid-January 2014, Coppero learned that HudBay's acquisition of Augusta would proceed.

48. By January 2014, Coppero and Castro had been good friends for several years and had also developed a close professional relationship. Castro knew that Coppero worked at HudBay.

49. Because rumors had been circulating in Lima about HudBay's potential acquisition of Augusta, Castro had asked Coppero if he knew any details about the offer's timing. Castro told Coppero that they could profit from purchasing Augusta shares before the acquisition announcement.

50. In January 2014, after he learned about the forthcoming acquisition, Coppero told Castro that HudBay's acquisition of Augusta was imminent.

51. Castro explained to Coppero how they could both profit from this information. Castro explained that he had set up corporate entities, including La Encantada, that could not be traced to him and that he could use to trade in securities before announcements of nonpublic information.

52. Castro told Coppero that he intended to buy Augusta stock through the Account and offered to do so on Coppero's behalf. Castro suggested that they could explain any transfer of funds from Coppero to La Encantada as a business loan.

53. While considering whether to join Castro's insider trading scheme, Coppero sought advice from Carrion about opening a brokerage account to execute a trade that could not be traced to Coppero.

54. Carrion knew that Coppero worked at HudBay as an attorney.

55. Carrion pressed Coppero for more information about the trade, and Coppero told Carrion about HudBay's imminent acquisition of Augusta.

56. Coppero knew or recklessly disregarded that Carrion would trade on the information.

#### **Coppero, Castro, and Carrion Trade On Inside Information**

57. On January 30, 2014 — the day HudBay management met with advisers to begin preparing documents for the Augusta acquisition — Castro sold 2,100 HudBay shares, which the Account had held since 2012.

58. That day, at 10:25 a.m. local time, Castro emailed Coppero with instructions for transferring money to the Account. The instructions named La Encantada as the Account's owner.

59. About an hour later, beginning at approximately 11:30 a.m., the Account used the proceeds from its HudBay sales and additional funds to purchase 35,000 Augusta shares.

60. The next day, the Account purchased an additional 20,000 Augusta shares.

61. The Account spent approximately \$99,600 to purchase these 55,000 Augusta shares on January 30 and 31, 2014, at prices ranging from \$1.79 to \$1.84 per share.

62. Less than a week later, on February 5, 2014, Coppero emailed a letter to his bank. The letter instructed his bank to wire \$100,000 to the Account and stated that the Account was domiciled in the British Virgin Islands.

63. The next day, Coppero received an e-mail confirming that his \$100,000 wire had been sent to the Account. He immediately forwarded the confirmation to Castro.

64. That day, the Account purchased an additional 17,000 Augusta shares.

65. The next day, February 7, 2014, the Account purchased 32,200 more Augusta shares.

66. The Account spent approximately \$99,900 to purchase these 49,200 Augusta shares on February 6 and 7, 2014, at prices ranging from \$1.89 to \$2.15 per share.

67. Also between February 5 and 7, 2014, an account at Carrion's Brokerage Firm purchased 77,800 Augusta shares in three separate transactions for a total price of approximately \$154,512. The shares ranged in price from \$1.86 to \$2.16 each.

68. The Account's sales of HudBay shares and the Account's and the Brokerage Firm's purchases of Augusta shares, described above, cleared in the United States, and the transactions' counterparties agreed to be irrevocably bound to sell the shares in the United States.

#### **HudBay Announces Its Tender Offer**

69. On Friday, February 7, 2014, Augusta's stock price closed at \$2.28 per share. HudBay's stock price closed at \$8.48 per share.

70. On Sunday, February 9, 2014, HudBay's Board met and conclusively decided to make a tender offer to acquire Augusta's shares.

71. That day, at 6:02 p.m., HudBay issued a press release announcing that it would commence a tender offer to acquire all of the issued and outstanding shares of Augusta. HudBay priced its tender offer at approximately \$2.96 per Augusta share.

72. The next day, Monday, February 10, 2014, Augusta's stock price closed at \$2.95 — approximately 30% higher than its closing price on the prior trading day. HudBay's stock closed at \$7.96 — approximately 6% lower than its closing price on the prior trading day.

