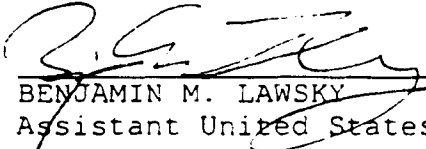


Approved: 
BENJAMIN M. LAWSKY
Assistant United States Attorney

06 MAG 0504

Before: HONORABLE RONALD L. ELLIS
United States Magistrate Judge
Southern District of New York

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	:	<u>SEALED COMPLAINT</u>
UNITED STATES OF AMERICA	:	
	:	Violation of
- v. -	:	18 U.S.C. §§ 2 and
	:	371; 15 U.S.C.
STANISLAV SHPIGELMAN,	:	§§ 78j(b) and 78ff;
a/k/a "Stan,"	:	17 C.F.R. § 240.10b-5
EUGENE PLOTKIN,	:	
a/k/a "Gene,"	:	COUNTY OF OFFENSE:
a/k/a "Alex,"	:	NEW YORK
a/k/a "Max,"	:	
a/k/a "Peter Jones,"	:	
JUAN RENTERIA,	:	
	:	
Defendants.	:	
	:	
-----	x	

SOUTHERN DISTRICT OF NEW YORK, ss.:

DAVID MAKOL, being duly sworn, deposes and says that he is a Special Agent of the Federal Bureau of Investigation, and charges as follows:

Summary

1. This case involves two widespread and highly lucrative insider trading schemes orchestrated by EUGENE PLOTKIN, a/k/a "Gene," a/k/a "Alex," a/k/a "Max," a/k/a "Peter Jones," the defendant, an Associate in the Fixed Income Research Division at Goldman, Sachs & Co., and David Pajcin, a/k/a "Jeff," a former analyst at Goldman, Sachs. In particular, in 2004 and 2005, PLOTKIN and Pajcin obtained material, nonpublic information concerning numerous pending mergers and acquisitions from STANISLAV SHPIGELMAN, a/k/a "Stan," the defendant, an investment banking analyst in the Mergers and Acquisitions Division of Merrill Lynch & Co., Inc. ("Merrill Lynch"). In exchange for cash payments and promises of future payments based on a percentage of profits, SHPIGELMAN provided PLOTKIN and Pajcin with information

concerning approximately six different pending mergers or acquisitions being handled by Merrill Lynch, some of which SHPIGELMAN had worked on directly. This allowed PLOTKIN and Pajcin to purchase securities based on knowledge of the deals prior to the public announcement of the transactions. PLOTKIN and Pajcin then liquidated their positions immediately after the public announcement of the transaction, thus locking in the profits resulting from the rise in stock prices caused by the public announcement. As a result of this insider trading, PLOTKIN, Pajcin, and others earned at least \$6.4 million in illicit gains.

2. At the same time that PLOTKIN and Pajcin were trading on the Merrill Lynch deal information from SHPIGELMAN, PLOTKIN and Pajcin engaged in a second scheme to misappropriate material, nonpublic information from Business Week Magazine. PLOTKIN and Pajcin bribed two employees of a printing plant where Business Week was produced, JUAN RENTERIA, the defendant, and Nickolaus Shuster. RENTERIA and Shuster provided PLOTKIN and Pajcin with the names of stocks favorably mentioned in Business Week's "Inside Wall Street" column one trading day before the column was available to the public. As a result, PLOTKIN and Pajcin traded in approximately 20 different stocks one day before the favorable review of those stocks was mentioned in Business Week. As a result of the insider trading based on the information from "Inside Wall Street" prior to its public release, PLOTKIN, Pajcin, and others earned at least \$340,000 in illicit gains.

3. PLOTKIN, Pajcin, and other co-conspirators not named as defendants herein also schemed to find additional sources of inside information by, for example, helping other individuals get jobs at investment banks in the hopes that these individuals would later misappropriate inside information gained in the course of their employment.

4. In order to further their schemes, PLOTKIN and Pajcin pooled their money together to create a fund for their insider trading on the agreement that they would share their illicit profits. And in order to enhance their combined profits, PLOTKIN and Pajcin tipped other individuals, including a family member of PLOTKIN's, on the agreement that a share of the profits made by the tippees would be paid to PLOTKIN and Pajcin.

COUNT ONE

(Conspiracy to Commit Insider Trading)

The Conspiracy

3. From in or about October 2004, up to and including in or about November 2005, in the Southern District of New York and elsewhere, STANISLAV SHPIGELMAN, a/k/a "Stan," and EUGENE PLOTKIN, a/k/a "Gene," a/k/a "Alex," a/k/a "Max," a/k/a "Peter Jones," the defendants, together with David Pajcin, a/k/a "Jeff," a co-conspirator not named as a defendant herein, and others known and unknown, unlawfully, willfully, and knowingly did combine, conspire, confederate and agree together and with each other to commit offenses against the United States, to wit, to commit securities fraud in violation of Title 15, United States Code, Sections 78j(b) and 78ff, and Title 17, Code of Federal Regulations, Section 240.10b-5.1)

4. It was a part and an object of the conspiracy that STANISLAV SHPIGELMAN, a/k/a "Stan," and EUGENE PLOTKIN, a/k/a "Gene," a/k/a "Alex," a/k/a "Max," a/k/a "Peter Jones," the defendants, together with David Pajcin, a/k/a "Jeff," and others known and unknown, unlawfully, willfully and knowingly, directly and indirectly, by use of the means and instrumentalities of interstate commerce, the mails and the facilities of national securities exchanges, did use and employ manipulative and deceptive devices and contrivances, in violation of Title 17, Code of Federal Regulations, Section 240.10b-5, by (a) employing devices, schemes and artifices to defraud; (b) making untrue statements of material facts 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; and (c) engaging in acts, practices and courses of business which operated and would and did operate as a fraud and deceit upon members of the investing public and others, in connection with the purchases and sales of securities, in violation of Title 15, United States Code, Sections 78j(b) and 78ff, and Title 17, Code of Federal Regulations, Section 240.10b-5.

