

14 MAG 1878

Approved: [Signature]
DAMIAN WILLIAMS/BRIAN BLAIS
Assistant United States Attorneys

Before: HONORABLE JAMES L. COTT
United States Magistrate Judge
Southern District of New York

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UNITED STATES OF AMERICA	:	<u>SEALED COMPLAINT</u>
	:	
- v. -	:	Violations of
	:	15 U.S.C. §§ 78j(b) &
MICHAEL A. LUCARELLI,	:	78ff; 17 C.F.R. §§
	:	240.10b-5 & 240.10b5-2; 18
	:	U.S.C. § 2
----- Defendant. -----	:	
	:	COUNTY OF OFFENSES:
----- x	:	New York

SOUTHERN DISTRICT OF NEW YORK, ss.:

EDMUND ROM, being duly sworn, deposes and says that he is a Special Agent with the Federal Bureau of Investigation ("FBI") and charges as follows:

COUNTS ONE THROUGH THIRTEEN
(Securities Fraud)

1. On or about the dates set forth below, in the Southern District of New York and elsewhere, MICHAEL A. LUCARELLI, the defendant, willfully and knowingly, directly and indirectly, by use of the means and instrumentalities of interstate commerce, and of the mails and the facilities of national securities exchanges, in connection with the purchase and sale of securities, did use and employ manipulative and deceptive devices and contrivances, in violation of Title 17, Code of Federal Regulations, Sections 240.10b-5 and 240.10b5-2, by: (a) employing devices, schemes, and artifices to defraud; (b) engaging in acts, practices, and courses of business which operated and would operate as a fraud and deceit upon persons; and (c) making untrue statements of material fact and omitting 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, to wit, on the basis of material, non-public information that LUCARELLI obtained as part

of his employment at an investor relations firm in New York, New York, LUCARELLI executed and caused to be executed the securities transactions listed below.

Count	Dates	Transaction
1	August 2 through August 5, 2013	Short sale of 2,550 shares of TREX Company, Inc. ("TREX")
2	August 6 through August 13, 2013	Purchase of 42,000 shares of FAB Universal Corp. ("FAB")
3	November 4 through November 5, 2013	Short sale of 9,300 shares of PhotoMedex, Inc. ("PhotoMedex")
4	November 12, 2013	Purchase of 27,000 shares of FAB
5	December 26 through December 31, 2013	Purchase of 100 call options on PhotoMedex shares
6	December 26 through December 31, 2013	Purchase of 11,500 shares of PhotoMedex
7	February 13, 2014	Purchase of 44,921 shares of LCA-Vision, Inc. ("LCAV")
8	February 19 through February 21, 2014	Purchase of 6,900 shares of TREX
9	February 25 through February 26, 2014	Purchase of 51,771 shares of Pacific Ethanol, Inc. ("Pacific")
10	March 5 through March 6, 2014	Short sale of 63,420 shares of Dot Hill Systems Corp. ("Dot Hill")
11	April 28, 2014	Short sale of 25,600 shares of Lifetime Brands, Inc. ("Lifetime")
12	May 1 through May 2, 2014	Short sale of 8,500 shares of TREX
13	July 25 through August 4, 2014	Purchase of 40,800 shares of TREX

(Title 15, United States Code, Sections 78j(b) & 78ff;

Title 17, Code of Federal Regulations, Sections 240.10b-5 & 240.10b5-2; and Title 18, United States Code, Section 2.)

The bases for my knowledge and for the foregoing charges are, in part, as follows:

2. I have been a Special Agent with the FBI for approximately eighteen years. I am currently assigned to a squad responsible for investigating violations of the federal securities laws and related offenses. I have participated in investigations of such offenses, and have made and participated in arrests of individuals who have committed such offenses.

3. The information contained in this Complaint is based upon my personal knowledge, as well as information obtained during this investigation, directly or indirectly, from other sources, including, but not limited to: (a) business records and other documents, including trading records, bank records, telephone records, records of electronic communications, and Internet Protocol ("IP") address logs, provided by various entities; (b) publicly available documents; (c) conversations with, and reports of interviews with, non-law-enforcement witnesses; (d) conversations with, and reports prepared by, other FBI agents; (e) conversations with representatives from the United States Securities and Exchange Commission ("SEC"); (f) conversations with employees of Lippert/Heilshorn & Associates, Inc. and documents provided by these individuals; and (g) materials obtained from a search conducted pursuant to a search warrant. Because this Complaint is being submitted for the limited purpose of establishing probable cause, it does not include all the facts that I have learned during the course of my investigation. Where the contents of documents and the actions and statements of and conversations with others are reported herein, they are reported in substance and in part. Where figures, calculations, and dates are set forth herein, they are approximate, unless stated otherwise.

