

UNITED STATES DISTRICT COURT
DISTRICT OF MASSACHUSETTS

UNITED STATES OF AMERICA	)	Crim. No. <u>3:10 CR 30036-MAP</u>
)	
v.	)	Violations:
)	
(1) PETER E. TALBOT,	)	18 U.S.C. § 371
(2) CARL E. BINETTE,	)	(Conspiracy)
	)	15 U.S.C. § 78j(b),
Defendants.	)	15 U.S.C. § 78(ff)
	)	(Securities Fraud)
	)	18 U.S.C. § 1512(c)(2)
	)	(Obstruction of
	)	Justice)
	)	18 U.S.C. § 2
	)	(Aiding and
	)	abetting)
)	

INDICTMENT

The Grand Jury charges:

GENERAL ALLEGATIONS

1. At all times material to this Indictment:

a. The Hartford Financial Services Group, Inc. ("the Hartford") was a publicly-traded insurance company headquartered in Hartford, Connecticut.

b. The Hartford Investment Management Company ("HIMCO") was a subsidiary, and the investment management arm, of the Hartford. HIMCO had various policies in place which applied to its employees, including policies concerning confidentiality, insider trading, and the prohibited use of material, non-public information in the trading of securities.

c. Liberty Mutual was an insurance company headquartered in Boston, Massachusetts.

d. Defendant PETER E. TALBOT was a resident of West Springfield, Massachusetts and an employee of HIMCO.

e. Defendant CARL E. BINETTE was a resident of Ludlow, Massachusetts, who was employed by an automobile dealership in Palmer, Massachusetts. He was also TALBOT's nephew.

Background

f. An option is a contract granting the right, among other things, to buy a specified security at a fixed price prior to an expiration date. Among other things, options may relate to the stock of a particular corporation. A "call option" is the right to buy a specified stock or other security at a fixed price. Options have specified expiration dates, and, if not exercised prior to their expiration date, they became worthless.

g. The United States Securities and Exchange Commission ("SEC") is an independent agency of the United States Government, charged with regulating, among other things, securities and options markets in the United States. Its duties include investigating alleged violations of the federal securities laws and regulations and prosecuting cases to enforce them.

h. The Chicago Board Options Exchange, Incorporated ("CBOE") is a national securities exchange registered with the SEC.

i. The International Securities Exchange, LLC ("ISE") is a national securities exchange registered with the SEC.

j. The New York Stock Exchange ("NYSE") is a national securities exchange registered with the SEC.

k. An SEC Form 10-K ("10-K") is an annual report which publicly-traded companies are required to create and file with the SEC.

1. www.thinkorswim.com ("Think or Swim") is an online brokerage firm based in Chicago, Illinois, and registered as a broker-dealer with the SEC.

2. In or about April 2008, the Hartford was in confidential negotiations to acquire Safeco Corporation ("Safeco"), which was a publicly-traded insurance company headquartered in Seattle, Washington. Until any acquisition of Safeco was announced, any and all potential acquisition discussions were material, non-public information concerning Safeco. The Hartford stressed to those employees who knew of the potential acquisition of Safeco the confidentiality of that potential acquisition.

3. During the course of the negotiations between Safeco and the Hartford, several employees of HIMCO performed analyses

of Safeco and the assets held by Safeco and its subsidiaries. Two of these employees, R.D. and G.G., saved their analyses and other Safeco-related documents in a specific subfolder in G.G.'s folder in the HIMCO computer network shared drive. G.G. and R.D. both understood that the work that they were doing relating to a potential acquisition of Safeco by the Hartford was highly confidential.

4. TALBOT was at no time asked, or authorized, to work on any aspect of the Hartford's potential acquisition of Safeco.

5. On the morning of April 23, 2008, the acquisition of Safeco by Liberty Mutual was publicly announced. Immediately thereafter, the price of shares of Safeco stock rose by over \$20 from the previous day's closing price.