Overt Acts

5. In furtherance of the conspiracy and to effect the illegal objects thereof, the following overt acts, among others, were committed in the Southern District of New York and elsewhere:

a. In or about November 2004, STANISLAV SHPIGELMAN, a/k/a "Stan," and EUGENE PLOTKIN, a/k/a "Gene," a/k/a "Alex," a/k/a "Max," a/k/a "Peter Jones," the defendants, met with David Pajcin, a/k/a Jeff," in New York, New York.

b. In or about November and December 2004, and January 2005, STANISLAV SHPIGELMAN provided EUGENE PLOTKIN and David Pajcin with material, nonpublic information concerning the potential acquisition of The Gillette Company by Procter & Gamble Company.

c. In or about February 2005, STANISLAV SHPIGELMAN provided EUGENE PLOTKIN and David Pajcin with material, nonpublic information concerning the potential acquisition of Eon Labs, Inc. by Novartis AG.

d. In or about April and May 2005, STANISLAV SHPIGELMAN provided EUGENE PLOTKIN and David Pajcin with material, nonpublic information concerning the potential merger of Cinergy Corp. and Duke Energy Corporation.

e. In or about July 2005, STANISLAV SHPIGELMAN provided EUGENE PLOTKIN and David Pajcin with material, nonpublic information concerning the potential acquisition of Celgene Corp. by Amgen, Inc.

f. In or about July and August 2005, STANISLAV SHPIGELMAN provided EUGENE PLOTKIN and David Pajcin with material, nonpublic information concerning the potential acquisition of Reebok International, Ltd. by Adidas-Salomon.

g. In or about May, June, July, and August 2005, STANISLAV SHPIGELMAN provided EUGENE PLOTKIN and David Pajcin with material, nonpublic information concerning the potential acquisition of LabOne, Inc. By Quest Diagnostics Incorporated.

(Title 18, United States Code, Section 371).

COUNT TWO

(Conspiracy to Commit Insider Trading)

The Conspiracy

6. From in or about September 2004, up to and including in or about November 2005, in the Southern District of New York and elsewhere, EUGENE PLOTKIN, a/k/a "Gene," a/k/a

"Alex," a/k/a "Max," a/k/a "Peter Jones," and JUAN RENTERIA, the defendants, together with David Pajcin, a/k/a "Jeff," and Nickolaus Shuster, a/k/a "Nick," co-conspirators not named as defendants herein, and others known and unknown, unlawfully, willfully, and knowingly did combine, conspire, confederate and agree together and with each other to commit offenses against the United States, to wit, to commit securities fraud in violation of Title 15, United States Code, Sections 78j(b) and 78ff, and Title 17, Code of Federal Regulations, Section 240.10b-5.

7. It was a part and an object of the conspiracy that EUGENE PLOTKIN, a/k/a "Gene," a/k/a "Alex," a/k/a "Max," a/k/a "Peter Jones," and JUAN RENTERIA, the defendants, together with David Pajcin, a/k/a "Jeff," and Nickolaus Shuster, a/k/a "Nick," and others known and unknown, unlawfully, willfully and knowingly, directly and indirectly, by use of the means and instrumentalities of interstate commerce, the mails and the facilities of national securities exchanges, did use and employ manipulative and deceptive devices and contrivances, in violation of Title 17, Code of Federal Regulations, Section 240.10b-5, by (a) employing devices, schemes and artifices to defraud; (b) making untrue statements of material facts 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; and (c) engaging in acts, practices and courses of business which operated and would and did operate as a fraud and deceit upon members of the investing public and others, in connection with the purchases and sales of securities, in violation of Title 15, United States Code, Sections 78j(b) and 78ff, and Title 17, Code of Federal Regulations, Section 240.10b-5.

Overt Acts

8. In furtherance of the conspiracy and to effect the illegal objects thereof, the following overt acts, among others, were committed in the Southern District of New York and elsewhere:

a. In or about October 2004, EUGENE PLOTKIN, a/k/a "Gene," a/k/a "Alex," a/k/a "Max," a/k/a "Peter Jones," the defendant, attended a meeting with David Pajcin, a/k/a "Jeff," and Nickolaus Shuster, a/k/a "Nick," in New York, New York.

b. In or about March 2005, EUGENE PLOTKIN attended a meeting with David Pajcin and Nickolaus Shuster in New York, New York.

c. In or about June 2005, JUAN RENTERIA, the defendant, had a telephone conversation with David Pajcin.

d. On or about June 9, 2005, JUAN RENTERIA disclosed the contents of a Business Week magazine which had not been released to the public.

(Title 18, United States Code, Section 371).

COUNTS THREE THROUGH EIGHT

(Securities Fraud)

9. On or about the following dates, STANISLAV SHPIGELMAN, a/k/a "Stan," EUGENE PLOTKIN, a/k/a "Gene," a/k/a "Alex," a/k/a "Max," a/k/a "Peter Jones," and JUAN RENTERIA, the defendants, unlawfully, willfully and knowingly, directly and indirectly, by use of the means and instrumentalities of interstate commerce, the mails and the facilities of national securities exchanges, did use and employ manipulative and deceptive devices and contrivances, in violation of Title 17, Code of Federal Regulations, Section 240.10b-5, by (a) employing devices, schemes and artifices to defraud; (b) making untrue statements of material facts 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; and (c) engaging in acts, practices and courses of business which operated and would and did operate as a fraud and deceit upon members of the investing public and others, in connection with the purchases and sales of securities set forth below:

<u>COUNT</u>	<u>DEFENDANTS CHARGED</u>	<u>DATE</u>	<u>ACT</u>
THREE	SHPIGELMAN PLOTKIN	August 2, 2005	Purchase of 3000 shares of Reebok International, Ltd. by Tippee-1.
FOUR	SHPIGELMAN PLOTKIN	August 2, 2005	Purchase of 100 call options of Reebok International, Ltd. by Tippee-1.

FIVE	SHPIGELMAN PLOTKIN	August 2, 2005	Purchase of 120 shares of Reebok International, Ltd. by family member of EUGENE PLOTKIN, the defendant.
SIX	SHPIGELMAN PLOTKIN	August 1, 2005	Purchase of 150 shares of Reebok International, Ltd. by David Pajcin in Anticevic account.
SEVEN	SHPIGELMAN PLOTKIN	November 22, 2004	Purchase of 1000 shares of The Gillette Company by David Pajcin.
EIGHT	RENTERIA PLOTKIN	July 28, 2005	Purchase of 5,000 shares of Symbol Technologies by David Pajcin in Anticevic account.

(Title 15, United States Code, Sections 78j(b) and 78ff;
Title 18, United States Code, Section 2; Title 17,
Code of Federal Regulations, Section 240.10b-5.)

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

10. I am a Special Agent of the Federal Bureau of Investigation. I am currently assigned to a criminal squad responsible for investigating securities fraud, including insider trading, and related offenses.

11. I have participated in the investigation of this matter, and I am familiar with the information contained in this affidavit based on my own personal participation in the investigation, my review of various documents, records, and reports, and my conversations with other individuals, including other law enforcement officers and representatives of the United States Securities and Exchange Commission (the "SEC"). Because this affidavit is submitted for the limited purpose of establishing probable cause to arrest STANISLAV SHPIGELMAN, a/k/a "Stan," EUGENE PLOTKIN, a/k/a "Gene," a/k/a "Alex," a/k/a "Max," a/k/a "Peter Jones," and JUAN RENTERIA, the defendants, I have not included herein the details of every aspect of the investigation. Where actions, conversations and statements of others are related herein, they are related in substance and in part, except where otherwise indicated.

Parties and Other
Relevant Persons and Entities

12. At all times relevant to this complaint, STANISLAW SHPIGELMAN was employed as an analyst in the Mergers and Acquisitions Division of Merrill Lynch. SHPIGELMAN holds Series 7 and Series 63 securities licenses, and has Bachelor of Science Degree in Business Management from the School of Management at Binghamton University.

13. At all times relevant to this complaint, EUGENE PLOTKIN was employed at Goldman, Sachs where he has worked since 2000, most recently as an Associate in the Fixed Income Research Division. Plotkin holds Series 7 and Series 63 securities licenses, and has a Bachelor of Arts degree in Economics from Harvard University.

14. At various times relevant to this complaint, JUAN RENTERIA, the defendant, was employed at the Quad Graphics printing plant in Hartford, Wisconsin.

15. At all times relevant to this complaint, Merrill Lynch was a global investment banking and securities firm headquartered in New York, New York. At various times relevant to this complaint, Merrill Lynch provided financial services and advice to the Merrill Lynch clients listed below, all in connection with potential and actual merger and acquisition transactions described below (the "Merrill Lynch Deals"):

MERRILL LYNCH CLIENT	TARGET	ANNOUNCEMENT	DATE OF PUBLIC ANNOUNCEMENT
Procter & Gamble Company ("P&G")	The Gillette Company ("Gillette")	P&G acquires The Gillette Company	01/28/05
Eon Labs, Inc. ("Eon")	Eon Labs, Inc.	Novartis AG to acquire Eon Labs, Inc.	02/21/05
Cinergy Corp. ("Cinergy")	Cinergy	Cinergy and Duke Energy Agree to Merge	05/09/05

MERRILL LYNCH CLIENT	TARGET	ANNOUNCEMENT	DATE OF PUBLIC ANNOUNCEMENT
Celgene Corp. ("Celgene")	Celgene	Amgen, Inc. seeking to acquire Celgene; deal ultimately unsuccessful	----
Adidas-Salomon AG ("Adidas")	Reebok International, Ltd. ("Reebok")	Adidas to acquire Reebok	08/03/05
Quest Diagnostics, Inc. ("Quest")	LabOne, Inc.	Quest to acquire LabOne	08/08/05

16. At all times relevant to this complaint, Business Week was a weekly financial news periodical owned and published by The McGraw-Hill Companies, Inc. ("McGraw-Hill"), which maintains its headquarters in New York, New York.

Scheme To Trade on Inside Information Regarding Merrill Lynch Merger and Acquisition Deals

17. In or about early August 2005, the FBI began investigating highly profitable trading in call options for the common stock of Reebok just prior to Reebok's public announcement, prior to the opening of the U.S. markets on August 3, 2005, that it had agreed to be acquired by Adidas in an all cash deal for \$59.00 per share. Following this announcement, Reebok's common stock opened for trading at approximately \$57.40 per share, an increase of over \$13.45 per share (more than 30 percent) from its closing price on Tuesday, August 2, 2005. Prior thereto, the proposed acquisition was nonpublic confidential information, and in the days leading up to the announcement there was no significant movement in the price of Reebok stock.

18. In the two days prior to the Adidas-Reebok announcement, an account in the name of Sonja Anticevic (the "Anticevic Account") purchased nearly 2,000 "out of the money" call options for Reebok stock at a total cost of approximately \$130,000. "Out of the money" call options are options that, at the time purchased, have a strike (exercise) price above the

current market price of the underlying security. Immediately following the announcement and the surge in the price of Reebok's shares, the Anticevic Account liquidated its entire position in the call options, obtaining proceeds of approximately \$2,171,000 from the sale of the call options and realizing profits of over \$2,000,000. These purchases and sales were made through a securities account at Cybertrader, Inc. ("Cybertrader"), a Texas-based broker-dealer subsidiary of Charles Schwab & Co., Inc.

19. Further investigation in August 2005 revealed that the Anticevic Account was controlled by David Pajcin, a/k/a "Jeff," a co-conspirator not named as a defendant herein. As mentioned above, the investigation also revealed that Pajcin was involved in a separate insider trading scheme based on information taken from advance copies of Business Week magazine, which is discussed in more detail below.

20. In or about November 2005, David Pajcin was arrested for his role in the Business Week scheme and charged with conspiracy and securities fraud. Pajcin is now cooperating with the Government's investigation and I have spoken with him at length on multiple occasions. I have been able to corroborate much of what Pajcin has told me through independent investigation. Where I describe below information that Pajcin has provided to me, I do so in substance and in part.

21. Pajcin has informed me that the purchase of Reebok call options in the Anticevic Account on August 1 and August 2, 2005, was based on information provided to Pajcin by STANISLAV SHPIGELMAN, a/k/a "Stan," the defendant, who works at Merrill Lynch as an investment banking Analyst in the Mergers and Acquisitions Division. SHPIGELMAN provided this information to Pajcin and EUGENE PLOTKIN, a/k/a "Gene," a/k/a "Alex," a/k/a "Max," a/k/a "Peter Jones," the defendant, as part of an ongoing scheme in which SHPIGELMAN provided Pajcin and PLOTKIN with information about potential deals that SHPIGELMAN was aware of through his work as an analyst at Merrill Lynch. In exchange for this information, Pajcin and PLOTKIN agreed to pay SHPIGELMAN a portion of any profits that Pajcin and PLOTKIN made by trading on the information SHPIGELMAN provided.

22. Based on information I have reviewed from Merrill Lynch and from the SEC, I am aware that at all times relevant to this complaint, Merrill Lynch maintained policies regarding employees' duties to maintain in strict confidence information concerning Merrill Lynch's clients. I am also aware that Merrill Lynch maintained policies advising its employees of their

responsibilities under the federal securities laws, which included a summary of the federal securities laws which make it unlawful for anyone in possession of nonpublic material information to take advantage of such information in connection with purchasing or selling securities or recommending to others the purchase or sale of securities. These policies also advised Merrill Lynch employees that such nonpublic material information must not be disclosed to others who might, thereafter, take advantage of it in purchasing or selling securities. These policies explained that information is material if a reasonable person would want to consider it in determining whether to engage in a securities transaction or if it could reasonably be expected to affect the market price of a security if it became generally known. These policies also set forth that information should be considered nonpublic if it had not been disclosed in the news media, research reports, corporate public filings or reports, or in some other similar public manner.

23. According to Pajcin, EUGENE PLOTKIN first introduced Pajcin to STANISLAV SHPIGELMAN, in or about November 2004, at a Russian day spa and sauna in lower Manhattan called "Spa 88." At the meeting, SHPIGELMAN told both Pajcin and PLOTKIN that, through SHPIGELMAN's work at Merrill Lynch, he was aware that Procter and Gamble Company was planning to acquire The Gillette Company. At a subsequent meeting, SHPIGELMAN also stated that he had flown to Ohio, where P&G is headquartered, to deliver documents relating to the deal with Gillette.

24. I have reviewed e-mails received and sent by STANISLAV SHPIGELMAN in the course of his employment at Merrill Lynch. I have also reviewed e-mails received and sent by EUGENE PLOTKIN in the course of his employment at Goldman Sachs. As a result, I am aware that on or about November 5, 2004, SHPIGELMAN and PLOTKIN e-mailed each other and discussed meeting at "Spa 88" the following day. SHPIGELMAN's emails also indicate that he was well aware of the P&G/Gillette deal and, in fact, as he told Pajcin, SHPIGELMAN flew to Cincinnati to deliver documents in relation to the deal on or about November 19, 2004.

25. Pajcin has informed me that in or about the Fall of 2004, Pajcin opened a brokerage account in Pajcin's own name at OptionsXpress, an online options trading company, (the "OptionsXpress Account") and funded that account initially with money obtained, in part, from a bank loan taken by EUGENE PLOTKIN, the defendant. I have reviewed records indicating that PLOTKIN took out a \$20,000 loan from Citibank in or about October 2004. Other records also indicate that PLOTKIN then deposited a

portion of these funds into a joint account controlled by PLOTKIN and Pajcin. According to Pajcin, he and PLOTKIN agreed to share in the profits of their various insider trading schemes.

26. Pajcin has informed me that soon after receiving the information from STANISLAV SHPIGELMAN concerning the P&G acquisition of Gillette, and based on that information, Pajcin began purchasing call options and shares of Gillette. I have reviewed trading records from the OptionsXpress Account, which confirm that Pajcin began trading in call options and shares of Gillette in late November 2004 and early December 2004. For example, on November 22, 2004, Pajcin purchased 1000 shares of Gillette stock.

27. Subsequently, SHPIGELMAN informed Pajcin and PLOTKIN that the Gillette deal had been delayed. In or about January 2005, SHPIGELMAN informed PLOTKIN, who in turn informed Pajcin, that the P&G acquisition of Gillette was back on. Based on this information, Pajcin purchased additional call options of Gillette. Not long thereafter, P&G and Gillette publicly announced the acquisition of Gillette by P&G. This announcement caused the stock price of Gillette to rise and allowed Pajcin to make profits by selling the Gillette stock and call options.

28. I have reviewed cellular telephone records for cellphones in the names of SHPIGELMAN and PLOTKIN. These records indicate that on or about January 25, 2005, SHPIGELMAN called PLOTKIN. I have also reviewed trading records from the OptionsXpress Account which indicate that Pajcin began purchasing Gillette call options on January 26, 2005, and continued to buy such options on January 27, 2005. As noted above, on January 28, 2005, the acquisition of Gillette by P&G was publicly announced.

29. Pajcin has also informed me that Pajcin and PLOTKIN began providing the information they received from SHPIGELMAN to other individual tippees, including at least two individuals in Europe ("Foreign Tippee-1" and "Foreign Tippee-2"), as well as several individuals in the United States, including: an individual who lived in Pomona, New York, and traded from a computer at his home ("Tippee-1"); an individual located in New York, New York who worked as a dancer ("Tippee-2"); and an individual located in Brooklyn, New York ("Tippee-

1 Pajcin has informed me that although Tippee-2 helped to set up and fund Tippee-2's account, Pajcin himself, with Tippee-2's consent, controlled the account and placed most if not all of the trades in that account with the understanding the Tippee-2

3"). Pajcin and PLOTKIN provided the inside information they received from SHPIGELMAN to these various tippees on the agreement that the tippees would pay Pajcin and PLOTKIN a percentage (usually 50%) of the profits earned by the tippees, according to Pajcin. In addition, PLOTKIN and Pajcin began providing some of the information they received from SHPIGELMAN to a family member of PLOTKIN's who then purchased securities on the basis of that information. I have reviewed brokerage account statements for all of these tippees. This review has revealed substantial parallel trading among the tippee accounts in many of the stocks for which Pajcin and PLOTKIN provided inside information to the tippees.

30. Pajcin has also informed me that Pajcin traveled to Germany in 2004 and 2005 to meet with Foreign Tippee-1 and Foreign Tippee-2. A review of the e-mails of EUGENE PLOTKIN indicate that PLOTKIN booked a roundtrip flight for Pajcin to Hamburg, Germany, in December 2004, and a roundtrip flight to Munich, Germany in May 2005. Pajcin has also informed me that in 2005, PLOTKIN met Pajcin in Zurich, Switzerland, where they tried to open foreign bank accounts with the help of a PLOTKIN relative who had come to Zurich from Russia where she lives.

31. Pajcin has informed me that in or about February 2005, SHPIGELMAN informed Pajcin and PLOTKIN that through SHPIGELMAN's work at Merrill Lynch, SHPIGELMAN had learned that Eon Labs was going to be acquired by Novartis. In fact, SHPIGELMAN told Pajcin and PLOTKIN that he (SHPIGELMAN) was working on the deal. Pajcin also recounted being at a club with SHPIGELMAN and PLOTKIN late one night when SHPIGELMAN received an email over his Blackberry from a co-worker at Merrill Lynch. According to Pajcin, the co-worker attached to the e-mail a news wire story publicly announcing the Novartis/Eon Labs deal and congratulated the individuals who had worked on the Eon Labs acquisition, including SHPIGELMAN.

32. SHPIGELMAN's e-mails reveal that he did in fact work as an investment banking analyst on a tender offer by Novartis to acquire the shares of Eon Labs. For example, SHPIGELMAN's resume, which was attached to an e-mail he wrote, listed the Eon Labs acquisition as a deal on which SHPIGELMAN had worked. In addition, I have reviewed an e-mail which SHPIGELMAN received at 1:45 a.m. on February 21, 2005, in which a superior wrote to SHPIGELMAN and others who had worked on the Eon Labs

would get to keep half of any profits.

deal: "Congrats, team!" and attached a newswire story entitled "Novartis AG to Acquire Eon Labs, Inc."

33. Pajcin has also informed me that based on the inside information provided by SHPIGELMAN, Pajcin purchased shares and call options of Eon Labs. I have reviewed trading records for the OptionsXpress Account in Pajcin's name, which indicate that Pajcin purchased call options and shares of Eon Labs from on or about February 10, 2005, to on or about February 17, 2005, prior to the public announcement of the deal on February 21, 2005. Soon after the announcement of the deal, Pajcin sold his shares of Eon Labs and thereby earned substantial profits.

34. According to Pajcin, in or about April and May 2005, SHPIGELMAN informed Pajcin and PLOTKIN that through SHPIGELMAN's work at Merrill Lynch, SHPIGELMAN had learned that Cinergy and Duke Energy were going to merge. SHPIGELMAN's e-mails indicate that SHPIGELMAN had access to information about this deal through his work at Merrill Lynch. For example, in response to an internal e-mail sent by SHPIGELMAN in April 2005, asking for a sample of "recently updated M&A environment pages," SHPIGELMAN received an e-mail from a fellow Merrill Lynch employee directing him to a file relating to the Cinergy deal.

35. According to Pajcin, based on the information provided by SHPIGELMAN, Pajcin purchased shares and call options of Cinergy. Shortly thereafter, Cinergy and Duke announced their merger. This announcement caused the stock price of Cinergy to rise and allowed Pajcin to make profits by selling the Cinergy stock and call options. The records of the OptionsXpress Account indicate the Pajcin purchased call options and shares of Cinergy in early May 2005, prior to the public announcement of the deal on May 9, 2005. The records also indicate the Pajcin sold these shares shortly after the deal was announced and thereby earned substantial profits.

36. Pajcin has informed me that in or about June or July 2005, SHPIGELMAN informed Pajcin and PLOTKIN that through SHPIGELMAN's work at Merrill Lynch, SHPIGELMAN had learned that Amgen was planning to acquire Celgene. Based on this information, Pajcin purchased shares and call options of Celgene. I have reviewed trading records for the Anticevic Account controlled by Pajcin, as well as accounts in the names of Tippee-1 and Tippee-3, all of which indicate that Pajcin, Tippee-1, and Tippee-3 purchased call options and shares of Celgene in or about June and July 2005.

37. SHPIGELMAN later informed Pajcin and PLOTKIN, however, that the planned acquisition was never finalized. Based on information I have received from representatives of the SEC, I am aware that Merrill Lynch has confirmed that the firm did work on a proposed acquisition of Celgene by Amgen in or about the Summer of 2005 that did not come to fruition.

38. According to Pajcin, in or about July and August 2005, SHPIGELMAN informed Pajcin and PLOTKIN that through SHPIGELMAN's work at Merrill Lynch, SHPIGELMAN had learned that Adidas was going to acquire Reebok. As mentioned above, based on this information, Pajcin purchased shares and call options of Reebok. Pajcin also told the foreign tippees and the other tippees to trade in Reebok stock and options.

39. SHPIGELMAN's e-mails indicate that SHPIGELMAN had access to information concerning the Reebok deal prior to the public announcement of the deal. In particular, I have reviewed e-mails between SHPIGELMAN and the Merrill Lynch investment banking analyst who worked on the Reebok deal. In those e-mails, SHPIGELMAN refers to the Reebok deal by the code name given to that deal by Merrill Lynch. Moreover, on July 31, 2005, SHPIGELMAN asked the analyst working on the Reebok deal whether the analyst had been working primarily on Reebok (using its codename).

40. I have reviewed trading records for the Anticevic Account (controlled by Pajcin) which indicate that Pajcin purchased in the Anticevic Account call options and shares of Reebok on or about August 1 and August 2, 2005, prior to the public announcement of the deal on August 3, 2005, including a single purchase on August 1, 2005, of 150 shares of Reebok stock. Soon after the deal was announced, Pajcin locked in significant profits by selling his Reebok positions. Based on analysis done by the SEC of which I have been informed, through this trading in Reebok securities, the Anticevic Account made illegal profits of more than \$2 million.

41. I have also reviewed trading records for the various tippees, including a family member of PLOTKIN. These records indicate that this family member of PLOTKIN's purchased Reebok stock and call options on August 2, 2005, including a single purchase of 120 shares of Reebok on August 2, 2005. Other tippee account records I have reviewed indicate that accounts controlled by Foreign Tippee-1 and Foreign Tippee-2 traded in Reebok stock and call options on August 1 and August 2, 2005; accounts in the names of Tippee-1, Tippee-2, and Tippee-3, all

traded in Reebok stock and call options on August 1 and August 2, 2005. In particular, Tippee-1, who traded from a computer in Pomona, New York, made separate purchases of 3000 shares and 100 call options of Reebok on August 2, 2005. Shortly after the announcement of the Adidas-Reebok deal, all of the tippees liquidated their Reebok positions thus locking in very substantial profits. Based on analysis done by the SEC of which I have been informed, I am aware that through this trading in Reebok securities ahead of the deal announcement, the various tippees earned illegal profits of more than \$4 million.

42. According to Pajcin, in or about June through August 2005, SHPIGELMAN informed Pajcin and PLOTKIN that through SHPIGELMAN's work at Merrill Lynch, SHPIGELMAN had learned that Quest Diagnostics was going to acquire LabOne. SHPIGELMAN's e-mails indicate that he had access to information about the LabOne/Quest deal. In particular, SHPIGELMAN received an e-mail on June 15, 2005, from the investment banking analyst who was working on that deal indicating that the analyst was then on a phone call concerning the Quest deal.

43. I have reviewed an account statement indicating the Pajcin traded in LabOne securities in an account controlled by Pajcin prior to the public announcement of the acquisition of LabOne by Quest. In addition, account statements for Tippee-1 and for a family member of EUGENE PLOTKIN, the defendant, indicate that both traded in LabOne securities prior to the public announcement of the deal with Quest on August 8, 2005.

44. I have reviewed other e-mails written by STANISLAV SHPIGELMAN, which indicate that SHPIGELMAN was well aware of his duty not to disclose confidential information concerning deals involving Merrill Lynch clients. For example, in an e-mail chain with his sister in October 2004, SHPIGELMAN, in response to his sister's question of whether a deal that SHPIGELMAN had told his sister about was public, responded, "Yes, the offer is public. I would not be telling you, especially via email, unless I wanted to chill with Martha in Connecticut for a little while." I believe the reference in this e-mail is to Martha Stewart who was sued by the SEC for insider trading and convicted criminally for obstructing the investigation of her trading activity. Other e-mails also indicate that SHPIGELMAN was well aware that it was illegal to disclose the information that he obtained concerning the Merrill Lynch Deals.

45. Pajcin has informed me that in or about the first week of August 2005, upon learning that the FBI was investigating

trading in Reebok securities in the Anticevic Account and in the accounts of Tippee-1 and Tippee-2, Pajcin and EUGENE PLOTKIN together destroyed laptop computers and portable hard drives on which they had stored information concerning their inside trading, as well as cellular telephones they each had used in the course of their insider trading activity.

46. Pajcin has informed me that not long thereafter, Pajcin traveled to the Dominican Republic in order to evade law enforcement. I have confirmed this travel through flight records. While in the Dominican Republic, Pajcin stayed in touch with EUGENE PLOTKIN by phone and by e-mail.

47. According to Pajcin, while Pajcin was out of the country, PLOTKIN found an attorney for Pajcin. After speaking with the attorney, Pajcin returned to the United States in order to attend an SEC deposition concerning Pajcin's trading in Reebok securities. Pajcin has informed me that upon his return, PLOTKIN and Pajcin together discussed what answers Pajcin should give to the SEC concerning his trading in Reebok securities just prior to the announcement of the Adidas acquisition. I have reviewed portions of a transcript of Pajcin's testimony before the SEC, and have confirmed that Pajcin provided an extended analysis intended to explain the decision to trade in Reebok securities for reasons unrelated to the possession of inside information concerning the acquisition by Adidas.

48. Soon after Pajcin's deposition, Pajcin was arrested and detained pending trial. Pajcin has informed me that while Pajcin was incarcerated, PLOTKIN sent Pajcin a message indicating that PLOTKIN had spoken with SHPIGELMAN, that everything was fine, and that PLOTKIN and SHPIGELMAN had agreed never to see or speak with each other ever again.

**Scheme To Trade on Inside Information Obtained From
Pre-Publication Access to Business Week and
the "Inside Wall Street" Column**

49. In or about 2004 and 2005, while EUGENE PLOTKIN and Pajcin were receiving and trading on inside information from STANISLAV SHPIGELMAN concerning the Merrill Lynch Deals, PLOTKIN and Pajcin were also engaged in a scheme to obtain and trade on inside information from pre-publication copies of Business Week magazine's "Inside Wall Street" column.

50. Business Week Magazine is a weekly financial news periodical owned and published by McGraw-Hill, which maintains

its headquarters in New York, New York. Based on information I have received from the SEC and from McGraw-Hill, I am aware that since at least the early 1980's, McGraw-Hill has taken extensive measures to secure the confidentiality of the contents of Business Week.

51. According to information I have received from McGraw-Hill, I am aware that, in particular, McGraw-Hill has sought to maintain the confidentiality of a column contained in Business Week called Inside Wall Street. "Inside Wall Street" routinely contains the opinion of its author about several publicly-held companies. A favorable discussion of a company by "Inside Wall Street" commonly results in an increase in the trading price of that company's securities on the first trading day after Business Week becomes available to the investing public.

52. According to the information I have received from McGraw-Hill, I am aware that Business Week is printed on Wednesday evenings and is distributed to the public only after the close of the major stock exchanges on Thursdays. Thus, Business Week is not available to the public until after 5:00 p.m. East Coast Time on Thursdays, via the Internet, and is not sold to the public on newsstands until Friday mornings before the stock exchanges reopen.

53. Based on information I have received from McGraw-Hill, I am aware that Business Week is printed in four locations in the United States, including a printing plant in Hartford, Wisconsin run by Quad/Graphics, Inc. ("Quad"). Hartford, Wisconsin is approximately 40 miles from Milwaukee, Wisconsin. Because the contents of Business Week may affect the price of particular stocks, McGraw-Hill, Business Week, and Quad follow the policy of keeping the contents of the weekly issue of Business Week and "Inside Wall Street" confidential until after 5:00 p.m. on Thursday.