Relevant Entities

4. Lippert/Heilshorn & Associates, Inc. ("LHA") provides investor relations services to publicly-traded and private companies.

a. LHA has approximately 30 employees, working in multiple office locations, including in New York, New York.

b. Among the services provided by LHA to its clients

is the preparation of press releases announcing significant corporate events of LHA's clients, such as earning releases, proposed merger transactions and other newsworthy information. Various LHA employees are generally listed as points of contact in press releases prepared by LHA for its clients. In connection with its business, LHA is often in possession of material, non-public information regarding its clients.

c. LHA maintains certain client-related documents, including draft and final versions of press releases, on a network server located at LHA's headquarters in New York, New York. All employees of LHA have access to the documents on the network server from their work computers.

5. At all times relevant to this Complaint, TREX Company, Inc. ("TREX") was a recycled materials manufacturer of wood-alternative decking, railings and other outdoor items headquartered in Winchester, Virginia. TREX's securities traded under the symbol "TREX" on the New York Stock Exchange ("NYSE").

6. At all times relevant to this Complaint, FAB Universal Corp. ("FAB") was a distributor of digital entertainment products and services headquartered in Pittsburgh, Pennsylvania. FAB's securities traded under the symbol "FU" on the NYSE.

7. At all times relevant to this Complaint, PhotoMedex, Inc. ("PhotoMedex") was a dermatological health care manufacturer headquartered in Horsham, Pennsylvania. PhotoMedex's securities traded under the symbol "PHMD" on the NASDAQ Stock Market LLC ("NASDAQ").

8. At all times relevant to this Complaint, LCA-Vision, Inc. ("LCAV") was a provider of laser eye surgery headquartered in Cincinnati, Ohio. LCAV's securities traded under the symbol "LCAV" on the NASDAQ.

9. At all times relevant to this Complaint, Pacific Ethanol, Inc. ("Pacific") was a marketer and producer of low-carbon renewable fuels headquartered in Sacramento, California. Pacific's securities traded under the symbol "PEIX" on the NASDAQ.

10. At all times relevant to this Complaint, Dot Hill Systems Corp. ("Dot Hill") was a designer, manufacturer and marketer of hardware and software storage systems headquartered in Longmont, Colorado. Dot Hill's securities traded under the symbol "HILL" on the NASDAQ.

11. At all times relevant to this Complaint, Lifetime Brands, Inc. ("Lifetime") was a designer and seller of branded kitchenware, tableware, and other products headquartered in Garden City, New York. Lifetime's securities traded under the symbol "LCUT" on the NASDAQ.

The Defendant and His Employment at LHA

12. Based on interviews of witnesses, a review of public records, and a review of employment records for MICHAEL A. LUCARELLI, the defendant, I have learned that from September 4, 2012 through the present, LUCARELLI was engaged as a consultant by LHA and served as LHA's Director of Market Intelligence in LHA's New York, New York office. In that role, LUCARELLI was partly responsible for LHA's business development efforts, including the identification and recruitment of new clients that could benefit from LHA's services. LUCARELLI also assisted LHA's clients with capital-raising efforts. LUCARELLI's job responsibilities did not include the drafting of press releases for LHA's clients, and LUCARELLI had no need to access draft press releases in order to complete his job responsibilities.

13. Based on interviews of witnesses from, and review of records supplied by, LHA, I have learned that:

a. MICHAEL A. LUCARELLI, the defendant, signed an agreement (the "Consultant Agreement") with LHA on August 20, 2012, in which he agreed to serve, on an independent contractor basis, as LHA's Director of Market Intelligence, beginning on September 4, 2012. LUCARELLI's Consultant Agreement provided that he was required to sign, among other things, a confidentiality and non-solicitation agreement (the "Confidentiality Agreement") and LHA's code of conduct (the "Code of Conduct").

b. In an email dated August 16, 2012 and sent from the email address mikelucarellil@hotmail.com to the Chief Financial Officer of LHA, LUCARELLI said, among other things, "I look forward to this opportunity while adhering to all LHAI [sic] policies."

c. LHA's written Code of Conduct governed, among other things, securities transactions by LHA employees and employee conflicts of interest. The Code of Conduct provided that it was the policy of LHA that "1. No one connected with LHA may, directly or indirectly, trade in any security issued by a client of LHA. 2. No one connected with LHA may, directly or

indirectly, engage in short sales of client securities or trade in options or other trading vehicles in which the underlying security is that of a client of LHA. 3. No one connected with LHA may knowingly trade in the security of a non-client with which a client of LHA is known to be engaging in a confidential transaction."

d. LHA's written Confidentiality Agreement provided, among other things, that "All records and other documents, and all copies thereof and sample relating to such information (whether in electronic form or hard copy), compiled by you or made available to you during your employment will be the property of the Company and shall be given to us at any time upon our request."

