

UNITED STATES DISTRICT COURT
MIDDLE DISTRICT OF FLORIDA

SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

v.

STEPHEN J. LEONARD,

Defendant.

Case No. 8:17cv2926T30AAS

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U.S. DISTRICT COURT
MIDDLE DISTRICT OF FLORIDA
TAMPA, FLORIDA

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COMPLAINT

Plaintiff Securities and Exchange Commission alleges the following:

SUMMARY

1. This case arises from insider trading by Defendant Stephen J. Leonard (“Leonard”) in the securities of Puma Biotechnology, Inc. (“Puma”) before Puma announced positive drug trial results in July 2014.

2. Puma is a biotechnology company focused on developing a drug called “neratinib” for the treatment of cancer. Leonard’s sibling worked in a senior position at Puma. In that role, Leonard’s sibling learned material, nonpublic information about a Phase III clinical trial involving neratinib (the “3004 trial”) and Puma’s planned actions to obtain registration for neratinib with the U.S. Food & Drug Administration (the “FDA”).

3. At all relevant times, a duty of trust and confidence existed between Leonard and his sibling. From May 11 through July 18, 2014, Leonard and his sibling spoke by telephone four times. During those conversations, Leonard learned material, nonpublic information concerning neratinib. After each conversation, Leonard misappropriated that information, in breach of the duty owed to his sibling, and used the information to purchase Puma stock.

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4. In June 2014, on three separate days, Leonard bought 50 shares of Puma stock while in possession of material, nonpublic information, for a total of 150 shares. Each 50-share purchase was made after a telephone call between Leonard and his sibling, and there were no other communications between Leonard and his sibling during that time.

5. On the evening of Friday, July 18, 2014, several hours after Leonard's sibling attended a critical Puma meeting relating to the development of neratinib, Leonard had a fourth telephone conversation with his sibling. Following that call, on Monday and Tuesday, July 21 and 22, 2014, Leonard bought 500 shares of Puma stock while in possession of material, nonpublic information – more than quadrupling his position in Puma stock.

6. On the afternoon of July 22, 2014, Puma's stock price closed at \$59.03/share. About twenty minutes later, Puma publicly announced positive results from the 3004 trial. The next day, July 23, Puma's stock price soared to close at \$233.43/share – an increase of 295% from the previous day's close.

7. After Puma's announcement, between July 23 and 30, 2014, Leonard sold 450 shares of Puma stock (realizing profits of approximately \$74,000), and retained 200 shares of Puma stock (representing unrealized profits of approximately \$33,000). Thus, Leonard's profits from trading Puma stock while in possession of material, nonpublic information totaled approximately \$107,000.

8. By virtue of the conduct alleged herein, Leonard 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. Unless Leonard is permanently restrained and enjoined, he will violate those provisions of the federal securities laws in the future.

JURISDICTION AND VENUE

9. The Court has jurisdiction over this action pursuant to Sections 21A and 27 of the Exchange Act, 15 U.S.C. §§ 78u-1 and 78aa.

10. Venue lies in this district pursuant to Section 27 of the Exchange Act, 15 U.S.C. §78aa, because certain acts or transactions constituting the violations by Leonard occurred in this district and Leonard resides in this district.

DEFENDANT

11. Stephen J. Leonard resides in Palm Harbor, Florida.

RELEVANT PARTIES

12. Puma Biotechnology, Inc., a Delaware corporation with its headquarters in Los Angeles, California, works on licensing and developing drugs for the treatment of cancer. A primary focus of Puma's work is developing a drug called neratinib. At all relevant times, Puma's common stock was registered with the Commission pursuant to Section 12(b) of the Exchange Act. From October 2012 through December 2016, Puma's common stock traded on the New York Stock Exchange under the ticker symbol "PBYI." From January 2017 to the present, Puma's common stock has traded on the NASDAQ under the same ticker symbol.

