

**IN THE MATTER OF THE SECURITIES ACT,
R.S.O. 1990, c. S.5, AS AMENDED,**

and

**IN THE MATTER OF
SATISH TALAWDEKAR AND ANAND HARIHARAN**

**STATEMENT OF ALLEGATIONS
OF STAFF THE ONTARIO SECURITIES COMMISSION**

Staff of the Ontario Securities Commission (“Staff”) allege as follows:

Overview

1. This is a case of insider tipping, trading and conduct contrary to the public interest.
2. The case centres on two close, childhood friends: Satish Talawdekar (“Talawdekar”) and Anand Hariharan (“Hariharan”). In summary, Talawdekar purchased shares of MDA with knowledge of the acquisition of a major subsidiary of Loral Space & Communications Inc. (“Loral”) by his employer MacDonald, Dettwiler & Associates Inc. (“MDA” and “the Acquisition”). Talawdekar also tipped his friend Hariharan concerning the Acquisition, who, in turn, bought call option contracts for Loral shares and made significant profits following the announcement of the Acquisition.
3. At the relevant time, MDA was an Ontario reporting issuer but Loral was not a reporting issuer in Ontario.
4. By engaging in the conduct more fully described below:
 - a. Talawdekar engaged in unlawful insider trading in contravention of subsection 76(1) of the *Securities Act*, RSO 1990, c. s.5, as amended (the “Act”) and unlawful insider tipping contrary to subsection 76(2) of the Act; and
 - b. Hariharan engaged in trading in securities of Loral (a non-Ontario reporting issuer) with knowledge of a material, undisclosed fact concerning Loral, which was contrary to the public interest.

The Respondents

5. Talawdekar is a resident of Mississauga, Ontario and was at the time of the conduct described herein employed as a manager in the IT department of MDA's Brampton offices.

6. Hariharan, Talawdekar's close, childhood friend, is a resident of Mississauga, Ontario and was at the time of the trading described herein employed as an aircraft maintenance engineer.

The Acquisition and Announcement

7. At 9:25 PM on June 26, 2012, MDA publicly announced the Acquisition (the "Announcement"). Below is a table representing the market impact of the Announcement on the price of Loral and MDA shares:

Security Description	Marketplace Closing Share Price June 26, 2012	Marketplace Closing Share Price June 27, 2012	Dollar Increase in Share Price	Percentage Increase
MDA shares	\$44.65	\$57.13	\$12.48	28%
Loral shares	US \$59.36	US \$67.21	\$7.85	13.2%

8. MDA issued a material change report concerning the Acquisition on June 29, 2012.

9. MDA's Acquisition was a material fact to both Loral and to MDA.

10. Talawdekar became aware of the Acquisition in the course of his employment before there was general disclosure by MDA, which only occurred with the Announcement.

11. Talawdekar purchased MDA shares with knowledge of a material, undisclosed fact. He also conveyed the substance of the material non-public information respecting the Acquisition to his friend Hariharan before it was generally disclosed.

12. As a result of receiving this tip, starting on the day before the Announcement and continuing on the day of the Announcement (but before the Announcement), Hariharan purchased a total of 220 short-dated, out-of-the-money call option contracts of Loral.

Knowledge of Talawdekar of the Material Information

13. In the months leading up to the Announcement, several employees at MDA's Brampton offices participated in the due diligence process for the proposed Acquisition. While Talawdekar was not part of the due diligence team, his workstation was located in close proximity to members of the due diligence team.

Chronology of Key Events

14. On Thursday, June 21, 2012, Talawdekar learned of material undisclosed information, namely that MDA was going to be part of a major, transformative acquisition. Talawdekar then transferred \$45,000 from his line of credit to his brokerage account (by 3:18 PM) and purchased 1,000 shares of MDA at a cost of \$44,365.45 (by 3:26 PM). The cost of purchasing the MDA securities was approximately 50% of his yearly gross salary. Prior to those purchases, Talawdekar had not purchased MDA securities for over 20 months and had not drawn upon his line of credit for at least 10 months.

Talawdekar Tips Hariharan concerning the Acquisition

15. On or about, Monday, June 25, 2012, Talawdekar learned further details concerning the Acquisition, including that the target of the acquisition was Loral's subsidiary and the transaction would be announced imminently.

16. Beginning later that same day and continuing the next day, Talawdekar engaged in a series of telephone calls with his friend Hariharan and informed him of those facts, which were material and generally undisclosed.

17. As a result of receiving this tip, Hariharan purchased 220 call option contracts of Loral on June 26, 2012 prior to the Announcement at a cost of \$11,019.90. This provided Hariharan with the right to purchase 22,000 Loral shares if the price went up to the strike price set out in the contract.

Profit Made by Hariharan

18. The day following the Announcement, Hariharan sold all of the 220 Loral option contracts, realizing a combined profit of US\$68,683.40, a 623% return in one day.

Profit Made by Talawdekar

19. On June 27, 2012, shortly after the Announcement, Talawdekar sold the 1,000 shares of MDA for \$56,039.05 with a profit of \$11,673.60, a 26.3% return in seven days.

Breaches of Act and Conduct Contrary to the Public Interest

20. Talawdekar, as an employee of MDA was a person in a special relationship with MDA in accordance with subsection 76(5)(c)(i) of the *Act* at the time of the subject trading,

- a) Purchased MDA securities with knowledge of material undisclosed information respecting MDA, contrary to section 76(1) of the *Act*, and
- b) Informed his friend Hariharan of the Acquisition, which was a material, generally-undisclosed fact in respect of MDA, thereby breaching section 76(2) of the *Act* and also thereby acted contrary to the public interest.

21. While Hariharan's conduct involving the purchase of Loral call option contracts as outlined above did not technically contravene s. 76(1) of the *Act* (because Loral was not an Ontario reporting issuer), his conduct impugned the integrity and fairness of the capital markets because of the misuse of material, confidential information obtained from Talawdekar. Consequently Hariharan's conduct was contrary to the public interest.

22. Such additional allegations as Staff may advise and the Commission may permit.

DATED at Toronto this 11th day of March 2015.