

Insider Trading Developments Summer 2012

As the U.S. Securities and Exchange Commission and Department of Justice continue to actively investigate and prosecute insider trading cases (please see the accompanying 2012 DOJ/SEC Insider Trading Actions chart), and even Congress has become involved in the area, we believe it may be helpful to our clients and friends in the financial services industry to highlight trends that we see and think would be of interest or that may prove important. Schulte Roth & Zabel routinely and currently represents numerous entities and individuals in matters involving insider trading allegations. The firm's attorneys author the annual *Insider Trading Law & Compliance Answer Book* (Practising Law Institute) and its Litigation department includes eight former SEC and DOJ prosecutors.

While the insider trading conviction of Rajat Gupta and SEC settlement with Hall of Fame baseball player Eddie Murray attracted headlines — and the 12-year prison sentence imposed earlier this summer on former corporate attorney Matthew Kluger set a new standard for criminal insider trading penalties — there have been several other legislative, regulatory and judicial developments in recent months relating to insider trading that are of equal or greater significance. All reflect an increased focus on preventing and prosecuting the trading of securities and commodities based on material nonpublic information.

Congress has passed legislation expressly prohibiting its members and other government officials from trading on nonpublic information they learn from their official positions, even as a prominent Congressman was investigated regarding (though ultimately not charged with) such alleged trading. Meanwhile, the Department of Justice and the SEC have continued their active pursuit of those they believe supplied and traded on inside information obtained and disseminated via “expert network” investment research firms. Finally, courts and prosecutors have demonstrated an inclination to find at least the possibility of illegal insider trading even when the information came from an indirect source or via seemingly benign means.

These recent developments all suggest that, in the current environment, investors and investment advisers should be particularly vigilant in ensuring that they and their employees do not acquire and trade on nonpublic information obtained directly or indirectly from an individual or entity who was not authorized to disclose it, or that otherwise is not in the public domain.¹

¹ Schulte Roth & Zabel's representations include, in some cases, matters discussed in *Insider Trading Developments* or other firm publications. The information discussed herein is limited to material contained in the public record, and nothing herein is intended to constitute an endorsement of the positions taken by any court, agency, or legislator, or other public or private person or entity, or to suggest that any pleading or opinion accurately reflects the facts or the correct state of the law.

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Congress Expressly Prohibits Insider Trading by Its Members, Staffers and Other Federal Employees

On April 4, 2012, President Obama signed the Stop Trading on Congressional Knowledge (“STOCK”) Act into law. The law specifies that lawmakers and federal employees have “a duty arising from a relationship of trust and confidence” to Congress, the federal government and U.S. citizens, and expressly prohibits congressional members, staffers and other federal employees from using nonpublic information gained from their positions for personal benefit. As a result, persons who are not government employees can be held liable as tippees if they trade on information that they learn from government employees — be they in the legislative, executive, or judicial branch — in breach of those employees’ duties.

Meanwhile, even as the STOCK Act was being debated and passed, the House member who presided over a congressional hearing on the STOCK Act was investigated by the House’s Office of Congressional Ethics (“OCE”) for

possible insider trading. The independent investigative agency reportedly investigated suspicious trades by House Financial Services Committee Chairman Spencer Bachus (R-AL), and investigators reportedly initially informed him that there was evidence that insider trading violations had been committed. The investigation appeared to focus, in part, on several short options that Rep. Bachus traded in September 2008 after participating in a closed-door briefing with Treasury Secretary Henry Paulson and Federal Reserve Chairman Benjamin Bernanke in which the participants discussed the nation’s impending economic decline. The investigation also appeared to involve other trades that coincided with major policy announcements concerning industries under the oversight of House committees on which he sits. Rep. Bachus denied any wrongdoing and, in April, the OCE board recommended that the House Ethics Committee not bring a case against him.

Regulators Aggressively Prosecute Expert Network Cases

Since late 2010, the DOJ and the SEC have been bringing insider trading charges against the employees and clients of investment research firms that provide “market intelligence” through “expert networks” that allegedly engaged in illegal tipping of information obtained from public company insiders.

One such firm is Primary Global Research LLC (“PGR”), which marketed itself as an “independent investment research firm that provides institutional money managers and analysts with market intelligence” through a “global advisory team of experts.” Winifred Jiau, a consultant with PGR, allegedly formed friendships with technology company insiders, who provided her with quarterly revenues, gross margins and earnings per share for specific quarters for multiple publicly traded companies. Jiau then communicated such nonpublic information to investment adviser clients, who paid PGR, which in turn paid Jiau up to \$10,000 per month. Jiau was convicted of insider trading and sentenced to four years in prison in September 2011. James Fleishman, the vice president of sales for PGR, was sentenced to two-and-a-half years in prison in December 2011 for forwarding emails containing nonpublic information obtained by other PGR consultants to investment advisers, who then executed trades through PGR’s affiliated broker-dealer (PGR Securities).

The government’s prosecution of insider trading charges involving expert networks has continued this year. On April 6, 2012, the U.S. District Court

for the Southern District of New York entered a consent judgment ordering Diamondback Capital Management LLC (“Diamondback”) to pay more than \$9 million to settle insider trading charges brought by the SEC and the U.S. Attorney’s Office involving former Diamondback employees Todd Newman (a portfolio manager) and Jesse Tortora (an analyst). Newman and Tortora were accused of illegally trading Dell and Nvidia Corp. stock based on material, non-public information learned through outside consultants and expert network firms. Newman pled not guilty on February 14, 2012. Tortora pled guilty on January 18, 2012 and is cooperating with the government.

Meanwhile, on June 26, 2012, Tai Nguyen, the president and sole employee of California expert networking firm Insight Research LLC, pled guilty to conveying insider information to two hedge fund managers who were clients of his firm. The managers (Samir Barai and Noah Freeman) had themselves pled guilty to insider trading charges last year. Nguyen admitted to providing them with confidential earnings information regarding biotechnology company Abaxis Inc. that he had received from his brother, who worked in the company’s finance department.

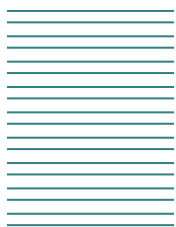
Finally, on July 25, 2012, John Kinnucan, the founder of Broadband Research LLC, pled guilty to conspiracy and securities fraud charges in connection with receiving nonpublic information regarding quarterly revenue and anticipated legal disputes from employees of publicly traded companies, such as F5 Networks Inc., SanDisk, Apple and Flextronics International Ltd. Kinnucan paid his sources with money, stock tips, expensive meals and, in one case, by investing \$25,000 in the source's business venture. Kinnucan then passed the information on to his clients, including a former portfolio manager of Dallas-based hedge fund Carlson Capital LP.

Congress has taken notice of expert networks and similar market intelligence firms that focus on political developments. The STOCK Act orders a report from the

Comptroller General on the role of "political intelligence firms" that operate as information gatherers for hedge funds and private investors.