Summary of the Insider Trading Scheme

14. As set forth below, there is probable cause to believe that MICHAEL A. LUCARELLI, the defendant, used material, non-public information that he acquired as part of his employment to make and cause to be made profitable trades in brokerage accounts that he controlled. Specifically:

a. LUCARELLI has worked at LHA as the Director of Market Intelligence since September 4, 2012. As an LHA employee, LUCARELLI had access to LHA's network server, which maintained working drafts of press releases prepared by LHA for its clients prior to their issuance to the investing public. These draft press releases contained material, non-public information about LHA's clients.

b. In violation of LHA's policies and in breach of his duties to LHA and its clients, LUCARELLI on multiple occasions took positions in the stock of LHA clients shortly before the announcement by these companies of material information through press releases prepared by LHA. The issuance of the press releases drafted by LHA for its clients generally impacted the prices of the shares of these clients in which LUCARELLI invested.

c. Shortly after the issuance of the press releases prepared by LHA, LUCARELLI exited his positions in the shares of LHA clients, thereby profiting on the movement in stock price.

d. LUCARELLI traded in the shares of LHA clients through at least four different brokerage accounts. LUCARELLI did not reveal his affiliation with LHA in the opening documents for any of the four brokerage accounts. On two occasions,

LUCARELLI opened new brokerage accounts soon after his ability to trade in other accounts had been suspended by the respective brokerage firms. From this illegal trading, LUCARELLI earned profits of at least \$538,215.32.

LUCARELLI's Brokerage Accounts

15. Based on my review of documents maintained by a brokerage firm ("Brokerage Firm-A"), I have learned the following:

a. On or about January 18, 2008 and November 21, 2013, applications in the name of "Michael A. Lucarelli" and "Michael Anthony Lucarelli," respectively, were submitted to Brokerage Firm-A to open two securities trading accounts. The application submitted on November 21, 2013 bears a facsimile header showing that it was faxed to Brokerage Firm-A from LHA. Brokerage Firm-A approved the opening of both accounts, which will be referred to herein as Brokerage Account-1 and Brokerage Account-2.

b. The account opening documents for Brokerage Account-2, which were submitted after MICHAEL A. LUCARELLI, the defendant, signed the Consultant Agreement with LHA, do not show that LUCARELLI had any affiliation with LHA, instead listing his occupation as "Self/Retired" and the nature of his business as "Consultant."

c. The account opening documents associated with Brokerage Account-1 and Brokerage Account-2 indicate that no one other than LUCARELLI had authority to trade in either account.

d. Brokerage Firm-A suspended trading in both Brokerage Account-1 and Brokerage Account-2 on or about March 21, 2014.

16. Based on my review of documents maintained by Brokerage Firm-A, documents provided to me by LHA and my review of publicly available information, I have learned that, from the time MICHAEL A. LUCARELLI, the defendant, began his employment at LHA on September 4, 2012, approximately 96 percent of the securities traded in Brokerage Account-1 and Brokerage Account-2 were of clients of LHA.

17. Based on my review of documents maintained by another brokerage firm ("Brokerage Firm-B"), I have learned the following:

a. On or about March 24, 2014, an application to open a securities trading account in the name of "Michael Lucarelli" was submitted to Brokerage Firm-B. Brokerage Firm-B approved the opening of the account, which will be referred to herein as Brokerage Account-3.

b. The account opening documents for Brokerage Account-3 do not show that the applicant - MICHAEL A. LUCARELLI, the defendant - had any affiliation with LHA, instead listing his employment status as a "self employed consultant."

c. The account opening documents for Brokerage Account-3 have the same social security number, date of birth, address and phone number for the accountholder as the account opening documents for Brokerage Account-1 and Brokerage Account-2.

d. The account opening documents associated with Brokerage Account-3 indicate that no one other than LUCARELLI had authority to trade in Brokerage Account-3.

e. Brokerage Firm-B suspended trading in Brokerage Account-3 on or about June 3, 2014.

