

UNITED STATES DISTRICT COURT
DISTRICT OF MASSACHUSETTS

_____)	
SECURITIES AND EXCHANGE)	
COMMISSION,)	
)	
	Plaintiff,)	Civil Action No.
)	
	v.)	
)	
JAMES S. HANNON,)	
)	
	Defendant.)	
_____)	

COMPLAINT

Plaintiff Securities and Exchange Commission (the “Commission”) alleges the following against defendant James S. Hannon (“Hannon”).

SUMMARY

1. This case involves trading by Hannon in the securities of his then-employer, the TJX Companies, Inc. (“TJX”), a publicly-traded Massachusetts-based company that is the parent company of retail store chains T.J. Maxx and Marshalls.

2. In 2012 and 2013, Hannon was a mid-level manager at TJX and, as a result of his position, he had daily access to material, nonpublic information about TJX’s sales. Using this inside knowledge in part, Hannon purchased TJX stock in advance of certain press releases publicly announcing the financial successes of TJX’s retail stores. Shortly thereafter, Hannon sold his TJX stock, reaping trading profits totaling approximately \$26,000 when the stock price increased following these public announcements.

NATURE OF THE PROCEEDING AND RELIEF SOUGHT

3. The Commission brings this action pursuant to the authority conferred upon it by Section 21(d) of the Securities Exchange Act of 1934 (“Exchange Act”) [15 U.S.C. § 78u(d)]. The Commission seeks permanent injunctions against the defendant, enjoining him from engaging in the transactions, acts, practices, and courses of business alleged in this Complaint; disgorgement of ill-gotten gains from the unlawful insider trading activity set forth in this Complaint, together with prejudgment interest; and civil penalties pursuant to Section 21A of the Exchange Act [15 U.S.C. § 78u-1] and the Insider Trading and Securities Fraud Enforcement Act of 1988. In addition, the Commission seeks any other relief the Court may deem appropriate pursuant to Section 21(d)(5) of the Exchange Act [15 U.S.C. § 78u(d)(5)].

JURISDICTION AND VENUE

4. The Court has jurisdiction over this action pursuant to Sections 21(d), 21(e), and 27 of the Exchange Act [15 U.S.C. §§ 78u(d), 78u(e), and 78aa].

5. Venue lies in this Court pursuant to Sections 21(d), 21A, and 27 of the Exchange Act [15 U.S.C. §§ 78u(d), 78u-1, and 78aa]. Hannon both resided and worked in the District of Massachusetts, and the acts, practices, transactions, and courses of business alleged in this Complaint occurred within the district.

DEFENDANT

6. **James S. Hannon**, age 51, is a resident of Merrimac, Massachusetts. In 2012 and 2013, Hannon was employed as the Northeast Regional Vice President of T.J. Maxx, a division of TJX. Hannon was terminated by TJX in September 2014.

RELEVANT ENTITY

7. **The TJX Companies, Inc.** (“TJX”) is a Delaware corporation with a principal place of business in Framingham, Massachusetts. In the United States, TJX operates discount

apparel and home fashion stores T.J. Maxx and Marshalls (collectively, “Marmaxx”) and HomeGoods. TJX also operates similar discount stores in Canada and Europe. TJX stock is quoted on the New York Stock Exchange under the ticker symbol “TJX.” In 2012, Marmaxx stores made up approximately 63% of all TJX stores worldwide. Likewise, Marmaxx sales accounted for approximately 66% of TJX’s worldwide net sales. HomeGoods stores accounted for approximately 13% of TJX’s total stores and 10% of TJX’s net worldwide sales.

STATEMENT OF FACTS

Hannon Had Access to Material, Nonpublic Information about TJX Sales

8. Hannon began working for TJX in January 2003 as an Assistant Store Manager for a T.J. Maxx store in Norwalk, Connecticut. By August 29, 2011, Hannon had been promoted to the position of Northeast Regional Vice President for T.J. Maxx where he was responsible for overseeing 122 T.J. Maxx stores.