In short, even using information obtained from ostensibly legitimate research firms does not inoculate investors and managers against potential insider trading investigations or charges. Rather, the government's inquiries into and prosecutions of such firms and their clients demonstrate that one must consider the ultimate source of the information upon which one trades, regardless of how far down the chain the investor or manager may be, or how innocent the immediate source may appear.

Prosecutors and Courts Are Taking a Broad View of Insider Trading



Certain recent cases demonstrate what appears to be an inclination of prosecutors and courts to find at least the possibility of illegal insider trading even where the information in question came from an indirect source or via seemingly benign means.

For example, in *SEC v. Kueng*, No. 09-8763 (KBF) (S.D.N.Y. Dec. 8, 2011), the defendant, a sell side coverage employee at J.P. Morgan Chase, allegedly learned rumors of Electronic Arts' ("EA") planned acquisition of Jamdat Mobile Inc. ("Jamdat") from a professional and personal acquaintance (William Dailey) with whom she was drinking at a bar. Daily had learned the information while sitting with the defendant at the bar via a cell phone conversation that Dailey had with William Jones, III, who, in turn, had learned it from his brother (Benjamin Jones), who was a senior vice president of North American sales at one of the companies. Although Kueng made no trades in either company's securities, she passed along information about the impending merger to several of her clients, who traded. The SEC brought an enforcement action against Kueng, alleging that she either knew or should have known that the information about the merger had to have come from a corporate insider, charging her as a "tipper" and seeking disgorgement from her of the profits earned by her clients who had traded based on the information she had passed along. The U.S. District Court for the Southern District of New York denied the defendant's summary judgment motion on the ground that there were triable issues of fact as to whether the employee breached any fiduciary duty in disclosing the information to his brother (who did not trade on the information but who previously had traded on other non-public information received from his brother) and whether the defendant acted with culpable intent when later

conveying the information to several colleagues and clients who then profitably traded on it. (The SEC and Kueng thereafter reached a settlement in which Kueng agreed to pay a fine and disgorgement.)

In the case *In re Washington Mutual, Inc.*, No. 08-12229 (MFW) (Bankr. D. Del. Sept. 13, 2011), the United States Bankruptcy Court for the District of Delaware issued a decision finding that the Committee of Equity Security Holders (the "Equity Committee") stated a colorable claim sufficient to grant the Equity Committee standing to pursue equitable disallowance of claims held by certain hedge fund creditors (the "Funds") based on allegations that they traded on inside information that they learned during bankruptcy settlement negotiations. However, as described below, the court subsequently vacated the portions of its decision dealing with this issue.

The debtors filed for Chapter 11 bankruptcy in September 2008. In March 2009, the debtors, the Funds, and other parties began discussions concerning a global settlement agreement regarding claims to the debtors' assets. As a condition to their participation in the discussions, the Funds at various times entered into confidentiality agreements in which the Funds were required either to restrict trading in the debtors' securities or to establish an ethical wall between those who made trading decisions and those engaged in settlement negotiations. The confidentiality agreements contained an express termination date and also required that at the end

of the confidentiality period, the debtors publicly disclose any material nonpublic information that may have been communicated. It was undisputed that the Funds abided by the confidentiality agreements and that the debtors represented at the end of the respective confidentiality periods that any material nonpublic information provided during those periods had been disclosed. After the expiration of the confidentiality periods, the Funds traded in the securities of the debtors.

Thereafter, the debtors and other parties to the global settlement negotiations announced that they had reached a settlement. In addition to opposing the settlement plan, the Equity Committee sought to disallow the Funds' claims to the bankruptcy estate's assets on the ground that the Funds violated insider trading laws by trading while knowing the state of the settlement negotiations. In concluding that the Equity Committee had stated a "colorable" claim for equitable disallowance, the court said that settlement negotiations may have been sufficiently advanced to qualify as "material" by the time of the trades, and that the debtor's view of what was material nonpublic information was not dispositive. The court noted, however, that the colorability standard is low, and the opinion did not constitute a finding that the Funds engaged in insider trading. The court also recognized that the equitable disallowance claim could be vigorously litigated, and did not permit the Equity Committee to proceed with it until the parties engaged in court-ordered mediation. The mediation resulted in a global resolution of numerous claims, including the claims against the hedge fund creditors that would have been pursued by the Equity Committee, and a plan was approved permitting the debtors' emergence from bankruptcy. In connection therewith, the Court vacated the portions of its September 13, 2011 decision dealing with the insider trading issue.

In late July, the SEC filed a civil complaint alleging Ladislav "Larry" Schvacho traded on material non-public information he gleaned about the impending acquisition of an employment services company whose CEO was a close friend who discussed the deal in his presence in the belief that the defendant would not disclose or misuse the information. The July 24, 2012 Northern District of Georgia complaint alleges the two friends shared confidential information with one another with the expectation it would be maintained in confidence, but that, after overhearing the CEO having telephone conversations regarding the potential acquisition of the company (Comsys IT Partners Inc.) by another staffing company, Schvacho purchased Comsys stock and made profits of more than half a million dollars after the acquisition was announced. The case is potentially significant in that the SEC does not

allege the insider breached any fiduciary duty or that the defendant had any contractual or professional obligation to keep the information he learned confidential. Instead, the complaint alleges the defendant had a duty of trust and confidence to the CEO by virtue of their "close and long-standing business and personal relationship and their history, pattern and practice of sharing confidences," and that the defendant breached that duty and illegally misappropriated the information by trading on it while knowing the CEO reasonably expected the defendant to maintain it as confidential and not trade on or otherwise misuse it.

Finally, on September 6, 2012, the U.S. Court of Appeals for the Second Circuit reversed a summary judgment ruling against the SEC in a case where the alleged tipper is charged with having misappropriated from his employer confidential information about a company that did not appear on his employer's restricted list at the time. In *SEC v. Obus*, the SEC alleged that defendant Thomas Bradley Strickland, an assistant vice president and underwriter at General Electric Capital Corporation ("GE Capital"), performed due diligence on SunSource Inc. in connection with Allied Capital Corporation's request that GE Capital provide financing for it to acquire SunSource. The SEC alleges Strickland told his friend, defendant Peter F. Black, about the potential acquisition during the course of a conversation in which Strickland claims that, as part of his due diligence, he asked Black questions about SunSource's management, with whom Black was familiar by virtue of the fact that his employer, hedge fund manager Wynnefield Capital Inc., held an existing position in SunSource. Black then reported the conversation to his boss, defendant Nelson Obus, who caused Wynnefield Capital to increase its position in SunSource following a solicitation from one of Wynnefield's brokerage firms. Though Strickland, Black and Obus all deny that Strickland told Black about the impending acquisition, the court of appeals held that a jury would need to decide that question. The court also explained that, though SunSource was not on GE Capital's transaction restricted list at the time of the conversation, that fact was "not determinative to the court's analysis" of whether Strickland knew he was obligated to keep information regarding the potential acquisition confidential. In addition, the court ruled that a conclusion by GE Capital following its own internal investigation that Strickland did not breach any duty to it did not prevent the SEC from potentially proving the opposite because the internal investigation was not "indisputably reliable," and because other evidence that the investigators did not possess contradicted its conclusions.