13. Leonard's sibling resides in Granada Hills, California and, at all relevant times, worked in a senior position at Puma. In that position, Leonard's sibling was involved in the manufacturing and development of neratinib.

FACTS

A. While Working for Puma, Leonard's Sibling Learned the Planned Dates for Locking the Data from the 3004 Trial and Obtaining the Trial Results.

14. At all relevant times, Leonard's sibling held a senior position at Puma and was involved in the manufacturing process for neratinib. By early 2012, Leonard knew his sibling

was working for Puma; he knew Puma was developing a cancer drug; and he understood that information about Puma's drug trials and drug development processes was confidential.

15. During early 2014, Leonard's sibling regularly attended Puma's steering committee meetings. Those meetings occurred every two weeks, were confidential, and were attended by senior Puma employees. During the steering committee meetings, the attendees discussed, among other things, the ongoing drug trials involving neratinib, including the 3004 trial. The 3004 trial was very important for Puma because the trial was intended to provide data to support Puma's first drug approval by the FDA.

16. On April 16, 2014, Leonard's sibling attended a steering committee meeting at which it was discussed that: the "3004 [trial] is a high corporate priority and nearing a critical corporate milestone"; the database "soft lock" for the trial was targeted for May 23, 2014; and the "top line" results for the trial were targeted for June 6, 2014. The "soft lock" referred to finalizing the data from the trial that would be analyzed to determine whether neratinib was effective, and the "top line" results referred to the trial's preliminary efficacy – *i.e.*, whether the drug was effective. The planned date for the top line results was not public information, and it was important because the date would impact when Puma could submit a New Drug Application ("NDA") for neratinib to the FDA.

B. In June 2014, Leonard Repeatedly Bought Puma Stock After Speaking with His Sibling.

17. As of May 2014, Leonard had never purchased Puma securities.

18. In June 2014, however, Leonard bought 150 shares of Puma stock. That stock was purchased on three separate days, in 50-share increments each day, with each purchase coming after a telephone call between Leonard and his sibling in which Leonard learned material, nonpublic information concerning neratinib. There were no other communications

between Leonard and his sibling during that time.

19. Leonard's purchases of Puma stock in June 2014 were on the basis of material, nonpublic information received from his sibling and in breach of the duty of trust and confidence that Leonard owed to his sibling.

C. Leonard's Sibling Learned that Puma Completed the Soft Lock for the 3004 Trial, the Planned Date for Announcing the Trial Results, and Puma's Registration Lot Allocation Plan.

20. On the morning of July 9, 2014, at 8:27am PT, Leonard's sibling received an internal Puma e-mail, stating that Puma "completed our database soft lock" for the 3004 trial, which was "great news." Completion of the soft lock was important because, among other things, it captured the data to be used for the top line analysis for the 3004 trial and submission of an NDA to the FDA. Puma's completion of the soft lock was not public information.

21. Later that day, July 9, at 1:00pm PT, Leonard's sibling attended a Puma steering committee meeting. During the meeting, the attendees reviewed a slide presentation regarding the 3004 trial. The presentation stated that the soft lock was completed and "[a]ll issues [were] resolved that impacted the Topline analysis." The presentation also included a "3004 Post-Lock Activity Timeline," which showed that Puma planned a "public announcement" of the 3004 trial results in late July 2014. The planned timing for publicly announcing the 3004 trial results was material, nonpublic information.

22. That same evening, July 9, at 5:50pm PT, Leonard's sibling sent an internal Puma e-mail regarding Puma's "Registration Lot Allocation Plan," which showed the planned dates and amounts for manufacturing neratinib in order to achieve registration with the FDA. The Registration Lot Allocation Plan showed confidential and proprietary Puma information related to Puma's planned NDA.

23. On July 16, 2014, Puma's Chief Executive Officer ("CEO") received an internal

Puma e-mail attaching a summary of the 3004 trial topline results, which were positive. Those results constituted material, nonpublic information.