9. In this role, Hannon received daily emails from TJX’s finance division containing consolidated daily comparable store sales (comparing the current year’s sales on a certain date to the previous year’s sales on the same date) for all Marmaxx stores nationwide. Further, Hannon received monthly emails containing nationwide Marmaxx month-, quarter-, and year-to-date comparable store sales and current year-to-date sales before this information was made public. In addition, the daily store sales and the monthly profit and loss expense reports for all T.J. Maxx stores nationwide were available to him through a shared computer drive.

10. Hannon also regularly received information through emails and in-person meetings about HomeGoods stores’ sales from managers in that division because he oversaw several “superstores” in his region, which were combinations of either T.J. Maxx or Marshalls stores with HomeGoods stores.

11. Thus, at any given time while he was employed as the Northeast Regional Vice President, Hannon received information about store sales and comparable store sales of approximately 76% of TJX's worldwide stores.

Hannon Traded in TJX Stock on the Basis of Material, Nonpublic Information

12. On five occasions in 2012 and 2013, at the time Hannon held the position of Northeast Regional Vice President for T.J. Maxx and received material, nonpublic company sales information, he purchased large amounts of TJX stock a few days in advance of public announcements of favorable sales or other financial information. Shortly after these public announcements, Hannon sold his TJX stock for a total profit of \$26,679, as follows:

- a. On July 3, 2012, Hannon purchased 5,600 shares of TJX stock at an average price of \$42.54 per share (total price \$238,224). On July 5, 2012 at 8:22 a.m., TJX issued a press release reporting a 7% increase in consolidated comparable store sales for June 2012. TJX also announced its decision to raise its second quarter and full year earnings per share guidance. At 9:59 a.m. on July 5, 2012, Hannon sold 5,600 shares at an average price of \$44.11 per share, for a profit of \$8,768.
- b. On August 1, 2012, Hannon purchased 5,600 shares of TJX stock at an average price of \$44.10 per share (total price \$246,932). On August 2, 2012 at 8:22 a.m., TJX issued a press release reporting a 7% increase in consolidated comparable store sales for July 2012. Again, TJX announced its decision to further raise its second quarter and full year earnings per share guidance. At 3:13 p.m. on August 2, 2012, Hannon sold 5,600 shares at an average price of \$45.15 per share, for a profit of \$5,906.
- c. On August 10, 2012, Hannon purchased 5,700 shares of TJX stock at an average price of \$44.25 per share (total price \$252,218). On August 14, 2012 at 8:22 a.m.,

TJX issued a press release reporting a 24% increase in second quarter earnings per share. TJX also announced that it was raising its full-year earnings per share guidance. At 11:43 a.m. on August 17, 2012, Hannon sold 5,700 shares at an average price of \$45.76 per share, for a profit of \$8,615.

- d. On September 18, 2012, Hannon purchased 5,200 shares of TJX stock at an average price of \$45.40 per share (total price \$236,080). On September 20, 2012 at 3:40 p.m., TJX announced a quarterly common stock dividend. On October 4, 2012 at 7:22 a.m., TJX issued a press release reporting a 6% increase in September 2012 consolidated comparable store sales. At 10:30 a.m. on October 4, 2012, Hannon sold 5,200 shares at an average price of \$45.84 per share, for a profit of \$2,288.
- e. On February 20, 2013, Hannon purchased 5,500 shares of TJX stock at an average price of \$44.90 per share (total price \$246,950). On February 27, 2013 at 8:37 a.m., TJX reported a 28% increase to its adjusted earnings per share growth based on \$25.9 billion in sales during fiscal year 2013 and consolidated comparable store sales growth of 7%. It further announced a \$1.5 billion stock repurchase program plus a 26% increase in dividends. At 9:40 a.m. on February 28, 2013, Hannon sold 5,500 shares at an average price of \$45.10 per share, for a profit of \$1,100.