54. Based on information I have received from McGraw-Hill, I am aware that due to the danger of unlawful trading on material, nonpublic information contained in "Inside Wall Street" prior to its release to the public, McGraw-Hill and Business Week executives have imposed strict security measures in publishing Business Week and "Inside Wall Street". There is limited computer access to "Inside Wall Street" at Business Week's offices as the column is written and edited each week. "Inside Wall Street" can only be read by a few select editors at Business Week, and its contents cannot be altered without the use of a

computer password known only to the column's author and his immediate editor. The names of the companies discussed in "Inside Wall Street" are not inserted into the stock charts used in the column until 5:00 p.m. East Coast Time on Wednesday, the day of printing. Only one copy of "Inside Wall Street" is formatted completely prior to its release to the printers, and this copy is kept secured at Business Week's offices. Business Week staff have been notified in writing that Business Week's contents were off-limits to anyone outside Business Week staff until after 5:00 p.m. East Coast Time on Thursdays with no exceptions because the magazine's contents could affect stock prices. And Business Week staff are required annually to sign an affirmation acknowledging the firm's confidentiality policies.

55. Based on information I have received from McGraw-Hill, I am aware that Business Week, in draft form, is transmitted from its New York offices electronically to a facility in New York, New York, called Schawk (Applied Graphics Technology), where it is formatted for printing. There, access is limited through the use of computer passwords. As described above, Business Week is printed in four locations in the United States, including at the Quad printing plant in Hartford, Wisconsin. McGraw-Hill has instructed Quad, as well as Business Week's other printers, that Business Week is not to be made available to the public until after 5:00 p.m. East Coast Time on Thursdays, after the stock market had closed, unless specifically authorized by McGraw-Hill. Quad and the other printers have been instructed by McGraw-Hill that no one is to be given access to Business Week without the explicit consent from Business Week executives.

56. Based on information I have received from McGraw-Hill and Quad, I am aware that Quad has directed its employees to maintain the confidentiality of information entrusted to its customers including McGraw-Hill. Pursuant to Quad's written policies contained in the handbook distributed to all employees, Quad employees are prohibited from: (a) disclosing to anyone information contained in, or relating to, material submitted by its customers to be printed; (b) removing from Quad's premises or otherwise distributing or disseminating any materials containing such information; and (c) using such information to engage in any transaction for their own or anyone else's financial benefit including but not limited to the purchase, sale or transfer of securities, stocks or other property until that information was made available to the public by the customer or by Quad. Quad has warned its employees that violation of these policies would

subject them to immediate discharge and possible civil and criminal penalties.

57. I have been informed by Pajcin that in or about the Fall of 2004, Pajcin and EUGENE PLOTKIN sought to recruit someone to obtain a job at the Quad plant in order to steal pre-publication copies of Business Week. According to Pajcin, PLOTKIN and Pajcin interviewed individuals who responded to an Internet advertisement they placed on a website called "Craig's List." I have also spoken with a confidential witness ("CW-1") who has informed me of the following, in substance and in part:

a. In or about September 2004, CW-1 met Pajcin when CW-1 responded to an online job listing that Pajcin had posted on the Internet. The job listing advertised a job as a factory worker. CW-1 spoke with Pajcin about the job offer and Pajcin informed CW-1 that the job listing that Pajcin had posted was for a factory job in the Milwaukee, Wisconsin area. CW-1 also informed me that he contacted Pajcin at the phone number 305-321-6700.

b. Between approximately September and November 2004, CW-1 met with Pajcin approximately 3 to 5 times to speak about the job offer in Milwaukee, Wisconsin. Over the course of these meetings, CW-1 learned that the Wisconsin job would require the person who took the job to steal a publication prior to that publication's release to newsstands. Although CW-1 did not pursue this offer, Pajcin informed CW-1 that he had found someone else at the "plant" who was providing him with the publication prior to its release to newsstands.

58. Pajcin has informed me that in or about September 2004, Pajcin traveled to the plant in Hartford, Wisconsin, in order to evaluate the possibility of having someone obtain pre-publication copies of Business Week from the plant. I have reviewed the e-mails of EUGENE PLOTKIN, which indicate that PLOTKIN booked Pajcin on a round-trip flight to Milwaukee on or about September 22, 2004. PLOTKIN's e-mails also indicate that PLOTKIN booked a rental car for Pajcin in Milwaukee.

59. According to Pajcin, not long after placing the Internet advertisement, both Pajcin and EUGENE PLOTKIN met with Nickolaus Shuster, a/k/a "Nick,"² who after several meetings agreed to travel to Wisconsin and obtain copies of Business Week

² Schuster has been arrested and charged with securities fraud in the Southern District of New York.

for Pajcin and PLOTKIN. According to Pajcin, at a meeting in Union Square in Manhattan, PLOTKIN showed Shuster the "Inside Wall Street" column in a Business Week magazine and explained that this was the column from which PLOTKIN and Pajcin wanted to get information prior to the public release of the magazine.

60. Soon thereafter, Shuster traveled to Wisconsin and applied for a job at the Quad plant. According to Pajcin, both Pajcin and PLOTKIN served as references for Shuster and helped Shuster get the job at the plant. Pajcin has informed me that on his employment application Shuster listed Pajcin under the name "Jeff" and PLOTKIN under another false name.

61. I have reviewed employment records obtained from Quad and spoken with individuals at Quad, and have learned that Nickolaus Shuster worked at the Quad plant from approximately in or about October 2004, until approximately in or about January 2005. The records also indicate that Shuster was hired by "Staffing Partners," an employment agency sometimes used by Quad Graphics to find workers. On his employment application, Shuster listed a "Jeff Dausich" as a reference and gave 305-321-6700 (Pajcin's number) as the number for that reference. The employment file also indicates that "Jeff Dausich" provided a positive reference for Shuster. In addition, I have reviewed call records for the 305-321-6700, which indicate that calls were made between Pajcin's number and a number for the "Staffing Partners" number at the Quad Graphics plant at around the time that Shuster was hired to work at the Quad Graphics plant. In addition, Shuster listed "Peter Jones" as another reference, with a cellular telephone which, based on my conversations with Pajcin, I believe to be associated with PLOTKIN.

62. Pajcin has informed me that once Nickolaus Shuster started working at the Quad plant, Shuster began misappropriating information from pre-publication copies of Business Week. Shuster would then call Pajcin or PLOTKIN (who would answer Pajcin's phone when Pajcin was unavailable), and describe the stocks listed in the "Inside Wall Street" column, thus allowing Pajcin and PLOTKIN as well as their tippees to buy these stocks before publication of Business Week.