18. Based on my review of documents maintained by Brokerage Firm-B, documents provided to me by LHA and my review of publicly available information, I have learned that, from the time MICHAEL A. LUCARELLI, the defendant, opened Brokerage Account-3 on March 24, 2014, approximately 91 percent of the securities traded in Brokerage Account-3 were of clients of LHA.

19. Based on my review of documents maintained by another brokerage firm ("Brokerage Firm-C"), I have learned the following:

a. On or about June 5, 2014, an application to open a securities trading account in the name of "Michael Lucarelli" was submitted to Brokerage Firm-C. Brokerage Firm-C approved the opening of the account, which will be referred to herein as Brokerage Account-4.

b. The account opening documents for Brokerage Account-4 do not show that the applicant - MICHAEL A. LUCARELLI, the defendant - had any affiliation with LHA, instead listing his employment status as "retired."

c. The account opening documents for Brokerage Account-4 have the same social security number, date of birth,

address and phone number for the accountholder as the account opening documents for Brokerage Account-1, Brokerage Account-2 and Brokerage Account-3.

d. The account opening documents associated with Brokerage Account-4 indicate that no one other than LUCARELLI had authority to trade in Brokerage Account-4.

20. Based on my review of documents maintained by Brokerage Firm-C, documents provided to me by LHA and my review of publicly available information, I have learned that, from the time MICHAEL A. LUCARELLI, the defendant, opened Brokerage Account-4 on June 5, 2014, all of the securities traded in Brokerage Account-4 were of clients of LHA, with the exception of transactions involving an exchange-traded fund based on the NASDAQ 100 Index.

The Insider Trading in TREX Stock

21. Based on interviews with witnesses and a review of public records, records of Brokerage Account-1, Brokerage Account-2, and Brokerage Account-3, records from various Internet service providers, telephone and IP log records, records supplied by LHA, and press releases issued by TREX, I have learned that:

August 2013 Trading

a. Beginning at approximately 8:43 a.m. EST, and continuing through approximately 12:24 p.m. EST, on August 2, 2013, Brokerage Account-1 was accessed over the Internet from an IP address associated with LHA's New York office.¹ Through the

¹ Connection to the Internet through an ISP is effectuated by means of a modem that is, at any given time, assigned a unique numeric address, or IP address. No two modems connected to the Internet ever have the same IP address at any given time. ISPs typically maintain for discrete periods of time records or "logs" of the IP addresses from which their subscribers have gained access to the Internet. In addition, when an Internet user accesses an Internet site, the entity controlling the site being accessed often has the ability to record the IP address from which the access is being made.

accesses on August 2, 2013, 2,400 shares of TREX were sold short² in Brokerage Account-1.

b. On August 5, 2013, an additional 150 shares of TREX were sold short in Brokerage Account-1 after Brokerage Account-1 was accessed over the Internet from an IP address associated with LHA's New York office.

c. At market close on August 2, 2013, TREX was trading at \$51.14 per share and at market close on August 5, 2013, TREX was trading at per \$50.83 a share.

d. On August 6, 2013, at approximately 7:30 a.m., TREX issued a press release announcing its financial results for the second fiscal quarter of 2013 and issuing third quarter revenue guidance that, based on my review of publicly available research reports and news summaries thereof, was below consensus estimates of research analysts. An employee of LHA other than MICHAEL A. LUCARELLI, the defendant, was listed as a contact person at the end of the press release.

e. On or about August 6, 2013, in trades executed between approximately 9:40 a.m. and 10:18 a.m., the short position of 2,550 TREX shares in Brokerage Account-1 was fully covered after Brokerage Account-1 was accessed on several occasions over the Internet from an IP address associated with LHA's New York office. As a result of these trades, a profit of approximately \$14,979.85 was realized in Brokerage Account-1.

f. At market close on August 6, 2013, TREX was trading at \$44.76 per share.