24. Two days later, on July 18, 2014 (Friday), at 3:00pm PT, Leonard's sibling attended a meeting with Puma's CEO regarding manufacturing the "registration lots" of neratinib, which were tablets of the drug needed for the FDA registration process. According to Leonard's sibling, this meeting represented a "major milestone" in the drug development process for neratinib; the meeting involved "the plan for bringing the drug across the finish line for FDA approval"; and the information discussed in the meeting was confidential and "[v]ery important."

D. After Speaking with His Sibling on July 18, 2014, Leonard More Than Quadrupled His Long Position in Puma Stock.

25. At 8:52pm PT on July 18, 2014 (Friday), just hours after Leonard's sibling met with Puma's CEO, Leonard and his sibling spoke on the telephone for 48 minutes. During that conversation, Leonard's sibling told Leonard about his meeting that day with the CEO; that Puma had "a significant study that was being unblinded"; that the sibling thought the results were "going to be really good"; and that Puma was "moving forward with th[e] manufacturing" for neratinib. Leonard's sibling shared this information with Leonard because the sibling trusted Leonard and expected Leonard to keep the information confidential. Leonard understood that such information regarding Puma was material and nonpublic, and that Leonard could not use that information to trade Puma securities.

26. Nevertheless, on Monday and Tuesday, July 21 and 22, 2014, based on the confidential information misappropriated from his sibling, Leonard bought 500 shares of Puma stock. Those purchases more than quadrupled Leonard's long position in Puma stock, as he went from owning 150 shares to owning 650 shares. The 500 shares were purchased at around \$59/share, for a total cost of nearly \$30,000. That was the largest amount Leonard ever invested

in a single company.

27. Leonard's purchases of Puma stock on July 21 and 22 2014, were on the basis of material, nonpublic information received from his sibling and in breach of the duty of trust and confidence that Leonard owed to his sibling.

E. Puma Announced the 3004 Trial Results on July 22, 2014, Its Stock Price Shot Up, and Leonard Sold Most of His Shares.

28. On July 22, 2014, Puma's stock price closed at \$59.03/share. About twenty minutes later, Puma publicly announced the positive results from the 3004 trial. The next day, July 23, Puma's stock price nearly quadrupled and closed at \$233.43/share.

29. Between July 23 and 30, 2014, Leonard sold 450 shares of Puma stock, realizing profits of approximately \$74,000. Additionally, as of July 30, 2014, Leonard still held 200 shares of Puma stock, representing unrealized profits of approximately \$33,000. Thus, Leonard's realized and unrealized illicit profits from trading Puma stock while in possession of material, nonpublic information totaled approximately \$107,000.

**FIRST CLAIM FOR RELIEF
Violations of Section 10(b) of the Exchange Act and Rule 10b-5 Thereunder**

30. All of the foregoing paragraphs are incorporated by reference herein.

31. Leonard, with scienter, 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 a national securities exchange, (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 light of the circumstances under which they were made, not misleading; and/or (c) engaged in acts, practices, or courses of business that operated or would operate as a fraud or deceit upon any person.

32. By his conduct alleged herein, Leonard violated 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. Unless restrained and enjoined, Leonard will continue to violate those provisions of the federal securities laws.

PRAYER FOR RELIEF


Accordingly, the Commission respectfully requests that the Court enter a final judgment:

- A. Finding that Leonard violated the antifraud provisions of the federal securities laws as alleged herein;
- B. Permanently restraining and enjoining Leonard, and his agents, servants, employees, attorneys, and all persons in active concert or participation with them who receive actual notice of the injunction, 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, by engaging in illegal insider trading or tipping;
- C. Ordering Leonard to disgorge, with prejudgment interest, all ill-gotten gains from the conduct alleged in this Complaint;
- D. Ordering Leonard to pay a civil monetary penalty pursuant to Section 21A of the Exchange Act, 15 U.S.C. § 78u-1; and
- E. Granting such other and further relief as the Court deems just and proper.

Of Counsel:

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Securities and Exchange Commission

Respectfully submitted,



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