COUNT ONE
(Conspiracy - 18 U.S.C. § 371)

The Grand Jury re-alleges and incorporates by reference paragraphs 1 through 5 of this Indictment, and further charges that:

6. From in or about April 2008, to in or about April, 2008, in the District of Massachusetts and elsewhere, the defendants

(1) PETER E. TALBOT
and
(2) CARL E. BINETTE,

knowingly and voluntarily conspired with each other to commit offenses against the United States, to wit:

knowingly and willfully, by the use of means and instrumentalities of interstate commerce, the mails, and facilities of national securities exchanges, directly and indirectly to use and employ manipulative and deceptive devices and contrivances in connection with the purchase and sale of securities in contravention of Rule 10b-5 (17 C.F.R. Section 240.10b-5) of the Rules and Regulations promulgated by the United States Securities and Exchange Commission, and to (a) employ a device, scheme and artifice to defraud, (b) make untrue statements of material facts and omit to state material facts necessary in order to make the statements made, in light of circumstances

under which they were made, not misleading and (c) engage in acts, practices and a course of business which would and did operate as a fraud and deceit, in connection with the purchase and sale of Safeco securities, specifically, by knowingly and willfully engaging in a scheme to purchase Safeco securities through BINETTE's brokerage account while in possession of material, non-public information concerning a potential acquisition of Safeco by the Hartford, in violation of 15 U.S.C. § 78j(b) and 15 U.S.C. § 78ff(a).

THE PURPOSE OF THE CONSPIRACY

7. The purpose of the conspiracy was to obtain money by purchasing Safeco securities on the basis of material, non-public information gained by TALBOT through his employment at HIMCO.

THE MANNER AND MEANS OF THE CONSPIRACY

8. It was part of the manner and means of the conspiracy that:

a. TALBOT, through his employment at HIMCO, knew that the Hartford was seeking to acquire other insurance companies. TALBOT also observed certain HIMCO employees, including R.D. and G.G., working inordinately long hours and in unusual personnel combinations, and eventually concluded that they were involved in a potential acquisition by the Hartford. TALBOT further observed

Safeco-related documents, including a Safeco 10-K, in G.G.'s folder in the HIMCO computer network. Based on these and other observations he had made during the course of his employment, and in breach of his fiduciary duties to his employer, in or about April 2008, TALBOT identified Safeco as a potential acquisition target of the Hartford, communicated this information to BINETTE, and advised BINETTE as to the types of Safeco securities BINETTE could purchase.

b. TALBOT guided BINETTE through the process of opening a brokerage account on Think or Swim. BINETTE's Think or Swim account was opened on or about April 17, 2008, with the account number ****7080 ("BINETTE's Think or Swim Account"). Through the internet, TALBOT had access to BINETTE's Think or Swim Account, although he avoided accessing BINETTE's Think or Swim Account while he was on HIMCO premises.

c. BINETTE and TALBOT purchased Safeco call options and Safeco common stock in BINETTE's Think or Swim Account from on or about April 17, 2008 through on or about April 22, 2008.

d. BINETTE and TALBOT sold all of the Safeco call options in BINETTE's Think or Swim Account on April 23, 2008, after the acquisition of Safeco by Liberty Mutual had been publicly announced. As a result, BINETTE realized a profit of approximately \$615,833.06.

e. TALBOT and BINETTE took various steps to conceal TALBOT's involvement in the purchase of Safeco securities by TALBOT and BINETTE.