2012 DOJ/SEC Insider Trading Actions

Case	Agency	Summary	Status
<p><i>SEC v. Adondakis</i>, No. 12-cv-00409 (HB) (S.D.N.Y. Jan. 18, 2012); <i>United States v. Adondakis</i>, No. 11-cr-00360 (JFK) (S.D.N.Y. Jan. 18, 2012); <i>United States v. Tortora</i>, No. 11-cr-00430 (WHP) (S.D.N.Y. Jan. 18, 2012); <i>United States v. Scolaro</i>, No. 11-cr-00429 (WHP) (S.D.N.Y. Aug. 2, 2012); <i>SEC v. Lim</i>, No. 12-cv-06707 (HB) (S.D.N.Y. Sept. 5, 2012); <i>United States v. Newman</i>, No. 12-cr-00121 (RJS) (S.D.N.Y. Apr. 13, 2012)</p>	SEC/DOJ	<p>The Government charged Diamondback Capital Management LLC and Level Global Investors LP, as well as several managers and analysts with insider trading, alleging that they traded on nonpublic information about Dell's quarterly earnings and Nvidia Corporation. The defendants allegedly earned over \$78 million by creating a network of tipsters and tippees. One defendant, Hyung Lim, allegedly received \$15,000 and stock tips for providing a friend and fellow poker player, Danny Kuo, with confidential information ahead of Nvidia's quarterly earnings announcements.</p>	<p>In December 2010, Anthony Scolaro pleaded guilty to insider trading, and on August 2, 2012 was sentenced to three years of probation.</p> <p>On January 18, 2012, Spyridon Adondakis pleaded guilty to conspiracy to commit securities fraud and securities fraud in the criminal case. He is awaiting sentencing.</p> <p>On January 18, 2012, Jesse Tortora pleaded guilty to conspiracy to commit securities fraud and securities fraud. He is also awaiting sentencing.</p> <p>On January 23, 2012, Diamondback settled its case with the SEC, agreeing to pay more than \$6 million in disgorgement and a \$3 million civil penalty.</p> <p>On April 13, 2012, Kuo pleaded guilty to conspiracy to commit securities fraud and securities fraud.</p> <p>On September 4, 2012, Lim pleaded guilty to wire fraud and conspiracy to commit securities fraud. He is awaiting sentencing. The SEC's case against Lim is ongoing.</p> <p>Anthony Chiasson, Todd Newman and Jon Horvath have pleaded not guilty and are scheduled for trial October 2012.</p>
<p><i>SEC v. Amin</i>, No. 12-cv-03960 (GHK-CW) (C.D. Cal. May 7, 2012)</p>	SEC	<p>The SEC charged Mohammed Mark Amin, a Hollywood producer of more than 75 movies, including <i>Frida</i> and the <i>Leprechaun</i> series, with insider trading. He allegedly learned confidential information about new leases and loans for DuPont Fabros Technology Inc. during a board meeting and tipped his brother, cousin, business manager, former partner and friend, who traded in Dupont Fabros stock. Together, they earned more than \$618,000 in illegal profits when the company's stock rose 36 percent after a press release highlighting the new leases.</p>	<p>The SEC settled with all defendants, who agreed to collectively pay \$618,497 in disgorgement, \$78,000 in prejudgment interest and \$1,236,994 in penalties.</p>
<p><i>SEC v. Aragon Capital Advisors, LLC</i>, No. 07-cv-00919 (FM) (S.D.N.Y. Apr. 4, 2012); <i>United States v. Rosenthal</i>, No. 07-cr-00069 (JG-JMA) (E.D.N.Y. July 31, 2007)</p>	SEC/DOJ	<p>The SEC alleged that Zvi Rosenthal, Amir Rosenthal, Ayal Rosenthal and Oren Rosenthal engaged in a five- year scheme to illegally trade in the pharmaceutical company at which Zvi worked as an executive. Zvi allegedly passed nonpublic material information about the company's financial performance and FDA drug approvals to his son, Amir, who traded on the information and tipped his brothers.</p>	<p>On April 4, 2012, the district court signed a consent judgment ordering defendants and three relief defendants to pay \$1 million in disgorgement in addition to the \$1.5 million they already paid to the SEC.</p> <p>In the related criminal case, the defendants pleaded guilty. Zvi was sentenced to 60 months imprisonment, Amir was sentenced to 33 months imprisonment and Ayal was sentenced to two months imprisonment.</p>