February 2014 Trading

g. On several occasions between Wednesday, February 19 and Friday, February 21, 2014, Brokerage Account-2 was accessed over the Internet from an IP address associated with LHA's New York office. Through these accesses, 6,900 shares of TREX were purchased in Brokerage Account-2.

h. On Monday, February 24, 2014, at approximately 7:30 a.m., TREX issued a press release announcing its financial

² Short selling is consistent with a belief that the price of a stock will decrease, such that the seller will have the opportunity of buying back the stock at a price lower than that for which it was sold.

results for the fourth fiscal quarter of 2013 and for the full fiscal year of 2013. TREX reported that fourth quarter 2013 sales increased 38% over the comparable number from the fourth quarter of 2012. TREX also reported that full year 2013 sales and net income increased 11% and 82%, respectively, over comparable numbers from fiscal year 2012. An employee of LHA other than MICHAEL A. LUCARELLI, the defendant, was listed as a contact person at the end of the press release.

i. On or about February 24, 2014, in trades executed between approximately 8:43 a.m. and 10:11 a.m., all 6,900 TREX shares in Brokerage Account-2 were sold after Brokerage Account-2 was accessed on several occasions over the Internet from an IP address associated with LHA's New York office. As a result of these trades, a profit of approximately \$53,185.31 was realized in Brokerage Account-2.

j. At market close on February 21, 2014, TREX was trading at \$68.40 per share and at market close on February 24, 2014, TREX was trading at \$82.58 per share.

May 2014 Trading

k. On several occasions on Thursday, May 1 and Friday, May 2, 2014, Brokerage Account-3 was accessed over the Internet. Through these accesses, 8,500 shares of TREX were sold short in Brokerage Account-3.

l. At market close on May 2, 2013, TREX was trading at \$79.41 per share.

m. On Monday, May 5, 2014, at approximately 7:30 a.m., TREX issued a press release announcing its financial results for the first fiscal quarter of 2014. TREX reported that first quarter 2014 revenue and net income decreased 7% and 43%, respectively, compared to the same period in fiscal year 2013. An employee of LHA other than MICHAEL A. LUCARELLI, the defendant, was listed as a contact person at the end of the press release.

n. On or about May 5, 2014, in trades executed between approximately 9:25 a.m. and 10:05 a.m., the short position of 8,500 TREX shares in Brokerage Account-3 was fully covered after Brokerage Account-3 was accessed on several occasions over the Internet. As a result of these trades, a profit of approximately \$39,673.24 was realized in Brokerage Account-3.

o. At market close on May 5, 2014, TREX was trading at \$71.61 per share.

The Insider Trading in FAB Stock

22. Based on interviews with witnesses and a review of public records, records of Brokerage Account-1, records from various Internet service providers, telephone and IP log records, records supplied by LHA, and press releases issued by FAB, I have learned that:

August 2013 Trading

a. On several occasions between Tuesday, August 6 and Tuesday, August 13, 2013, Brokerage Account-1 was accessed over the Internet from an IP address associated with LHA's New York office. Through these accesses, 42,000 shares of FAB were purchased in Brokerage Account-1.

b. At market close on August 6, 2013, FAB was trading at \$4.04 per share and at market close on August 13, 2013, FAB was trading at \$4.48 per share.

c. On August 14, 2013, at approximately 7:30 a.m., FAB issued a press release announcing its financial results for the second fiscal quarter of 2013. FAB announced revenue, gross profit and net income growth in the first fiscal quarter of 2013 relative to the comparable 2012 period, and affirmed its revenue and net income guidance for the full fiscal year. Two employees of LHA other than MICHAEL A. LUCARELLI, the defendant, were listed as contact persons at the end of the press release.

d. On or about August 14, 2013, in trades executed between approximately 8:07 a.m. and 11:34 a.m., all 42,000 FAB shares in Brokerage Account-1 were sold after Brokerage Account-1 was accessed on several occasions over the Internet from an IP address associated with LHA's New York office. As a result of these trades, a profit of approximately \$25,528.04 was realized in Brokerage Account-1.

e. At market close on August 14, 2013, FAB was trading at \$4.75 per share.

November 2013 Trading

f. On several occasions on November 12, 2013, Brokerage Account-1 was accessed over the Internet from an IP

address associated with LHA's New York office. Through these accesses, 27,000 shares of FAB were purchased in Brokerage Account-1.

g. At market close on November 12, 2013, FAB was trading at \$5.91 per share.

h. On November 13, 2013, at approximately 8:00 a.m., FAB issued a press release announcing its financial results for the third fiscal quarter of 2013. FAB also announced an increase in its revenue and net income guidance for the full fiscal year. Two employees of LHA other than MICHAEL A. LUCARELLI, the defendant, were listed as contact persons at the end of the press release.

i. On or about November 13, 2013, in trades executed between approximately 8:06 a.m. and 8:24 a.m., all 27,000 FAB shares in Brokerage Account-1 were sold after Brokerage Account-1 was accessed on several occasions over the Internet from an IP address associated with LHA's New York office. As a result of these trades, a profit of approximately \$20,324.41 was realized in Brokerage Account-1.

j. On November 13, 2013, FAB shares opened at \$7.00 and closed at \$5.46 per share.

Insider Trading in PhotoMedex Stock

23. Based on interviews with witnesses and a review of public records, records of Brokerage Account-1 and Brokerage Account-2, records from various Internet service providers, telephone and IP log records, records supplied by LHA, and press releases issued by PhotoMedex, I have learned that:

November 2013 Trading

a. On several occasions on November 4 and November 5, 2013, Brokerage Account-1 was accessed over the Internet from an IP address associated with LHA's New York office. Through these accesses, 9,300 shares of PhotoMedex were sold short in Brokerage Account-1.

b. At market close on November 4, 2013, PhotoMedex was trading at \$12.80 per share and at market close on November 5, 2013, PhotoMedex was trading at \$12.78 per share.

c. On November 6, 2013, at approximately 6:30 a.m., PhotoMedex issued a press release announcing its financial results for the third fiscal quarter of 2013. PhotoMedex announced decreases in revenue and net income of 19% and 88%, respectively, relative to the comparable 2012 period. Two employees of LHA other than MICHAEL A. LUCARELLI, the defendant, were listed as contact persons at the end of the press release.

d. On or about November 6, 2013, in trades executed between 8:01 a.m. and 8:48 a.m., the short position of 9,300 PhotoMedex shares in Brokerage Account-1 was fully covered after Brokerage Account-1 was accessed over the Internet from an IP address associated with LHA's New York office. As a result of these trades, a profit of approximately \$13,471.57 was realized in Brokerage Account-1.

e. At market close on November 6, 2013, PhotoMedex was trading at \$11.65 per share.

December 2013 and January 2014 Trading

f. On several occasions between December 26, 2013 and December 31, 2013, Brokerage Account-2 was accessed over the Internet from an IP address associated with LHA's New York office. Through these accesses, 11,500 shares of PhotoMedex were purchased in Brokerage Account-2. In addition, through these accesses, 100 call options³ to purchase PhotoMedex shares at \$12.50 were purchased in Brokerage Account-2.

g. At market close on December 31, 2013, PhotoMedex was trading at \$12.95 per share.

h. On January 2, 2014, at approximately 8:30 a.m., PhotoMedex issued a press release raising its revenue guidance for the fourth fiscal quarter of 2013. Two employees of LHA other than MICHAEL A. LUCARELLI, the defendant, were listed as contact persons at the end of the press release.

i. On or about January 2, 2014, all 11,500 PhotoMedex shares in Brokerage Account-2 were sold after Brokerage Account-2 was accessed on several occasions over the

³ Based on my training and experience, I know that a call option is an option to purchase stock at a particular price within a specified time period. Purchasing call options contracts is consistent with a belief that the price of the underlying security will increase.

Internet from an IP address associated with LHA's New York office. In addition, all 100 of the call options were exercised. The trades selling the PhotoMedex shares were executed by Brokerage Firm-A between 8:30 a.m. and 9:13 a.m. on January 2, 2014, and the call options were exercised between 9:36 a.m. and 9:59 a.m. on that date. A profit of approximately \$15,022.97 was realized in Brokerage Account-2 when the PhotoMedex shares were sold and a profit of approximately \$5,260 was realized in Brokerage Account-2 when the call options were exercised.

j. On January 2, 2014, PhotoMedex shares opened at \$14.10 per share and closed at \$13.21 per share.

Insider Trading in LCAV Stock

24. Based on interviews with witnesses and a review of public records, records of Brokerage Account-2, records from various Internet service providers, telephone and IP log records, records supplied by LHA, and press releases issued by LCAV, I have learned that:

a. On several occasions on February 13, 2014, Brokerage Account-2 was accessed over the Internet from an IP address associated with LHA's New York office. Through these accesses, 44,921 shares of LCAV were purchased in Brokerage Account-2.

b. At market close on February 13, 2014, LCAV was trading at \$4.25 per share.

c. On February 13, 2014, at approximately 4:10 p.m., LCAV issued a press release announcing an agreement with PhotoMedex pursuant to which PhotoMedex agreed to acquire LCAV for cash consideration of \$5.37 per share. Two employees of LHA other than MICHAEL A. LUCARELLI, the defendant, were listed as contact persons at the end of the press release.

d. Between on or about February 14, 2014 and on or about February 19, 2014, all 44,921 LCAV shares in Brokerage Account-2 were sold after Brokerage Account-2 was accessed on several occasions on February 14 and February 19 over the Internet from an IP address associated with LHA's New York office. As a result of these trades, a profit of approximately \$57,444.43 was realized in Brokerage Account-2.

e. At market close on February 14, 2014, LCAV was trading at \$5.44 per share and at market close on February 19, 2014, LCAV was trading at \$5.54 per share.