OVERT ACTS IN FURTHERANCE OF THE CONSPIRACY

9. In furtherance of the conspiracy, and to effect its objects, TALBOT and BINETTE committed numerous overt acts in the District of Massachusetts and elsewhere, including, but not limited to, the following:

a. In or about April 2008, TALBOT accessed Safeco-related documents, including the Safeco 10-K, saved in G.G.'s folder in the HIMCO computer network drive.

b. On or about April 15, 2008, TALBOT contacted BINETTE to advise him that Safeco presented a good investment opportunity. As their conversations about Safeco continued, TALBOT told BINETTE that, based on his presence at an employee meeting at HIMCO, TALBOT was aware that the Hartford was looking to acquire other insurance companies. TALBOT further told BINETTE that Safeco was a potential acquisition target for the Hartford.

c. On or about April 15, 2008, BINETTE borrowed \$10,000 each from his two supervisors at his place of employment, which he intended to, and did, invest in Safeco securities.

d. On or about April 15, 2008, BINETTE borrowed \$10,000 from his aunt which he intended to, and did, invest in Safeco securities.

e. On or about April 17, 2008, BINETTE borrowed \$4,500 against his home equity line of credit at Bank of America which he intended to, and did, invest in Safeco securities.

f. On or about April 16, 2008, BINETTE applied for a brokerage account with Think or Swim. TALBOT guided BINETTE through the process of applying for his Think or Swim account. BINETTE's Think or Swim Account was opened on or about April 17, 2008.

g. On or about April 17, 2008, BINETTE caused approximately \$41,000 to be transferred by wire from his personal bank account in Massachusetts into BINETTE'S Think or Swim Account. BINETTE used these funds to purchase Safeco securities.

h. On or about April 17, 2008, BINETTE began purchasing Safeco securities in BINETTE's Think or Swim Account, including Safeco call options. TALBOT guided BINETTE on what securities to purchase and assisted BINETTE with the purchases of the securities, including by directly accessing BINETTE's Think or Swim Account in order to place some of the purchase orders for Safeco call options himself. From approximately April 17, 2008 through approximately April 22, 2008, BINETTE, with TALBOT's guidance and assistance, purchased a total of approximately 408

Safeco call options in BINETTE's Think or Swim Account, spending approximately \$37,260.85 on those call options.

i. In addition, on or about April 17, 2008, BINETTE purchased 500 shares of Safeco common stock through BINETTE's Think or Swim Account. BINETTE liquidated those shares of Safeco common stock on or about April 21 and 22, 2008. BINETTE then utilized the funds from the liquidation of the Safeco common stock to purchase additional Safeco call options on or about April 21 and 22, 2008.

j. On or about April 23, 2008, after the public announcement of the Safeco acquisition, BINETTE proceeded to sell, and to have others sell on his behalf, the Safeco call options he held in BINETTE's Think or Swim Account. TALBOT assisted BINETTE in effecting this sale. All of the Safeco call options in BINETTE's Think or Swim Account were sold on April 23, 2008, yielding an overall profit to BINETTE of approximately \$615,833.06 from his purchase and sale of Safeco securities.

All in violation of Title 18, United States Code, Sections 371 and 2.

COUNTS TWO through SIX
(Securities Fraud - 15 U.S.C. §§ 78j(b) and 78ff(a))

The Grand Jury re-alleges and incorporates by reference paragraphs 1 through 5 and 7 through 9 of this Indictment and further charges that:

10. From on or about the dates indicated below, in the District of Massachusetts and elsewhere, the defendants,

- (1) PETER E. TALBOT**
and
(2) CARL E. BINETTE,

did knowingly and willfully, by the use of means and instrumentalities of interstate commerce, the mails, and facilities of national securities exchanges, directly and indirectly use and employ manipulative and deceptive devices and contrivances in connection with the purchase and sale of securities in contravention of Rule 10b-5 (17 C.F.R. Section 240.10b-5) of the Rules and Regulations promulgated by the United States Securities and Exchange Commission, and did (a) employ a device, scheme and artifice to defraud, (b) make untrue statements of material facts and omit to state material facts necessary in order to make the statements made, in light of circumstances under which they were made, not misleading and (c) engage in acts, practices and a course of business which would and did operate as a fraud and deceit, in connection with the purchase and sale of Safeco securities, specifically, by

willfully engaging in a scheme to purchase the following Safeco securities in BINETTE's Think or Swim Account while in possession of material, non-public information concerning a potential acquisition of Safeco by the Hartford:

Count	Approximate Date of Purchase	Number of Safeco Options/Shares of Common Stock Purchased	Exchange on which the Purchases Were Transacted
2	4/17/08	53 call option contracts	ISE and CBOE
3	4/17/08	500 shares of common stock	NYSE
4	4/18/08	250 call option contracts	ISE
5	4/21/08	20 call option contracts	ISE
6	4/22/08	85 call option contracts	ISE

All in violation of Title 15, United States Code, Sections 78j(b) and 78ff(a), 17 C.F.R. §240.10b-5, and Title 18, United States Code, Section 2.

COUNT SEVEN
(Obstruction of Justice)
(18 U.S.C. § 1512(c)(2))

The Grand Jury re-alleges and incorporates by reference paragraphs 1 through 5 and 7 through 9 of this Indictment and further charges that:

11. On or about May 12, 2008, the SEC branch office in Miami, Florida, began an investigation into certain purchases and sales of securities in the weeks before and after the public announcement of the Safeco acquisition. One of the focuses of the SEC's investigation was BINETTE's purchase and subsequent sale of Safeco call options.

12. On or about May 12, 2008, after the commencement of the SEC investigation, three SEC attorneys conducted a telephonic interview of BINETTE while BINETTE was at his place of work in Palmer, Massachusetts (the "SEC Interview"). One of the primary purposes of the SEC Interview was for the SEC attorneys to learn why BINETTE had invested in Safeco. At the time of the SEC Interview, the SEC attorneys were not aware of TALBOT or of his role in BINETTE's investment in Safeco securities.

13. At the beginning of the SEC Interview, one of the SEC attorneys identified all of the SEC attorneys on the telephone line, stated that they worked for the SEC, and explained that they were conducting an investigation into matters related to Safeco. One of the SEC attorneys also informed BINETTE that the SEC Interview was voluntary and that he could stop it at any

time. The SEC Interview lasted approximately half an hour, during which the SEC asked BINETTE various questions relating to his investment in Safeco securities.

14. During the SEC Interview, BINETTE made statements to the SEC which were false, misleading, evasive, deceptive, and made with the purpose of obstructing the SEC's investigation, including, but not limited to, the following:

- a. Attorneys for the SEC asked BINETTE multiple times whether he had spoken to anyone about his investment in Safeco securities. Each time the question was asked, BINETTE responded that he had not spoken with anyone regarding his investment in Safeco securities. This answer was false, misleading, evasive, deceptive, and made with the purpose of obstructing the SEC's investigation, as BINETTE well knew that he had had numerous conversations with TALBOT regarding his investment in Safeco securities.
- b. Attorneys for the SEC asked Binette what had caused him to invest in Safeco securities. Binette replied that he invested in Safeco securities because of discussions he had seen regarding Safeco in internet chat rooms, as well as a dream he had had in which a deceased relative told him she was "safe." This answer was false,

misleading, evasive, deceptive, and made with the purpose of obstructing the SEC's investigation, as BINETTE well knew that his investment decision had been based primarily on the advice he had received from TALBOT.

15. On or about May 12, 2008, in the District of Massachusetts, the defendant,

(2) CARL E. BINETTE,

did knowingly and corruptly obstruct, influence, and impede an official proceeding, and attempted to do so, to wit, making false representations concerning his investment in Safeco securities in an investigation by the SEC.

All in violation of Title 18, United States Code, Section 1512(c)(2).

FORFEITURE ALLEGATIONS

18 U.S.C. § 981(a)(1)(C) & 28 U.S.C. § 2461(c)

The Grand Jury re-alleges and incorporates by reference paragraphs 1 through 15 of this Indictment for the purpose of alleging forfeitures pursuant to Title 18, United States Code, Section 981(a)(1)(C) and Title 28, United States Code, Section 2461(c).