Case	Agency	Summary	Status
<i>SEC v. Arrowood</i> , No. 12-cv-00082 (RWS) (N.D. Ga. Jan. 9, 2012)	SEC	The SEC alleged that Pete Petit, the Chairman and CEO of Matria Healthcare, Inc., tipped his friend Earl Arrowood about a pending acquisition. Arrowood then allegedly purchased over 17,500 common shares, resulting in \$94,000 in unrealized gains.	Ongoing.
<i>SEC v. Bazshushtari</i> , No. 12-cv-00354 (GHK-JEM) (C.D. Cal. Jan. 17, 2012)	SEC	The SEC charged Farzin Bazshushtari, a sales director at a data storage manufacturer, with insider trading, alleging that he purchased shares after learning material, nonpublic information about the company's first quarter financial results and internal weekly sales reports. He also allegedly purchased shares during a blackout period and despite being prohibited from trading in company options. The SEC alleged that he made a total of \$76,676.50 in illicit profits.	The SEC agreed to settle the charges, with Bazshushtari consenting to pay \$76,676.50 in disgorgement and \$76,676.50 in civil penalties.
<i>SEC v. Blystone</i> , No. 12-cv-00774 (LJO-GSA) (E.D. Cal. May 10, 2012)	SEC	The SEC alleged that Frank Lynn Blystone, a former executive of an oil and gas production company, traded in his company's stock using confidential information he learned while he was CEO and chairman of the board. In one instance, Blystone liquidated stock prior to an announcement that the company entered into an agreement with investors to sell securities at a deep discount. Blystone allegedly avoided losses of approximately \$36,000 when the company's stock fell prior to the announcement.	The SEC settled with Blystone, who agreed to pay \$36,267 in disgorgement, \$2,493 in prejudgment interest and \$36,267 in penalties. The settlement is pending court approval.
<i>United States v. Brownstein</i> , No. 11-cr-00904 (RPP) (S.D.N.Y. Jan. 11, 2012); <i>United States v. Peterson</i> , No. 11-cr-00665 (PKC) (S.D.N.Y. Oct. 11, 2011); <i>United States v. Peterson</i> , No. 11-cr-00664 (RPP) (S.D.N.Y. Apr. 13, 2012)	DOJ	The Government alleged that former hedge fund manager Drew "Bo" Brownstein bought stock in Mariner Energy after receiving a tip from his friend, Drew Peterson, that the company was about to be acquired. Peterson's father was on the board of Mariner and told him that the company could be an acquisition target. Brownstein allegedly made approximately \$2.4 million in illicit profits.	On October 21, 2011, Brownstein pleaded guilty and was sentenced on January 11, 2012 to one year and one day imprisonment. H. Clay Peterson and Drew Peterson pleaded guilty on August 5, 2011. H. Clay Peterson was sentenced to two years of probation on October 11, 2011. Drew Peterson was sentenced to three years of probation on April 13, 2012.
<i>SEC v. Clay Capital Mgmt., LLC</i> , No. 11-cv-05020 (DMC-JAD) (D.N.J. Aug. 29, 2012); <i>United States v. Turner</i> , No. 11-cr-00868 (DMC) (D.N.J. Apr. 16, 2012)	SEC/DOJ	The SEC alleged that the CIO of Clay Capital Management, James F. Turner II, was tipped by his brother-in-law about a planned acquisition in May 2008 involving Autodesk. He was also tipped by a close friend at Salesforce about the company's performance. Turner allegedly made illicit profits of nearly \$3.9 million by trading in accounts belonging to Clay Capital, family members and himself.	On August 29, 2012, final judgment was entered against Clay Capital Management and Turner. The Court ordered Clay Capital to pay \$1.1 million in disgorgement and prejudgment interest, provided that all but \$850,000 is waived based on its financial condition. The Court also ordered Turner to pay \$3 million in disgorgement and prejudgment interest, provided that all but \$1.25 million is waived based on his financial condition. Turner also agreed to settle a related administrative proceeding. In December 2011, Turner pleaded guilty to securities fraud in a related criminal action. On April 16, 2012, he was sentenced to 12 months imprisonment and ordered to pay a \$25,000 fine.

Case	Agency	Summary	Status
<i>SEC v. Compania Int'l Financiera S.A.</i> , No. 11-cv-04904 (JPO) (S.D.N.Y. May 22, 2012)	SEC	The SEC charged three Switzerland-based companies — Compania International Financiera S.A., Coudree Capital Gestion S.A. and Chartwell Asset Management Services — with insider trading, alleging that they traded ahead of a merger announcement.	In February 2012, the SEC filed a motion to dismiss the complaint without prejudice as to defendants Compania and Coudree. On February 14, 2012, the district court dismissed the complaint without prejudice as to Chartwell. On May 22, 2012, the district court granted the motion, noting the SEC's inability to obtain critical information from the companies during the discovery period. The SEC investigation is ongoing.
<i>SEC v. Cutillo</i> , No. 09-cv-09208 (RJS) (S.D.N.Y. Mar. 16, 2012); <i>United States v. Goffer</i> , No. 10-cr-0056 (RJS) (S.D.N.Y. Nov. 2, 2011); <i>SEC v. Hardin, LLC</i> , No. 10-cv-8599 (RJS) (S.D.N.Y. Mar. 16, 2012)	SEC/DOJ	The SEC alleged that Arthur Cutillo, a former Ropes & Gray LLP attorney, stole material, nonpublic information concerning the potential acquisition of 3Com. He then allegedly started a chain of tipping that progressed through attorney Brien Santarlas and Zvi Goffer, who then tipped a number of individuals including Craig Drimal, David Plate, Michael Kimelman and Thomas Hardin. The SEC alleged that Hardin, a managing director at Lanexa Management, LLC, used the information to trade in securities on behalf of Lanexa, who was also named as a relief defendant.	<p>On Jan. 13, 2012, the district court entered judgments against Plate and Drimal. Plate agreed to pay \$134,983 in disgorgement and \$17,460 in prejudgment interest. Drimal agreed to pay approximately \$6.7 million in disgorgement and \$970,000 in prejudgment interest. In related criminal cases, both pleaded guilty to charges of securities fraud and conspiracy to commit securities fraud. Drimal was sentenced to five and one-half years imprisonment and ordered to pay \$11 million in criminal fines. Plate was sentenced to six months home confinement and three years of probation and ordered to pay \$289,000 in criminal fines.</p> <p>On March 16, 2012, the district court entered final judgment against Kimelman, who consented to paying \$273,255 in disgorgement, plus \$54,582 in prejudgment interest. In a related criminal case, Kimelman was found guilty of securities fraud and conspiracy to commit securities fraud and was sentenced to 30 months imprisonment and ordered to pay \$289,079 in criminal forfeiture.</p> <p>That same day, the district court entered final judgment against Lanexa, who agreed to pay \$612,000 in disgorgement and \$134,000 in prejudgment interest.</p>
<i>SEC v. CytoCore, Inc.</i> , No. 11-cv-00246 (N.D. Ill. Jan. 31, 2012)	SEC	The SEC alleged that Daniel Burns, a former Chairman of the Board of Directors of CytoCore Inc., caused CytoCore to issue a press release announcing his investment in company stock, even though Burns secretly sold shares following the announcement. The SEC alleged that Burns received compensation from an unregistered broker soliciting investors in the company stock and submitted false claims for commissions earned by a friend who, in turn, remitted commission payments to Burns.	On January 31, 2012, the district court entered a default judgment against Burns, ordering him to pay \$804,100 in disgorgement and \$324,325 in prejudgment interest.