Insider Trading in Pacific Stock

25. Based on interviews with witnesses and a review of public records, records of Brokerage Account-2, records from various Internet service providers, telephone and IP log records, records supplied by LHA, and press releases issued by Pacific, I have learned that:

a. On several occasions on February 25, 2014, Brokerage Account-2 was accessed over the Internet from an IP address associated with LHA's New York office. Through these accesses, a net position of 5,000 shares of Pacific was purchased in Brokerage Account-2. (A total of 10,681 shares were purchased in trades executed between 9:52 a.m. and 9:54 a.m., and a total of 5,681 shares were sold in trades executed between 11:40 a.m. and 11:47 a.m.)

b. On several occasions on February 26, 2014, Brokerage Account-2 was accessed over the Internet from an IP address associated with LHA's New York office. Through these accesses, 41,090 additional shares of Pacific were purchased in Brokerage Account-2.

c. At market close on February 25, 2014, LCAV was trading at \$9.70 per share and at market close on February 26, 2014, LCAV was trading at \$9.03 per share.

d. On February 26, 2014, at approximately 4:05 p.m., Pacific issued a press release announcing its fourth fiscal quarter 2013 and full fiscal year 2013 financial results. Pacific reported record quarterly gross profit, operating income and adjusted earnings before interest, taxes, depreciation and amortization ("EBITDA"), as well as record annual net sales, gross profit, operating income and adjusted EBITDA. An employee of LHA other than MICHAEL A. LUCARELLI, the defendant, was listed as a contact person at the end of the press release.

e. On or about February 27, 2014, all 46,090 Pacific shares in Brokerage Account-2 were sold after Brokerage Account-2 was accessed on several occasions over the Internet from an IP address associated with LHA's New York office. A profit of approximately \$85,509.85 was realized in Brokerage Account-2 from the sale of Pacific shares on February 25 and 27.

f. At market close on February 27, 2014, Pacific was trading at \$14.94 per share.

Insider Trading in Dot Hill Stock

26. Based on interviews with witnesses and a review of public records, records of Brokerage Account-2, records from various Internet service providers, telephone and IP log records, records supplied by LHA, and press releases issued by Dot Hill, I have learned that:

a. On several occasions on March 5 and March 6, 2014, Brokerage Account-2 was accessed over the Internet from an IP address associated with LHA's New York office. Through these accesses, 63,420 shares of Dot Hill were sold short in Brokerage Account-2. The short sales executed on March 6 were executed by Brokerage Firm-A between 8:03 a.m. and 8:51 a.m.

b. At market close on March 5, 2014, Dot Hill was trading at \$5.96.

c. On March 6, 2014, at approximately 9:00 a.m., Dot Hill issued a press release announcing its fourth fiscal quarter 2013 and full 2013 fiscal year financial results. Among other things, Dot Hill issued guidance for first fiscal quarter of 2014 earnings per share that was below the earnings per share achieved in the fourth fiscal quarter of 2013. Two employees of LHA other than MICHAEL A. LUCARELLI, the defendant, were listed as contact persons at the end of the press release.

d. On or about March 6, 2014, in trades executed between 9:14 a.m. and 11:10 a.m., the short position of 63,420 Dot Hill shares in Brokerage Account-2 was fully covered after Brokerage Account-2 was accessed over the Internet from an IP address associated with LHA's New York office. As a result of these trades, a profit of approximately \$54,730.93 was realized in Brokerage Account-2.

e. At market close on March 6, 2014, Dot Hill was trading at \$5.12 per share.

Insider Trading in Lifetime Stock

27. Based on interviews with witnesses and a review of public records, records of Brokerage Account-3, records from various Internet service providers, telephone and IP log records, records supplied by LHA, and press releases issued by Lifetime, I have learned that:

a. On several occasions on April 28 and April 30, 2014, Brokerage Account-3 was accessed over the Internet. Through these accesses, a net position of approximately 25,600 shares of Lifetime were sold short in Brokerage Account-3.

b. At market close on April 28, 2014, Lifetime was trading at \$19.14 and at market close on April 30, 2014, Lifetime was trading at \$19.10.