**Coppero, Castro, and Carrion Profit from Their Insider Trading**

73. On February 10, 2014 at approximately 9:45 a.m. local time — the morning after HudBay announced its tender offer — Castro e-mailed Coppero. Castro's email contained no text: just the word "Answer!!!!!" in the subject line.

74. A few minutes later, Coppero responded: "Call me."

75. Later that day, Coppero and Castro talked by phone. The Account then sold 25,000 Augusta shares.

76. The next day, the Account sold an additional 30,000 Augusta shares.

77. A few days later, on February 13, 2014, the Account sold 32,600 more Augusta shares.

78. On February 24, 2014, the Account sold its remaining 16,600 Augusta shares.

79. The Account's Augusta sales ranged in price from \$2.86 to \$3.26 per share, as Augusta's share price continued to rise after HudBay's tender offer announcement.

80. In total, through the Account, La Encantada profited by approximately \$112,000 from its purchases and sales of Augusta shares, and avoided losses of approximately \$200 from its sale of HudBay shares.

81. Similarly, on February 10, 2014, the day after HudBay's tender offer announcement, the Brokerage Firm sold all 77,800 Augusta shares it had purchased in the preceding five days. The Brokerage Firm's Augusta sales ranged in price from \$2.89 to \$3.16 per share.

82. The Brokerage Firm profited by approximately \$73,212 — a profit of over 47% in five days — from its Augusta trades.

**Coppero and Castro Try To Hide Their Insider Trading**

83. On February 24, 2014, one of HudBay's in-house attorneys in Toronto forwarded a request from the Financial Industry Regulatory Authority ("FINRA") to Coppero's supervisor by email.

84. The request required Coppero's supervisor "to identify people in [his] business unit that were aware of [HudBay's] interest in [Augusta] on or after January 1, 2013."

85. The in-house attorney's email explained that he had already identified certain individuals within the supervisor's business unit who knew of HudBay's interest in Augusta. The attorney listed Coppero among those individuals.

86. Later that day, Coppero's supervisor forwarded the e-mail to Coppero. The supervisor asked Coppero how best to determine who in Peru had advance knowledge of the acquisition. The supervisor pointed out that Coppero's own name should be first on the list of people who knew of the acquisition.

87. Coppero, replying to the same e-mail chain that already listed him as an employee with knowledge of the acquisition, admitted: "I knew."

88. Approximately six weeks later, on April 14, 2014, the same HudBay attorney sent Coppero a list of names of entities and individuals. The attorney asked Coppero to provide certain information with respect to "any individuals or entities on [the attached] list" with whom Coppero may have any type of personal or professional relationship. La Encantada's name appeared on the list.

89. Over a week later, on April 22, 2014, Coppero claimed that he did not "know any of the individuals or entities on the list."

90. The same day, Coppero signed an acknowledgment that he had received HudBay's insider trading policy.

91. Over the next day or so, Castro and Coppero prepared documents purporting to show a \$100,000 loan from Coppero to La Encantada and backdated the documents to January and February of 2014.

92. Coppero and Castro also executed a document purporting to show that the loan had been extinguished by April 2014, when La Encantada returned the \$100,000 principal to Coppero without any interest.

93. On April 23, 2014, Castro signed a letter of authorization requesting that \$100,000 be wired from the Account to Coppero's bank account.

94. Coppero's banker then informed Coppero of the incoming wire and asked him what the payment was for. Coppero claimed that it was for the repayment of a loan.

95. In fact, the \$100,000 wire constituted Castro's repayment to Coppero of the \$100,000 Coppero had sent the Entity in February 2014 to pay for approximately half the Account's Augusta share purchases.

96. Coppero later sought to transfer his half of the profits from the Account's Augusta trades to his Relatives' Bank Account.

97. On July 7, 2014, Castro signed a letter of authorization requesting that the Account transfer an additional \$50,000 to Coppero's Relatives' Bank Account. The Account did so.

98. In October of 2014, Castro and Coppero spoke by phone. Castro reminded Coppero that their story should always be that the transfer of money from Coppero to the Account represented a loan. Castro reiterated that he would deny that Coppero had ever given him any information about the tender offer.