Case	Agency	Summary	Status
<i>SEC v. Duncan</i> , No. 12-cv-01785 (R-AGR) (C.D. Cal. Mar. 5, 2012); <i>SEC v. Williams</i> , No. 12-cv-01126 (PBT) (E.D. Pa. Mar. 5, 2012)	SEC	The SEC alleged that William Duncan and John Williams obtained material, nonpublic information about the proposed acquisition of Hi-Shear, a defense manufacturer, by Chemring, another company. Hi-Shear sought quotes from Duncan's company for an insurance policy and gave him sensitive business information, which he allegedly traded on for approximately \$85,000 in illicit profits. In a separate complaint, the SEC alleged that Williams obtained confidential information about the acquisition while working as a tax manager for Chemring at Deloitte Tax LLP. Williams then allegedly traded on the information for approximately \$6,800 in illicit profits.	Both defendants consented to entry of final judgments against them, agreeing to pay disgorgement of profits, prejudgment interest and a penalty equal to their profits.
<i>SEC v. Dunn</i> , No. 09-cv-2213 (JCM-VCF) (D. Nev. July 30, 2012)	SEC	The SEC charged R. Brooke Dunn, a former executive, with insider trading in Shuffle Master stock and options before an announcement of poor financial results. The SEC alleged that Dunn tipped Nicholas Howey about the pending announcement and both defendants sold their stock and calls and purchased puts, which they sold after the announcement.	The SEC settled with Dunn and Howey, who agreed to pay \$181,594 each in civil penalties. Howey agreed to pay an additional \$181,594 in disgorgement plus \$30,403 in prejudgment interest.
<i>SEC v. Farha</i> , No. 12-cv-00047 (SDM-MAP) (M.D. Fla. Mar. 7, 2012); <i>United States v. Farha</i> , No. 11-cr-00115 (JSM-MAP) (M.D. Fla. Mar. 2, 2011)	SEC/DOJ	The SEC alleged that three former executives of WellCare Health Plans Inc. — Todd Farha, Paul Behrens and Thaddeus Bereday — created a scheme to defraud the Florida Agency for Health Care Administration and the Florida Healthy Kids Corporation by improperly retaining \$40 million in premiums. The SEC alleged that the defendants sold approximately 1.6 million shares after filing documents misstating income and earnings and selling them on the basis of information collected through the scheme.	On March 7, 2012, the district court administratively closed the SEC case pending resolution of the parallel criminal case. The criminal case is scheduled for trial in January 2013.
<i>SEC v. Flanagan</i> , No. 10-cv-04885 (N.D. Ill. Aug. 4, 2012)	SEC	The SEC alleged that Thomas Flanagan, a former partner at Deloitte & Touche LLP, traded on inside information concerning his clients' earnings results, guidance, and acquisitions. The SEC also alleged that Flanagan hid his trades from Deloitte and his clients and provided false information to Deloitte's tax preparers. Flanagan allegedly earned over \$430,000 in illicit profits and also relayed the information to his son, who traded on the information and earned illicit profits of over \$57,000.	On August 4, 2012, Flanagan and his son consented to final judgments ordering Flanagan to pay over \$1 million in disgorgement, prejudgment interest and penalties. His son was ordered to pay over \$123,000 in disgorgement, prejudgment interest and penalties.
<i>SEC v. Fraser</i> , 12-cv-07574 (PSG-AGR) (C.D. Cal. Sept. 5, 2012)	SEC	The SEC charged Renee White Fraser, the CEO of a public relations firm, with insider trading, alleging that she learned nonpublic, material information from a client, East West Bancorp, who hired her firm during its acquisition of United Commercial Bank. The SEC alleged that she earned \$43,868 in illicit profits.	The SEC agreed to settle the charges with Fraser agreeing to pay \$43,868 in disgorgement, \$3,794.36 in prejudgment interest and \$43,868 in penalties.

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<i>SEC v. Griggs</i> , No. 12-cv-02203 (GAF-FMO) (C.D. Cal. Mar. 15, 2012)	SEC	The SEC alleged that Noah Griggs, a former executive of Carl's Jr. and Hardee's fast food restaurants, engaged in insider trading based on confidential information he learned during an executive meeting. Griggs allegedly learned about a possible merger and earned approximately \$145,000 in illicit profits.	On March 15, 2012, the SEC settled the case with Griggs, who agreed to pay approximately \$145,000 in disgorgement, \$11,000 in prejudgment interest and \$111,000 in civil penalties.
<i>SEC v. Gupta</i> , No. 11-cv-7566 (JSR) (S.D.N.Y. Oct. 26, 2011); <i>United States v. Gupta</i> , No. 11-cr-00907 (JSR) (S.D.N.Y. June 15, 2012)	SEC/DOJ	Rajat K. Gupta allegedly leaked confidential information about Goldman Sachs & Co. to Raj Rajaratnam, the former head of Galleon Group.	Gupta was convicted on June 15, 2012 and is awaiting sentencing. The SEC case is ongoing.
<i>SEC v. Guth</i> , No. 12-cv-00842 (D.D.C. May 24, 2012)	SEC	The SEC filed a settled civil injunctive action, alleging that Stephen Guth, the CFO of Omrix Biopharmaceuticals Inc., traded in company stock ahead of a November 2008 announcement that Johnson & Johnson would make a tender offer for outstanding shares. Guth allegedly learned of the pending tender offer when the CEO of the company asked for his assistance regarding due diligence questions. Guth allegedly earned over \$60,000 in illicit profits.	Guth consented to final judgment ordering him to pay \$63,517 in disgorgement, \$7,695 in prejudgment interest and \$31,758 in civil penalties.
<i>SEC v. Harrold</i> , No. 12-cv-01959 (GW-JC) (C.D. Cal. Mar. 8, 2012)	SEC	The SEC charged Steven Harrold, a former vice president of Coca-Cola Enterprises Inc., with insider trading, alleging that he learned that the company agreed to acquire bottling operations in Norway and Sweden. He then allegedly purchased company stock in his wife's brokerage account, earning \$86,850 in illicit profits.	Ongoing.
<i>SEC v. Jantzen</i> , No. 10-cv-00740 (JRN) (W.D. Tex. Feb. 29, 2012)	SEC	The SEC alleged that Marleen Jantzen, a former assistant to a Dell Inc. executive, tipped her husband, a securities broker, about Dell's impending tender offer for the shares of Perot Systems Inc. The SEC alleged that they earned approximately \$27,000 in illicit profits.	On February 29, 2012, the district court entered summary judgment against the defendants, ordering them to pay approximately \$27,000 in disgorgement plus prejudgment interest.
<i>SEC v. Khan</i> , No. 10-cv-02865 (JOF) (N.D. Ga. May 10, 2012)	SEC	The SEC alleged that Dr. Bobby Khan learned of confidential information about a Japanese company's intent to purchase a pharmaceutical company's shares. Prior to the announcement of the tender offer, Khan allegedly opened a brokerage account and purchased shares, eventually earning \$47,171 in illicit profits.	On May 10, 2012, the district court entered a consent order requiring that Khan pay a total of \$100,857.79 in disgorgement, prejudgment interest and civil penalties.
<i>SEC v. Kinnucan</i> , No. 12-cv-01230 (AJN) (S.D.N.Y. Feb. 17, 2012); <i>United States v. Kinnucan</i> , No. 12-cr-00163 (DAB) (S.D.N.Y. Feb. 21, 2012)	SEC/DOJ	The SEC charged John Kinnucan, the head of the expert consulting firm Broadband Research Corporation with insider trading, alleging that he obtained nonpublic information from inside sources at companies and passed it on to clients. The clients' subsequent trading resulted in approximately \$1.6 million in profits or avoided losses and Kinnucan was allegedly compensated with cash, meals, ski trips and other vacations.	The SEC case is ongoing. On July 25, 2012, Kinnucan pleaded guilty to one count of primacy securities fraud and two counts of conspiracy to commit securities fraud and is awaiting sentencing.