17. Upon conviction of the offenses in violation of Title 18, United States Code, Section 371 as alleged in Count One of this Indictment, or upon conviction of the offenses in violation of Title 15, United States Code, Section 78ff(a) as alleged in Counts Two through Six of this Indictment, the defendants,

(1) PETER E. TALBOT
and
(2) CARL E. BINETTE,

shall forfeit to the United States, jointly and severally, pursuant to Title 18, United States Code, Section 981(a)(1)(C) and Title 28, United States Code, Section 2461(c), any property, real or personal, which constitutes, or is derived from, proceeds traceable to the commission of the offenses.

The property to be forfeited by the defendants includes, but is not limited to, at least \$615,833.06 in United States currency representing the defendants' illegal proceeds from their fraudulent scheme.

18. Upon conviction of the offense in violation of Title 18, United States Code, Section 1512(c)(2) as alleged in Count Seven of this Indictment, the defendant,

(2) CARL E. BINETTE,

shall forfeit to the United States, pursuant to Title 18, United States Code, Section 981(a)(1)(C) and Title 28, United States Code, Section 2461(c), any property, real or personal, which constitutes, or is derived from, proceeds traceable to the commission of the offenses.

19. If any of the property described in paragraphs 17 and 18, above, as a result of any act or omission of the defendants -


- a. cannot be located upon the exercise of due diligence;
- b. has been transferred or sold to, or deposited with, a third party;
- c. has been placed beyond the jurisdiction of this Court;
- d. has been substantially diminished in value; or
- e. has been commingled with other property which cannot be divided without difficulty;

it is the intention of the United States, pursuant to Title 28, United States Code, Section 2461(c), incorporating Title 21, United States Code, Section 853(p), to seek forfeiture of all other property of the defendants up to the value of the property described in subparagraphs a through e of this paragraph.

All pursuant to Title 18, United States Code, Section 981 and Title 28, United States Code, Section 2461(c).

A TRUE BILL

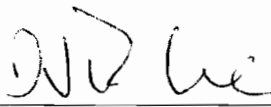

FOREPERSON OF THE GRAND JURY


VASSILI THOMADAKIS
ASSISTANT U.S. ATTORNEY

DISTRICT OF MASSACHUSETTS

October 14, 2010

Returned into the District Court by the Grand Jurors
and filed.

 10/14/10 2:06 pm
Deputy Clerk

JS 45 (5/97) - (Revised USAO MA 11/15/05)

Criminal Case Cover Sheet

U.S. District Court - District of Massachusetts

Place of Offense: Massachusetts Category No. II Investigating Agency FBI

City Palmer

Related Case Information:

County Hampden

Superseding Ind./ Inf. _____ Case No. 3:10CR 30036-MAP
Same Defendant _____ New Defendant _____
Magistrate Judge Case Number _____
Search Warrant Case Number _____
R 20/R 40 from District of _____

Defendant Information:

Defendant Name Peter E. Talbot Juvenile Yes No

Alias Name _____

Address 526 Parker Street, East Longmeadow, MA 01028

Birth date (Year only): 1968 SSN (last 4 #): 3365 Sex M Race: _____ Nationality: _____

Defense Counsel if known: _____ Address: _____

Bar Number: _____

U.S. Attorney Information:

AUSA Vassili Thomadakis Bar Number if applicable _____

Interpreter: Yes No List language and/or dialect: _____

Victims: Yes No If Yes, are there multiple crime victims under 18 U.S.C. §3771(d)(2) Yes No

Matter to be SEALED: Yes No

Warrant Requested Regular Process In Custody

Location Status:

Arrest Date: _____

Already in Federal Custody as _____ in _____

Already in State Custody _____ Serving Sentence Awaiting Trial

On Pretrial Release: Ordered by _____ on _____


Charging Document: Complaint Information Indictment

Total # of Counts: Petty _____ Misdemeanor _____ Felony 6

Continue on Page 2 for Entry of U.S.C. Citations

I hereby certify that the case numbers of any prior proceedings before a Magistrate Judge are accurately set forth above.