**FIRST CLAIM FOR RELIEF**

**Violations of Exchange Act Section 10(b) and Rule 10b-5 Thereunder  
(Against Coppero and Castro)**

99. The Commission realleges and incorporates by reference paragraphs 1 through 98, as though fully set forth herein.

100. By virtue of the foregoing, Coppero and Castro, in connection with the purchase or sale of securities, by the use of any means or instrumentality of interstate commerce or of the mails, or of any facility of any national securities exchange, 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 the statements made, in the light of the circumstances under which they were made, not misleading; and/or (c) engaged in acts, practices or courses of business which operated or would have operated as a fraud or deceit upon persons.

101. By virtue of the foregoing, Coppero and Castro, directly or indirectly, violated and, unless enjoined will again violate, Exchange Act Section 10(b) [15 U.S.C. § 78j(b)] and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5].

**SECOND CLAIM FOR RELIEF**

**Violations of Section 17(a) of the Securities Act  
(Against Coppero and Castro)**

102. The Commission realleges and incorporates by reference paragraphs 1 through 98, as though fully set forth herein.

103. By virtue of the foregoing, in the offer or sale of securities, by the use of any means or instruments of transportation or communication in interstate commerce or by use of the mails, directly or indirectly, Coppero and Castro: (a) employed devices, schemes or artifices to defraud; (b) obtained money or property by means of an untrue statement of a material fact or omitted to state a material fact necessary in order to make the statements made, in light of the circumstances under

which they were made, not misleading; and/or (c) engaged in transactions, practices or courses of business which operate or would operate as a fraud or deceit upon the purchaser.

104. By reason of the conduct described above, Coppero and Castro directly or indirectly violated and, unless enjoined will again violate, Securities Act Section 17(a) [15 U.S.C. § 77q(a)].

**THIRD CLAIM FOR RELIEF**  
**Violations of Exchange Act Section 14(e) and Rule 14e-3 thereunder**  
**(Against All Defendants)**

105. The Commission realleges and incorporates by reference paragraphs 1 through 98, as though fully set forth herein.

106. By reason of the conduct described above, Coppero, Castro, and Carrion directly or indirectly violated and, unless enjoined will again violate, Exchange Act Section 14(e) [15 U.S.C. § 78n(e)] and Rule 14e-3 thereunder [17 C.F.R. § 240.14e-3].

**RELIEF SOUGHT**

**WHEREFORE**, the Commission respectfully requests that this Court enter a Final Judgment:

**I.**

Permanently restraining and enjoining Coppero, Castro, and their agents, servants, employees and attorneys and all persons in active concert or participation with them who receive actual notice of the injunction by personal service or otherwise from violating Exchange Act Section 10(b) [15 U.S.C. § 78j(b)], Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5], and Securities Act Section 17(a) [15 U.S.C. § 77q(a)], under Securities Act Section 20(b) [15 U.S.C. § 77t(b)] and Exchange Act Section 21(d)(1) [15 U.S.C. § 78u(d)(1)];

**II.**

Permanently restraining and enjoining Coppero, Castro, Carrion, and their agents, servants, employees and attorneys and all persons in active concert or participation with them who receive

actual notice of the injunction by personal service or otherwise from violating Exchange Act Section 14(e) [15 U.S.C. § 78n(e)], and Rule 14e-3 thereunder [17 C.F.R. § 240.14e-3], under Exchange Act Section 21(d)(1) [15 U.S.C. § 78u(d)(1)];

III.

Directing Coppero, Castro, and Carrion to disgorge, with prejudgment interest, all illicit trading profits, losses avoided, or other ill-gotten gains from the conduct alleged in this Complaint, including directing Coppero to disgorge illicit profits from trades made in La Encantada's Account and the Brokerage Firm's account, directing Castro to disgorge illicit profits and losses avoided from trades made in La Encantada's Account, and directing Carrion to disgorge illicit profits from trades made in the Brokerage Firm's account, under Exchange Act Section 21(d)(5) [15 U.S.C. § 78u(d)(5)];

IV.

Directing Coppero, Castro, and Carrion to pay a civil monetary penalty under Exchange Act Section 21A [15 U.S.C. § 78u-1]; and

V.

Granting such other and further relief as this Court may deem just and proper.

Dated: New York, New York  
September 28, 2016



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