

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

v.

MITCHEL S. GUTTENBERG,
ERIK R. FRANKLIN,
DAVID M. TAVDY,
MARK E. LENOWITZ,
ROBERT D. BABCOCK,
ANDREW A. SREBNIK,
KEN OKADA,
DAVID A. GLASS,
MARC R. JURMAN,
RANDI E. COLLOTTA,
CHRISTOPHER K. COLLOTTA,
Q CAPITAL INVESTMENT PARTNERS, LP,
DSJ INTERNATIONAL RESOURCES LTD. (d/b/a
CHELSEY CAPITAL), and
JASPER CAPITAL LLC,

Defendants.

COMPLAINT

Plaintiff Securities and Exchange Commission (the "Commission") alleges:

NATURE OF THE ACTION

1. This case involves two insider trading schemes in which Wall Street professionals serially traded on material, nonpublic information tipped -- in exchange for kickbacks -- by insiders at UBS Securities LLC ("UBS") and Morgan Stanley and Co., Inc. ("Morgan Stanley"). In the first scheme, which has been ongoing since 2001, at least eight securities industry professionals, three hedge funds, two broker-dealers, and a day-trading firm, made thousands of illegal trades and millions of dollars in profits using

inside information provided by an executive of UBS to trade ahead of UBS analyst recommendations (the “UBS insider trading scheme”). In the second scheme, several securities industry professionals and a hedge fund made dozens of illegal trades and hundreds of thousands of dollars in profits using inside information provided by an attorney at Morgan Stanley to trade ahead of corporate acquisition announcements (the “Morgan Stanley insider trading scheme”). Collectively, defendants made at least \$15 million in illicit profits from these two insider trading schemes.

2. In the UBS insider trading scheme, from at least 2001 through 2006, Mitchel S. Guttenberg (“Guttenberg”), an executive director at UBS, illegally tipped material, nonpublic information concerning upcoming UBS analyst upgrades, downgrades and other recommendations, to at least two Wall Street traders -- Erik R. Franklin (“Franklin”) and David M. Tavdy (“Tavdy”), in exchange for sharing in the illicit profits from their trading on that information. Franklin illegally traded on this inside information for Lyford Cay Capital, LP (“Lyford Cay”), a hedge fund at Bear, Stearns & Co., Inc. (“Bear Stearns”) that Franklin managed, Q Capital Investment Partners, LP (“Q Capital”), another hedge fund Franklin managed, and in his and his father-in-law’s personal accounts. Tavdy illegally traded on this inside information for Andover Brokerage, LLC (“Andover”) and Assent LLC (“Assent”), registered broker-dealers where Tavdy was a proprietary trader, in the accounts of Jasper Capital LLC (“Jasper Capital”), a day-trading firm with which Tavdy was associated, and in his and others’ personal accounts.

3. Franklin and Tavdy also had downstream tippees who traded on this material, nonpublic UBS information. Franklin tipped Mark E. Lenowitz (“Lenowitz”),

who illegally traded on this inside information for DSJ International Resources Ltd. (d/b/a/ "Chelsey Capital"), a private hedge fund at which Lenowitz was a portfolio manager, and in his personal accounts. Three registered representatives at Bear Stearns who knew of Franklin's UBS tips -- Robert D. Babcock ("Babcock"), Andrew A. Srebnik ("Srebnik"), and Ken Okada ("Okada") -- illegally traded on this inside information in their personal accounts and, in the case of Babcock, also for Lyford Cay. In addition, David A. Glass ("Glass"), the owner of Jasper Capital, a day-trading firm that operated from Assent's offices, traded on this inside information for Jasper Capital, and paid kickbacks to supervisory personnel at Assent to not disclose this trading scheme. Together, Guttenberg, Franklin, Tavdy, and their tippees made at least \$14 million in illegal profits in connection with the UBS insider trading scheme.

4. In the Morgan Stanley insider trading scheme, from at least 2004 through 2005, Randi E. Collotta, an attorney in Morgan Stanley's global compliance department, misappropriated material, nonpublic information concerning upcoming corporate acquisitions involving the firm's investment banking clients. Randi Collotta, together with her husband, Christopher K. Collotta, a lawyer in private practice, tipped that inside information to Marc R. Jurman ("Jurman"), a registered representative at a broker-dealer in Florida, in exchange for sharing in the illicit profits from Jurman's trading on that information. Jurman illegally traded on this inside information in his own account, and through his friend, Babcock, a registered representative at Bear Stearns who also was part of the UBS insider trading scheme. Babcock illegally traded on this inside information, sharing some of his illicit profits with Jurman, and tipped this information to Franklin and Okada, who also were part of the UBS insider trading scheme. Franklin illegally traded