Hannon Violated his Duty to TJX by Trading on Material, Nonpublic Information

13. TJX's Global Code of Conduct Guide ("the Code") explicitly prohibited all employees from buying or selling TJX securities when in possession of material, nonpublic information, which was explicitly defined in the Code to include certain types of sales information. Specifically, the Code stated:

Do not buy or sell stock or other securities of TJX or another company when you know information that someone would consider important in deciding to buy, sell or hold securities and that is not generally known to the public; and

Do not tell others about any non-public information about TJX or another company that you learn while doing your job. This includes non-public information about comparable store sales, financial results and trends or current business conditions. You should never communicate ("tip") material, non-public information to others so that they may trade securities based on that information....

14. The Code, in a section entitled "Confidentiality of Business Information," also required employees to protect and keep confidential nonpublic information about TJX's business. It explicitly cited comparable store sales as an example of the type of nonpublic business information that must remain confidential.

15. TJX also had an "Insider Trading" policy that explicitly prohibited all employees from trading TJX securities at any time if in possession of material, nonpublic information. The policy explained that insider trading was a violation of company policy, and also against the law. This policy also listed sales and comparable store sales as examples of material information.

16. When he was hired by TJX, Hannon acknowledged in writing that he received and read the Code, including the section on Insider Information, and he agreed to comply with the Code during his employment with TJX. Hannon acknowledged receiving updated copies of

the Code in 2009, 2010, 2012 and 2014. He also received the company's Insider Trading policy annually starting in 2007, upon the receipt of TJX stock options as compensation.

17. TJX explicitly stated in its Insider Information and Insider Trading policies that the nation-wide store sales and comparable store sales for Marmaxx and HomeGoods, which Hannon obtained in the course of his employment with TJX as the Northeast Regional Vice President, was material information.

18. At the time that Hannon purchased TJX stock, as described in paragraph 12 above, the daily and monthly store sales and comparable store sales was nonpublic information.

19. Hannon thus purchased TJX stock on the basis of material, nonpublic information about store sales and comparable store sales in breach of his duty to his employer, TJX.

CLAIM FOR RELIEF

Violation of Section 10(b) of the Exchange Act and Rule 10b-5 thereunder

20. The Commission realleges and incorporates by reference the allegations in paragraphs 1 through 19 above.

21. When Hannon purchased TJX stock on the basis of Marmaxx's and HomeGoods' store sales and comparable stores sales, this information was material and nonpublic. In addition, TJX considered this information to be material and confidential. TJX had policies prohibiting employees who possessed such material, nonpublic information from trading in TJX securities.

22. Hannon: (i) knew, or recklessly disregarded that, the information about Marmaxx's and HomeGoods' store sales and comparable store sales was material and nonpublic; (ii) knew, or recklessly disregarded that, he had a contractual or fiduciary duty, or obligation arising from a similar relationship of trust and confidence, that he owed to TJX to keep this information confidential, and to abstain from purchasing or selling securities based on this

information; and (iii) knowingly or recklessly breached his duty by trading in TJX stock on the basis of this material, nonpublic information.

23. By virtue of the foregoing, Hannon, in connection with the purchase or sale of securities, by the use of the means or instrumentalities of interstate commerce, or of the mails, or a facility of 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 to make the 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 or would have operated as a fraud or deceit upon persons.

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

PRAYER FOR RELIEF

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

- A. Permanently restraining and enjoining Hannon from violating Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 [17 C.F.R. § 240.10b-5] thereunder;
- B. Ordering Hannon to disgorge, with pre-judgment interest, all ill-gotten gains received as a result of the conduct alleged in this complaint, including all illicit trading profits;
- C. Ordering Hannon to pay civil monetary penalties pursuant to Section 21A of the Exchange Act [15 U.S.C. § 78u-1];
- D. Retaining jurisdiction over this action to implement and carry out the terms of all orders and decrees that may be entered; and
- E. Granting such other and further relief as the Court deems just and proper.

JURY DEMAND

The Commission hereby demands a trial by jury on all claims so triable.

Respectfully submitted,

**SECURITIES AND EXCHANGE
COMMISSION**

By its attorneys,

A handwritten signature in black ink that reads "David London". The signature is written in a cursive, slightly slanted style.

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