Date: 10/14/2010

Signature of AUSA: 

District Court Case Number (To be filled in by deputy clerk): _____

Name of Defendant Peter E. Talbot

U.S.C. Citations

	<u>Index Key/Code</u>	<u>Description of Offense Charged</u>	<u>Count Numbers</u>
Set 1	<u>18 U.S.C. § 371</u>	<u>Conspiracy</u>	<u>1</u>
Set 2	<u>15 U.S.C. §§ 78j(b) 78(ff)</u>	<u>Securities Fraud</u>	<u>2-6</u>
Set 3	_____	_____	_____
Set 4	_____	_____	_____
Set 5	_____	_____	_____
Set 6	_____	_____	_____
Set 7	_____	_____	_____
Set 8	_____	_____	_____
Set 9	_____	_____	_____
Set 10	_____	_____	_____
Set 11	_____	_____	_____
Set 12	_____	_____	_____
Set 13	_____	_____	_____
Set 14	_____	_____	_____
Set 15	_____	_____	_____

ADDITIONAL INFORMATION:

JS 45 (5/97) - (Revised USAO MA 11/15/05)

Criminal Case Cover Sheet

U.S. District Court - District of Massachusetts

Place of Offense: Massachusetts Category No. II Investigating Agency FBI

City Palmer

Related Case Information:

County Hampden

Superseding Ind./ Inf. _____ Case No. 3:10CR30036-MAP
Same Defendant _____ New Defendant _____
Magistrate Judge Case Number _____
Search Warrant Case Number _____
R 20/R 40 from District of _____

Defendant Information:

Defendant Name Carl E. Binette Juvenile Yes No

Alias Name _____

Address 125 Simonds Street, Ludlow, MA 01056

Birth date (Year only): 1981 SSN (last 4 #): 4111 Sex M Race: _____ Nationality: _____

Defense Counsel if known: _____ Address: _____

Bar Number: _____

U.S. Attorney Information:

AUSA Vassili Thomadakis Bar Number if applicable _____

Interpreter: Yes No List language and/or dialect: _____

Victims: Yes No If Yes, are there multiple crime victims under 18 U.S.C. §3771(d)(2) Yes No

Matter to be SEALED: Yes No

Warrant Requested Regular Process In Custody

Location Status:

Arrest Date: _____

Already in Federal Custody as _____ in _____

Already in State Custody _____ Serving Sentence Awaiting Trial

On Pretrial Release: Ordered by _____ on _____

Charging Document: Complaint Information Indictment

Total # of Counts: Petty _____ Misdemeanor _____ Felony 7

Continue on Page 2 for Entry of U.S.C. Citations

I hereby certify that the case numbers of any prior proceedings before a Magistrate Judge are accurately set forth above.

Date: 10/14/2010 Signature of AUSA: 

District Court Case Number (To be filled in by deputy clerk): _____

Name of Defendant Carl E. Binette

U.S.C. Citations

	<u>Index Key/Code</u>	<u>Description of Offense Charged</u>	<u>Count Numbers</u>
Set 1	<u>18 U.S.C. § 371</u>	<u>Conspiracy</u>	<u>1</u>
Set 2	<u>15 U.S.C. §§ 78j(b) 78(ff)</u>	<u>Securities Fraud</u>	<u>2-6</u>
Set 3	<u>18 U.S.C. § 1512(c)(2)</u>	<u>Obstruction of Justice</u>	<u>7</u>
Set 4	_____	_____	_____
Set 5	_____	_____	_____
Set 6	_____	_____	_____
Set 7	_____	_____	_____
Set 8	_____	_____	_____
Set 9	_____	_____	_____
Set 10	_____	_____	_____
Set 11	_____	_____	_____
Set 12	_____	_____	_____
Set 13	_____	_____	_____
Set 14	_____	_____	_____
Set 15	_____	_____	_____

ADDITIONAL INFORMATION: