



## U.S. Securities and Exchange Commission

### U.S. SECURITIES AND EXCHANGE COMMISSION

#### Litigation Release No. 20313 / September 28, 2007

#### ***SEC v. Salvador Chavarria, Glenn D. Leftwich and John A. Nieto, Civil Action No. 1:07-CV-820-LY, United States District Court for the Western District of Texas (Austin Division)***

#### **SEC Files Partially Settled Insider Trading Action Against Three Dell Inc. Accountants**

On September 28, 2007, the Securities and Exchange Commission filed an insider trading action in the United States District Court for the Western District of Texas against Salvador Chavarria, Glenn D. Leftwich and John A. Nieto. At the time of the alleged misconduct, Chavarria, Leftwich and Nieto were employed as accountants in Dell Inc.'s (Dell) Americas Business Unit at its corporate headquarters in Round Rock, Texas. The Commission alleges that the three accountants engaged in unlawful insider trading in the securities of Dell in advance of a public announcement on August 11, 2005 that Dell's second quarter 2006 revenues had fallen short of the company's earlier guidance and analysts' expectations. In addition, the Commission alleges that Leftwich engaged in unlawful insider trading when he purchased Dell securities in advance of a Dell earnings release on October 31, 2005 announcing Dell's failure to hit its earnings target for the third quarter 2006.

In its complaint, the Commission alleges that, in July and August 2005, Chavarria, Leftwich and Nieto purchased Dell put options while in possession of material, non-public information regarding Dell's financial performance for the second quarter of 2006. Specifically, the Defendants knew, in advance of the August 11, 2005 release, that the company's second quarter revenues had fallen short of the company's earlier guidance and analysts' expectations. On the day after the announcement of the revenues miss, Dell's stock price dropped more than 7% on the news. By selling their Dell put options, the Defendants profited as follows: Chavarria, \$153,240; Leftwich, \$81,658; and Nieto, \$16,677.

In addition, on October 31, 2005, Leftwich bought Dell put options prior to a negative Dell earnings announcement. The negative news caused an 8.3% decline in Dell's stock price. Leftwich sold the puts on the following day and profited \$24,769.

Without admitting or denying the allegations in the complaint, Chavarria and Nieto have agreed to settle the Commission's charges by consenting to the entry of a final judgment that would: (i) permanently enjoin them from further violations of Section 10(b) of the Securities Exchange Act of 1934, and Rule 10b-5 thereunder; (ii) order them to pay \$153,240 and \$16,677, respectively, in disgorgement; (iii) order them to pay \$16,673 and \$2,059, respectively, in prejudgment interest; and (iv) order them to pay a civil penalty of \$153,240 and \$16,677, respectively. With regard to Leftwich, the Commission alleges in its complaint that Leftwich violated Section 10(b) of the Exchange Act and Rule 10b-5 thereunder. In its complaint, the Commission seeks against Leftwich a permanent injunction, disgorgement

plus prejudgment interest, and a civil money penalty.

<http://www.sec.gov/litigation/litreleases/2007/lr20313.htm>

---

[Home](#) | [Previous Page](#)

Modified: 09/28/2007