

Press Release

Three Software Company Founders to Pay \$5.8 Million to Settle Charges of Insider Trading Ahead of Sale

FOR IMMEDIATE RELEASE

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Washington D.C., May 12, 2014— The Securities and Exchange Commission today filed insider trading charges against three software company founders for taking unfair advantage of incorrect media speculation and analyst reports about the company's acquisition.

They agreed to pay nearly \$5.8 million to settle the SEC's charges.

The SEC alleges that Lawson Software's co-chairman Herbert Richard Lawson tipped his brother William Lawson and family friend John Cerullo with nonpublic information about the status of the company's 2011 merger discussions with Infor Global Solutions, a privately-held software provider. Lawson Software's stock price had begun to climb following media and analyst reports that the company was considering a sale and multiple bidders were possible. However, Richard Lawson knew reports about possible multiple bidders were incorrect, and the merger share price offered by the lone bidder was significantly lower than what journalists and analysts were speculating. While in possession of the accurate, inside information from his brother, William Lawson sold more than one million shares of his family's Lawson Software stock holdings. He also suggested that another trader sell shares. Cerullo sold approximately 175,000 of his company shares on the basis of the nonpublic information. When Lawson Software later announced the merger agreement at the lower-than-anticipated share price, the company's stock value dropped 8.7 percent. By selling their shares at the inflated stock prices prior to the merger announcement, the traders collectively profited by more than \$2 million.

"Richard Lawson conveyed material information that was contrary to what was being publicly reported, and his brother and friend made a windfall when they subsequently sold their company shares at inflated prices," said Stephen L. Cohen, an associate director in the SEC's Division of Enforcement. "When news surfaces about the possibility of a merger and details of the media reports are incorrect, it is illegal for insiders who know the true facts to trade and profit."

According to the SEC's complaint filed in federal court in San Francisco, Lawson Software was founded by the Lawsons and Cerullo in 1975 and based in St. Paul, Minn. William Lawson and Cerullo each retired in 2001, but Richard Lawson was still serving as co-chairman of the board of directors when the company began considering a possible sale. After Lawson Software and Infor Global Solutions entered into a non-disclosure agreement and met about a possible merger, Richard Lawson and other members of the board were regularly informed about the ongoing merger discussions. While Infor conducted its due diligence in late February 2011, Lawson Software began a "market check" in which its financial adviser reached out to five competitors to gauge their interest in acquiring the company. The market check elicited little-to-no interest, and Richard Lawson and the board were kept informed throughout the process.

Meanwhile, according to the SEC's complaint, a March 8 article reported that Lawson Software had retained a financial adviser to explore a possible sale. The article identified other companies as potential acquirers of

Lawson Software and led to a 13-percent jump in Lawson Software's stock price that day. The article also fueled widespread – and incorrect – media speculation about potential acquirers of Lawson Software and possible merger prices. Soon thereafter, Lawson Software publicly confirmed an acquisition offer from Infor for \$11.25 per share. Nevertheless, ensuing media and analyst reports still incorrectly suggested that other potential purchasers would likely enter the bidding and submit competing higher offers for Lawson Software. Some reports suggested a merger price of up to \$15-16 per share. In reality, the same companies being speculated as potential purchasers already had informed Lawson Software that they weren't interested in an acquisition. But fueled in part by the reports, Lawson Software's stock price closed at \$12.24 per share on March 14 – nearly \$1 higher than Infor's offer of \$11.25. The stock price had increased approximately 23 percent since the March 8 article.

The SEC alleges that Richard Lawson knew that these media and analyst reports were inaccurate and the very entities mentioned as possible acquirers had in fact told the company they were not interested. He knew that Infor was the lone bidder and would not increase its offer. Richard Lawson also knew that Lawson Software's financial adviser and board of directors viewed Infor's bid as reasonable. After Richard Lawson tipped his brother and Cerullo with nonpublic information about the planned deal, they proceeded to sell their shares at approximately \$1 per share higher than the eventual merger price of \$11.25. Following the merger announcement on April 26, Lawson Software's stock price dipped to \$11.06 per share at market close. The merger became effective in July 2011.

Richard Lawson agreed to settle the SEC's charges by paying a penalty of \$1,557,384.57 for tipping his brother and Cerullo. The penalty amount is equivalent to the ill-gotten gains received by William Lawson and Cerullo. Richard Lawson also agreed to be barred from serving as an officer or director of a public company. William Lawson agreed to pay disgorgement of \$1,853,671.28, prejudgment interest of \$162,442.60, and a penalty of \$1,853,671.28 for a total of \$3,869,785.16. William Lawson's disgorgement amount includes the ill-gotten gains of the other trader who he suggested sell shares. Cerullo agreed to pay disgorgement of \$178,481.29, prejudgment interest of \$15,640.81, and a penalty of \$178,481.29 for a total of \$372,603.39. Without admitting or denying the SEC's allegations, the Lawsons and Cerullo agreed to the entry of final judgments enjoining them from future violations of Section 17(a) of the Securities Act of 1933 and Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5. The settlement is subject to court approval.

The SEC's investigation was conducted by Michael Fuchs and Wendy Kong, and supervised by Josh Felker. The SEC appreciates the assistance of the Options Regulatory Surveillance Authority and the Financial Industry Regulatory Authority.

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Related Materials

- [SEC complaint](#)