Case	Agency	Summary	Status
<i>United States v. Kluger</i> , No. 11-cr-00858 (KSH) (D.N.J. June 4, 2012); <i>United States v. Bauer</i> , No. 11-cr-00842 (KSH) (D.N.J. June 4, 2012); <i>United States v. Robinson</i> , No. 11-cr-00223 (KSH) (D.N.J. June 5, 2012)	DOJ	The Government alleged that former mortgage broker Kenneth Robinson, stock trader Garrett Bauer and attorney Matthew Kluger created an insider trading scheme that netted more than \$37 million in illicit profits. Kluger allegedly stole nonpublic information regarding anticipated corporate mergers and acquisitions, tipping Robinson who then passed the information to Bauer, who purchased shares for the three of them.	On June 4, 2012, Kluger was sentenced to 12 years imprisonment and Bauer was sentenced to nine years imprisonment. On June 5, 2012, Robinson was sentenced to 27 months imprisonment.
<i>SEC v. Kueng</i> , No. 09-cv-8763 (KBF) (S.D.N.Y. Mar. 9, 2012)	SEC	The SEC alleged that Alissa Kueng, a former sales specialist at J.P. Morgan Securities Inc., overheard confidential information about Electronic Arts Inc.'s acquisition of Jamdat Mobile. Kueng then allegedly passed the information to another trader and two customers, who earned profits of approximately \$350,000.	On March 9, 2012, the district court entered final judgment against Kueng, who agreed to pay a \$25,000 civil penalty.
<i>United States v. Kumar</i> , No. 10-cr-00013 (DC) (S.D.N.Y. July 19, 2012)	DOJ	The Government alleged that Anil Kumar, a former partner of the consulting firm McKinsey & Co., passed inside information about clients to others, including Raj Rajaratnam, the former head of Galleon Group. Kumar admitted to passing inside information about Advanced Micro Devices Inc.'s deal to sell chips to Hewlett-Packard Co.	In January 2010, Kumar pleaded guilty to one count of conspiracy and one count of securities fraud. On July 19, 2012, Kumar was sentenced to two years of probation and ordered to pay a \$25,000 fine and forfeit \$2.26 million. The judge noted that Kumar was a key witness in the insider trading trials of Raj Rajaratnam and Rajat Gupta.
<i>SEC v. Li</i> , No. 11-cv-01712 (SRB) (D. Ariz. Apr. 4, 2012)	SEC	The SEC alleged that James Li, the CEO and director of Syntax-Brilliant Corporation, a developer of high-definition LCD televisions, and other members of senior management schemed to overstate the company's revenues and artificially inflate its stock price. The defendants allegedly created fictitious invoices and shipping documents to cover up their plan.	On April 4, 2012, the district court entered final judgment against Li, ordering him to pay \$1.6 million in disgorgement, \$575,000 in prejudgment interest and approximately \$10 million in penalties. The district court previously ordered Thomas Chow to pay \$10 million in disgorgement, \$2.5 million in prejudgment interest and approximately \$35 million in penalties. The district court also issued permanent injunctions against Roger Kao, Christopher Liu, Wayne Pratt and Chow, and imposed monetary sanctions.
<i>SEC v. Lieberman</i> , No. 12-cv-02198 (WJM) (D. Colo. Aug. 20, 2012)	SEC	The SEC filed a settled civil action against James L. Lieberman, who the SEC alleges traded in Array BioPharma Inc. stock based on material, nonpublic information he learned while working as the company's manager of environmental health and safety. By trading in both his and his sister's account, he allegedly earned \$71,361 in illegal profits.	On August 20, 2012, Lieberman consented to a final judgment ordering him to pay \$147,628 in disgorgement, prejudgment interest and fines.
<i>SEC v. Life Partners Holdings, Inc.</i> , No. 12-cv-00002 (WSS) (W.D. Tex. Jan. 4, 2012)	SEC	The SEC alleged that Life Partners Holdings Inc., a company that brokered life settlements, and three of its senior executives engaged in a scheme to mislead shareholders by failing to disclose that the company underestimated life expectancy estimates. The SEC also alleged that two executives engaged in insider trading while in possession of material, nonpublic information about the company's failure to disclose, selling approximately \$11.5 million and \$300,000 in stock at inflated prices.	Ongoing.

Case	Agency	Summary	Status
<i>SEC v. Longoria</i> , No. 11-cv-00753 (JSR) (S.D.N.Y. Jan. 23, 2012)	SEC	The SEC alleged that two employees of Primary Global Research LLC, an expert network firm, and four consultants engaged in insider trading by illegally tipping hedge fund clients about technology companies. The scheme allegedly resulted in approximately \$30 million in illicit profits and involved companies such as Advanced Micro Devices, Fairchild Semiconductor and Marvell Technology Group. The charges were the first against traders in the SEC's current investigation on expert networks.	On January 23, 2012, final judgment was entered in favor of the SEC against Barai Capital Management in the amount of approximately \$3.5 million, Samir Barai in the amount of approximately \$3.5 million, and Bob Nguyen in the amount of approximately \$200,000. On February 21, 2012, final judgment was entered in favor of the SEC against Jason Pflaum in the amount of approximately \$100,000. On February 24, 2012, final judgment was entered in favor of the SEC against Walter Shimoon in the amount of approximately \$50,000. On March 24, 2012, final judgment was entered in favor of the SEC against Winifred Jiau. On May 7, 2012, final judgment was entered in favor of the SEC against James Fleishman.
<i>SEC v. Martin</i> , No. 12-cv-02922 (AT) (N.D. Ga. Aug. 24, 2012)	SEC	The SEC filed a civil injunctive action against Eric Martin, former director and vice president of Investor Relations for Carter's Inc. The SEC alleged that Martin traded on information regarding Carter's preliminary financial results that he obtained while preparing senior management for quarterly earnings calls. Martin allegedly realized profits and avoided losses in excess of \$170,000.	Ongoing.
<i>SEC v. Mazur</i> , No. 12-cv-00731 (NBF) (W.D. Pa. June 1, 2012)	SEC	The SEC alleged that three former employees of CONSOL Energy Inc. — Charles Mazur, Joseph Cerenzia and James Poland — traded in stock prior to their company's public announcement about acquiring a business of Dominion Resources Inc.	The SEC settled the charges and the defendants consented to final judgments. Mazur agreed to pay approximately \$97,171 in disgorgement, prejudgment interest and civil penalties. Poland agreed to pay approximately \$19,600 in disgorgement, prejudgment interest and civil penalties. Cerenzia agreed to pay approximately \$15,453 in disgorgement, prejudgment interest and civil penalties.
<i>SEC v. Mazzo</i> , No. 12-cv-01327 (JST-JPR) (C.D. Cal. Aug. 17, 2012)	SEC	Last year, the SEC brought insider trading charges against former professional baseball player Doug DeCinces and three others, alleging that they traded on confidential information prior to an acquisition of Advanced Medical Optics Inc. While the SEC settled the charges against DeCinces in August 2011, the SEC has now alleged that the source of those tips was DeCinces' friend and neighbor, James V. Mazzo, who was the chairman and CEO of the company. The SEC alleged that DeCinces tipped others including David Parker, a Utah businessman, and Eddie Murray, DeCinces' former Baltimore Orioles teammate, who both traded on the information. The SEC asserted that the total unlawful profits resulting from Mazzo's tipping was approximately \$2.4 million.	On Aug. 17, 2012, Murray consented to entry of a final judgment ordering him to pay \$358,151 in disgorgement, prejudgment interest and penalties. The cases against Mazzo and Parker are ongoing.