63. The call records for Pajcin's cellular telephone (305-321-6700) also indicate numerous calls with 262-339-1223, a cellular telephone number subscribed to Nickolaus Shuster. In particular, these call records indicate that calls were made between Pajcin's phone and Shuster's phone late in the night on November 17, 2004 (Wednesday), December 8, 2004 (Wednesday),

January 5, 2005 (Wednesday), and just after midnight on December 16, 2004. (Thursday). As described below, during the day on November 18, 2004, December 9, 2004, December 16, 2004, and January 6, 2005, Pajcin purchased stocks that were discussed favorably in the "Inside Wall Street" column, which became public after 5:00 p.m. on those dates.

64. Pajcin has also informed me that Nickolaus Shuster was eventually fired from the Quad plant, but that for several months Shuster continued to enter the Quad plant wearing a Quad uniform in order to obtain pre-publication copies of Business Week for Pajcin and PLOTKIN. However, Shuster was arrested in Wisconsin on unrelated identity theft charges in or about March 2005.

65. According to Pajcin, as a result of Shuster's firing and later his arrest, Pajcin and PLOTKIN had advertisements placed in Milwaukee newspapers in the hope of finding someone to replace Shuster. Pajcin has informed me that JUAN RENTERIA, the defendant, responded to one of these advertisements and agreed to obtain copies of Business Week for Pajcin and PLOTKIN as Shuster had done. According to Pajcin, Pajcin served as a reference for RENTERIA and again used the name "Jeff."

66. I have reviewed RENTERIA's employment file at Quad, which indicates that RENTERIA applied for a job at Quad on or about May 11, 2005. On his application, RENTERIA listed "Jeff" as a reference and gave a cellular telephone number used by Pajcin.

67. Pajcin has informed me that once RENTERIA began working at the Quad plant, RENTERIA would, like Shuster, obtain a pre-publication copy of "Business Week" and then call either Pajcin or PLOTKIN to give them the names of the stocks listed in the "Inside Wall Street" column. Pajcin and PLOTKIN would then purchase some or all of these stocks and relay this information to their various tippees prior to Business Week being made available to the public after the close of the market on Thursday.

68. The call records for Pajcin's cellular telephone, which RENTERIA listed on his Quad employment application, contain calls between Pajcin's phone and the phone number that RENTERIA listed for himself on the employment application, which phone is subscribed in RENTERIA's name. In particular, these call records indicate that calls were made between Pajcin's phone and

RENTERIA's phone on June 9, 2005, June 16, 2005, June 23, 2005, June 30, 2005, and July 28, 2005. In addition, the call records for Pajcin's cellular telephone indicate calls to or from a phone number subscribed in the name of a person that RENTERIA listed on his Quad employment application as an emergency contact and as having the same address as RENTERIA. In particular, there are calls between the emergency contact's phone and Pajcin's phone on July 7, 2005, and July 14, 2005. As described below, during the day on June 9, 2005, June 16, 2005, June 23, 2005, June 30, 2005, July 7, 2005, July 14, 2005, and July 28, 2005, Pajcin and PLOTKIN and/or their tippees, including PLOTKIN's parents, purchased stocks that were discussed favorably in the "Inside Wall Street" column, which became public after 5:00 p.m. on those dates.

69. I have reviewed various "Inside Wall Street" articles contained in Business Week from in or about November 2004, until in or about July 2005. Based on that review, as well as information provided to me by McGraw-Hill and the SEC, I am aware that the "Inside Wall Street" articles contained positive information about the following twenty stocks ("Inside Wall Street" stocks) in issues of Business Week that became available to the public on the following dates (all Thursdays) after the close of the markets:

<u>Stock in Column (Symbol)</u>	<u>Date of Publication</u>
The Street.com	Nov. 18, 2004
Biolase Technology, Inc.	Nov. 18, 2004
Curis, Inc.	Dec. 2, 2004
SIPEX Corporation	Dec. 9, 2004
Alltel Corp., Inc.	Dec. 16, 2004
Cornell Corrections, Inc.	Jan. 6, 2005
Spectrum Pharm., Inc.	Jan. 13, 2005
Arbitron, Inc.	Jan. 20, 2005
IMAX Corporation	Feb. 3, 2005
Impax Labs, Inc.	March 3, 2005
PriceSmart, Inc.	June 9, 2005
Perficient, Inc.	June 9, 2005
Casual Male Retail Group, Inc.	June 16, 2005
Federal Express Corp.	June 16, 2005
Alaska Communications Systems	June 16, 2005
Energy Conversion Devices	June 23, 2005
Mikohn Gaming Corp.	June 30, 2005
Polycom, Inc.	July 7, 2005
Spectrum Pharm., Inc.	July 14, 2005
Symbol Technologies, Inc.	July 28, 2005

70. I have reviewed the accounts records for the OptionsXpress Account and the Anticevic Account, both of which, as described above, were controlled by Pajcin. The trading history in these accounts indicates that Pajcin purchased approximately 15 of the 20 "Inside Wall Street" stocks listed above, earlier on the same day (while the markets were still open) that the "Inside Wall Street" column became public (after the close of the markets). For example, Pajcin, using the Anticevic account, purchased 5,000 shares of Symbol Technologies, Inc., on or about Thursday, July 28, 2005, before Business Week had been released to the public. After the public release of the magazine on Thursday and the opening of the market on Friday, the stock price of Symbol Technologies rose and Pajcin sold it for a profit.

71. I have also reviewed the trading records of Tippee-1, Tippee-2, Tippee-3, Foreign Tippee-1, Foreign Tippee-2, and a family member of EUGENE PLOTKIN. These records indicate that all 20 of the "Inside Wall Street" stocks listed above were purchased by either Pajcin and/or these tippees prior to the public release of Business Week. The records also indicate that on either the day following publication of the "Inside Wall Street" column or in after-hours trading on the same day that the column was published, once the "Inside Wall Street" article had become public and the article had had an impact on the "Inside Wall Street" stock prices, Pajcin and/or the tippees sold each of the "Inside Wall Street" stocks.

WHEREFORE, deponent prays that the above-named individuals be arrested and imprisoned or bailed as the case may be.



DAVID MAKOL
Special Agent
Federal Bureau of Investigation

Sworn to before me this
10th day of April, 2006



UNITED STATES MAGISTRATE JUDGE
SOUTHERN DISTRICT OF NEW YORK

RONALD L. ELLIS
United States Magistrate Judge
Southern District of New York