c. On May 1, 2014, at approximately 7:00 a.m., Lifetime issued a press release announcing its first fiscal quarter 2014 financial results. Among other things, Lifetime announced that adjusted net loss for the quarter was \$1.7 million compared to a loss of \$0.6 million in the comparable quarter in 2013. An employee of LHA other than MICHAEL A. LUCARELLI, the defendant, was listed as a contact person at the end of the press release.

d. On or about May 1, 2014, in trades executed between 9:31 a.m. and 10:29 a.m., the short position of approximately 25,600 Lifetime shares in Brokerage Account-3 was fully covered after Brokerage Account-3 was accessed over the Internet. As a result of these trades, a profit of approximately \$63,597.69 was realized in Brokerage Account-3.

e. At market close on May 1, 2014, Lifetime was trading at \$16.55 per share.

The Execution of the Search Warrant

28. On or about July 24, 2014, I and other agents obtained a search warrant to search the office of MICHAEL A. LUCARELLI, the defendant, at LHA, including closed and locked containers therein, and executed the warrant.

29. As part of the execution of the search warrant, we opened a locked briefcase located in the office of MICHAEL A. LUCARELLI, the defendant. In that briefcase, we observed, among other things, a press release for TREX announcing second fiscal quarter 2014 financial results. The press release was marked

"DRAFT" and dated August 4, 2014. The press release contained material, non-public information about TREX. As allowed by the terms of the search warrant, we photographed the press release in LUCARELLI's briefcase and returned the press release to its original location, so as not to prematurely advise LUCARELLI of the existence of our investigation.

LUCARELLI's Subsequent Insider Trading in TREX Shares

30. Based on interviews with witnesses and a review of public records, records of Brokerage Account-4, records from various Internet service providers, telephone and IP log records, records supplied by LHA, and press releases issued by TREX, I have learned that:

a. On several occasions between July 25 and August 1, 2014, Brokerage Account-4 was accessed over the Internet. Through these accesses, a net position of approximately 37,400 shares of TREX was purchased in Brokerage Account-4. (A total of 500 shares were purchased on July 25, 2014; these 500 shares were then sold on July 28, 2014. On August 1, 2014, 40,300 shares of TREX were purchased, and a total of 2,900 shares were sold).

b. At market close on August 1, 2014, TREX was trading at \$28.67.

c. On August 4, 2014, at or before 7:30 a.m., TREX issued a press release announcing its second fiscal quarter 2014 financial results. Among other things, TREX announced that sales and earnings before taxes had increased 23% and 62%, respectively, in comparison with the comparable period in 2013. TREX also issued revenue guidance for the third fiscal quarter of 2014 which was a 27% increase over the comparable period in 2013. An employee of LHA other than MICHAEL A. LUCARELLI, the defendant, was listed as a contact person in the press release.

d. On or about August 4, 2014, in trades executed between 9:23 a.m. and 9:39 a.m., 35,058 of the approximately 37,400 TREX shares in Brokerage Account-4 on that date were sold after Brokerage Account-4 was accessed on several occasions over the Internet. A profit of approximately \$89,487.03 was realized in Brokerage Account-4 on the transactions in TREX stock from July 25 through August 4, 2014.

e. At market close on August 4, 2014, TREX was trading at \$33.00 per share.

Other Trading Activity

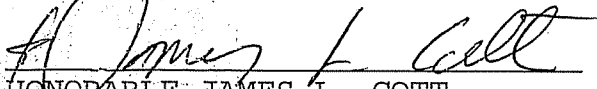
31. Based on interviews with witnesses and a review of public records, records of Brokerage Account-1, Brokerage Account-2, Brokerage Account-3 and Brokerage Account-4, records from various Internet service providers, telephone and IP log records, records supplied by LHA, and press releases issued by various companies which are clients of LHA, I have learned that MICHAEL A. LUCARELLI, the defendant, conducted other trades, not detailed herein, in the securities of LHA clients which exhibited a pattern similar to the trades outlined above, namely, LUCARELLI acquired either a long or short position in the stock (or related options) of an LHA client shortly before a press announcement of material information regarding that client, and LUCARELLI then closed out his position at a profit shortly after the press announcement.

WHEREFORE, I respectfully request that an arrest warrant be issued for MICHAEL A. LUCARELLI, the defendant, and that he be arrested and imprisoned or bailed, as the case may be.



EDMUND ROM
Special Agent
Federal Bureau of Investigation

Sworn to before me this
25th day of August 2014



HONORABLE JAMES L. COTT
UNITED STATES MAGISTRATE JUDGE
SOUTHERN DISTRICT OF NEW YORK