Case	Agency	Summary	Status
<i>SEC v. McGee</i> , No. 12-cv-01296 (TJS) (E.D. Pa. Mar. 13, 2012)	SEC	The SEC charged two financial advisers with Ameriprise Financial Services and three of their family and friends with insider trading based on confidential information about a Philadelphia-based insurance holding company's merger with a Japanese firm. One of the advisers, Timothy McGee, allegedly obtained the information through conversations that he had with an executive at an Alcoholics Anonymous meeting. The defendants earned over \$1.8 million in illicit profits.	Two defendants, Paulo Lam and Marianna sze wan Ho, who were charged as tippees, agreed to settle the case. Lam agreed to pay \$837,975 in disgorgement, \$123,649 in prejudgment interest, and a penalty of \$251,392. Ho agreed to pay \$110,580 in disgorgement, \$16,317 in prejudgment interest, and a penalty of \$16,587. The case against the remaining defendants is ongoing.
<i>SEC v. McVicker</i> , No. 12-cv-11434 (NMG) (D. Mass. Aug. 3, 2012)	SEC	The SEC charged Joseph McVicker with insider trading, alleging that he traded in shares of Art Technology Group, Inc. prior to a merger announcement. The SEC alleged that McVicker learned of the pending acquisition at a social event and earned illicit profits of \$44,268.	McVicker consented to entry of a final judgment ordering him to pay \$44,268 in disgorgement, \$365 in prejudgment interest and \$44,268 in civil penalties.
<i>SEC v. Melvin</i> , No. 12-cv-02984 (CAP) (N.D. Ga. Aug. 28, 2012); <i>SEC v. Berry</i> , No. 12-cv-02985 (CAP) (N.D. Ga. Aug. 28, 2012); <i>SEC v. Coots</i> , No. 12-cv-02986 (CAP) (N.D. Ga. Aug. 28, 2012); <i>SEC v. Jackson</i> , No. 12-cv-02987 (CAP) (N.D. Ga. Aug. 28, 2012); <i>SEC v. Rooks</i> , No. 12-cv-02988 (CAP) (N.D. Ga. Aug. 28, 2012)	SEC	The SEC charged eight people in Georgia for their participation in an insider trading ring that allegedly netted more than \$500,000 in illegal profits. Thomas Melvin, an accountant, allegedly learned of a pending merger from a client who was on the board of directors for Chattem Inc., a pharmaceutical company that made products such as Allegra, Gold Bond and Icy Hot. He then allegedly tipped four of his friends and associates who traded ahead of the public announcement of the merger and tipped others.	Four of the defendants — C. Roan Berry, Ashley Coots, Casey Jackson and R. Jeffrey Rooks — agreed to pay a combined total of more than \$175,000 in disgorgement, interest and penalties. The cases against the remaining defendants, including Melvin, are ongoing.
<i>SEC v. Milliard</i> , No. 12-cv-00073 (DLC) (D. Mont. May 7, 2012)	SEC	The SEC charged Angela Milliard, a former paralegal at a semiconductor company, and her father with insider trading, alleging that Milliard learned of confidential information concerning the company's acquisition. Milliard allegedly wired money to her boyfriend's brokerage account to buy shares and tipped her father, who also purchased shares.	Both defendants consented to judgment ordering Milliard to pay \$20,355 in disgorgement, \$1,614 in prejudgment interest and \$54,022 in civil penalties. Her father was ordered to pay \$47,805 in disgorgement, \$3,765 in prejudgment interest and \$47,805 in civil penalties.
<i>SEC v. Mityas</i> , No. 12-cv-1281 (CBA-FML) (E.D.N.Y. Mar. 15, 2012)	SEC	The SEC charged Sherif Mityas, a partner of a global management consulting firm, with insider trading, alleging that he traded on the basis of material, nonpublic information about his client's impending takeover of a vitamin company. Mityas also allegedly tipped multiple relatives and used their accounts to execute his trades, which yielded illicit profits of approximately \$38,000.	The SEC agreed to settle the case against Mityas, who agreed to pay more than \$78,000 in disgorgement, prejudgment interest and penalties.
<i>SEC v. Moshayedi</i> , No. 12-cv-1179 (JVS-MLG) (C.D. Cal. July 19, 2012)	SEC	The SEC charged Manouchehr Moshayedi, the chairman and CEO of a computer storage device company, with insider trading, alleging that he traded in a secondary offering of his stock shares on the basis of inside information about a major customer's decreasing demand for a product. The SEC alleged that he and his brother earned illicit profits of approximately \$134 million.	Ongoing.

Case	Agency	Summary	Status
<i>SEC v. Mukkamala</i> , No. 12-cv-13020 (RHC-RSW) (E.D.Mich. July 10, 2012)	SEC	The SEC alleged that five physicians illegally traded in the securities of a Michigan-based holding company for a medical professional liability insurer. One individual allegedly learned confidential information from board meetings and other communications about a company acquisition and shared the nonpublic information with his fellow physicians, including his brother-in-law, who each purchased stock in the months leading up to the public announcement. They earned more than \$623,000 in illegal profits.	The defendants agreed to pay a combined total of more than \$1.9 million in settlement.
<i>SEC v. Nguyen</i> , No. 12-cv-05009 (GBD) (S.D.N.Y. June 26, 2012)	SEC	The SEC charged an owner of Insight Research, a California-based equity research firm, with insider trading, alleging that he traded in the securities of Abaxis Inc. based on nonpublic information that he received from a close relative employed at the company. Tai Nguyen allegedly passed the same information on to his hedge fund clients.	Ongoing.
<i>SEC v. Quorne Ltd.</i> , No. 10-cv-09560 (GBD) (S.D.N.Y. Mar. 29, 2012)	SEC	The SEC alleged that Michael Sarkesian learned material, nonpublic information ahead of an announcement that the European Union's Committee for Medicinal Products for Human Use had recommended to the European Commission that it permit Intermune to market a developmental drug in the EU. Sarkesian used this information to cause trades to be executed by Quorne Ltd., a British Virgin Islands company wholly owned by a trust maintained for the benefit of his family members. The district court had previously entered a TRO freezing assets from the alleged illicit trading, and the SEC alleged that Quorne later sold the options against the court order.	On March 29, 2012, the district court entered a settled final judgment ordering the defendants to jointly and severally pay \$616,000 in disgorgement and \$93,000 in civil penalties.
<i>SEC v. Ramnarine</i> , No. 12-cv-04837 (SDW-MCA) (D.N.J. Aug. 2, 2012)	SEC	The SEC charged an executive of Bristol-Meyers Squibb with insider trading, alleging that he earned approximately \$300,000 in illegal profits involving evaluations of potential pharmaceutical company acquisitions. Prior to trading, Robert Ramnarine allegedly used his work computer to search phrases such as "can stock option be traced to purchaser" and "ways to avoid insider trading."	Ongoing.
<i>SEC v. Schvacho</i> , No. 12-cv-2557 (N.D. Ga. July 24, 2012)	SEC	The SEC charged Larry Schvacho with insider trading in the stock of a friend's employment services company. The SEC alleged that Schvacho learned of a merger while socializing with the company's CEO, and earned approximately \$511,000 in illicit profits.	Ongoing.

Case	Agency	Summary	Status
<i>SEC v. Shafer</i> , No. 12-cv-00062 (SJD) (S.D. Ohio Jan. 24, 2012)	SEC	The SEC alleged that Dale Shafer, the CFO of Oak Hill Financial Inc., shared information about an anticipated merger with his cousin Jason Gorski. The SEC alleged that Gorski bought shares and made approximately \$35,500 in illicit profits. Gorski also allegedly tipped his friend Joseph Mroz and both made approximately \$15,099 in illicit profits.	The SEC agreed to settle the case with the three defendants, who agreed to pay more than \$150,000 in disgorgement, prejudgment interest and penalties.
<i>SEC v. Shah</i> , No. 12-cv-4030 (ALC) (S.D.N.Y. May 21, 2012); <i>United States v. Kwok</i> , No. 12-cr-00405 (RPP) (S.D.N.Y. May 21, 2012)	SEC/DOJ	The SEC charged a former Yahoo! Inc. executive and a former mutual fund manager at a subsidiary of Ameriprise Financial Inc. with insider trading in connection with a search engine partnership with Yahoo! and Microsoft Corporation. Both Reema Shah and Robert Kwok also allegedly swapped material nonpublic information about various other companies, resulting in approximately \$389,000 in profits for Shah and \$4,754 in profits for Kwok.	The SEC action is ongoing. In the parallel criminal case, Kwok pleaded guilty to conspiracy to commit securities fraud and Shah pleaded guilty to both a primary and conspiracy charge. Both are awaiting sentencing.
<i>SEC v. Siris</i> , No. 12-cv-05810 (RA) (S.D.N.Y. July 30, 2012); <i>SEC v. Sheinwald</i> , No. 12-cv-05811 (RA) (S.D.N.Y. July 30, 2012)	SEC	The SEC alleged that an investment manager and two of his hedge fund managers made illegal trades based on nonpublic information about a Chinese reverse merger company, China Yingxia International Inc. The SEC alleged that Peter Siris understated his involvement in China Yingxia and used information gained from the CEO, including that she engaged in illegal fundraising activities in China, to sell more than one million company shares. The SEC also sued and brought administrative proceedings against five additional individuals and one firm for securities violations.	On July 30, 2012, Peter Siris, Guerilla Capital Management LLC and Hua Mei 21 st Century LLC settled with the SEC, agreeing to pay \$1.1 million in disgorgement, interest and penalties. The remaining cases are ongoing.
<i>SEC v. Treadway</i> , No. 11-cv-01534 (RJH) (S.D.N.Y. Mar. 7, 2011)	SEC	The SEC alleged that Todd Treadway, an attorney at Dewey & LeBoeuf, used material, nonpublic information he learned through his job to purchase stock before merger announcements. The SEC alleged that he earned approximately \$27,000 in illicit profits.	On January 27, 2012, the district court entered final judgment against Treadway, ordering him to pay disgorgement of profits and a civil penalty limited to \$10,000 due to his financial condition.
<i>SEC v. Ward</i> , No. 12-cv-00061 (SSB-KLL) (S.D. Ohio Jan. 24, 2012)	SEC	The SEC charged the four defendants with trading in securities of Oak Hill Financial Inc. ahead of an acquisition announcement. The SEC alleged that Robert Ward, a loan officer at Oak Hill, tipped his friend Benjamin Lewis. Lewis then tipped his father, who, in turn, tipped his sister. The defendants allegedly made approximately \$108,000 in illicit profits based on the information.	The SEC settled the case with all four defendants, who agreed to pay more than \$230,000 in disgorgement, prejudgment interest and penalties.
<i>SEC v. Well Advantage Ltd.</i> , No. 12-cv-05786 (RJS) (S.D.N.Y. July 27, 2012)	SEC	The SEC alleges that a Hong Kong-based firm and other unknown traders used confidential information about a pending deal to stockpile Nexen stock and earn over \$13 million in illegal profits.	Ongoing. On July 27, 2012, the SEC obtained an emergency court order freezing the assets of traders using accounts in Hong Kong and Singapore to profit from trading Nexen stock.

Case	Agency	Summary	Status
<i>United States v. Whitman</i> , No. 12-cr-00125 (JSR) (S.D.N.Y. Aug. 20, 2012)	DOJ	The founder of Whitman Capital LLC, Doug Whitman, was charged with insider trading, allegedly gaining information through his neighbor, Roomy Khan, a former employee of Galleon Group LLC. Prosecutors asserted that Whitman made over \$900,000 trading in Google, Polycom Inc. and Marvell Technology Group Ltd.	On August 20, 2012, a jury found Whitman guilty of four insider trading related counts. He is awaiting sentencing.
<i>SEC v. Woodruff</i> , No. 05-cv-00480 (MSK-CBS) (D. Colo. Feb. 28, 2012)	SEC	The SEC alleged that Robert S. Woodruff, the former CFO of Qwest Communications International Inc., engaged in a scheme to fraudulently report growth in service contracts that were actually based on revenue from one-time sales of assets without required disclosures. The SEC also alleged that Woodruff sold Qwest stock in violation of insider trading laws.	On February 3, 2012, the district court entered final judgment against Woodruff, who agreed to pay approximately \$1.7 million in disgorgement, \$640,000 in prejudgment interest and \$300,000 in civil penalties.
<i>SEC v. Yang</i> , No. 12-cv-02473 (N.D. Ill. April 4, 2012)	SEC	The SEC charged six Chinese citizens and one British Virgin Islands entity with insider trading, alleging that the defendants purchased large amounts of common stock and call options after learning about a pending offer by a CEO to acquire a Chinese corporation's stock. On April 4, 2012, the SEC froze the defendants' assets held in U.S. brokerage accounts.	Ongoing.

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