

UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF NEW YORK

**JUDGE HAIGHT**

SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

v.

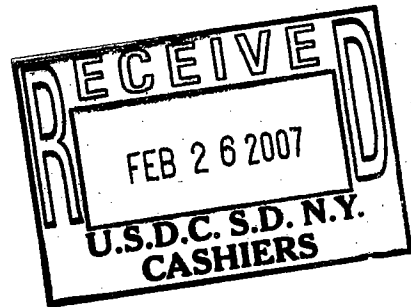
BLUE BOTTLE LIMITED  
and MATTHEW C. STOKES

Defendants.

**07 CV 1380**  
Civil Action No.

**COMPLAINT**

**SUMMARY**



1. This matter involves an ongoing fraudulent scheme conducted by Blue Bottle Limited ("Blue Bottle"), a Hong-Kong chartered firm that purports to be located in London, England, and its owner and chief executive officer, Matthew Charles Stokes ("Stokes"), during the period August 2006 through the present time.
2. Immediately prior to the publication of news releases by at least 12 different U. S. public companies, Defendant Blue Bottle repeatedly traded in the securities of those companies, including options trading and long and short equities trading.
3. Upon information and belief, the Defendants have gained access to material non-public information contained in these news releases through fraudulent devices, schemes, or artifices, which may include, but are not limited to, hacking into computer networks or otherwise improperly obtaining electronic access to systems that contain information about imminent news releases.

4. Upon information and belief, with the material non-public information in hand, the Defendants repeatedly traded ahead of the public dissemination of that information, realizing profits of over \$2.7 million.

5. By engaging in the conduct described in this Complaint, Defendants Blue Bottle and Stokes violated, and unless restrained and enjoined will continue to violate, Section 17(a) of the Securities Act of 1933 (“Securities Act”) [15 U.S.C. § 77q(a)] and Section 10(b) of the Securities Exchange Act of 1934 (“Exchange Act”) [15 U.S.C. § 78j(b)], and Rule 10b-5 [17 C.F.R. § 240.10b-5], thereunder.

### **JURISDICTION**

6. The Commission brings this action, pursuant to Section 20 of the Securities Act [15 U.S.C. § 77t(b)] and Sections 21(d) and (e) and 21A of the Exchange Act [15 U.S.C. §§ 78u(d) and (e) and § 78u-1], to enjoin such acts, practices, and courses of business; obtain disgorgement and civil penalties; and obtain other appropriate relief.

7. This Court has jurisdiction over this action pursuant to Section 22 of the Securities Act [15 U.S.C. § 77v] and Section 27 of the Exchange Act [15 U.S.C. § 78aa].

8. Certain of the acts, practices, and courses of business constituting the violations alleged herein occurred within the Southern District of New York and elsewhere, and were effected, directly or indirectly, by making use of the means and instrumentalities of interstate commerce, or the mails, or the facilities of a national securities exchange.

## DEFENDANTS

9. Blue Bottle Limited is a corporation chartered in Hong Kong and was incorporated through a Memorandum and Articles of Association dated August 30, 2006. In documents submitted in connection with the opening of an account at Interactive Brokers LLC (“account opening documents”), Blue Bottle identified its principal address as 1 Kings Avenue, Winchmore Hill, London, N21 3NA, London. While Blue Bottle’s Memorandum and Articles of Association do not identify Blue Bottle’s business, the account opening documents identify its business as accounting services and tax consultation.

10. Matthew Charles Stokes, age 30, is a citizen of Guernsey. Stokes is the sole owner and chief executive of Blue Bottle; however, others may have a direct or indirect interest in, control, or assist in the control of the day-to-day conduct of Blue Bottle and its business. In the account opening documents, Stokes, or someone purporting to be Stokes, listed his residential address as 1 Kings Avenue, Winchmore Hill, London, N21 3NA, London. That address, however, is occupied by a firm of accountants and an insolvency practitioner. Blue Bottle’s Memorandum and Articles of Association identifies an address for Stokes in Dubai, United Arab Emirates.

## RELEVANT ENTITIES

11. Interactive Brokers LLC is headquartered in Greenwich, Connecticut, and is an on-line broker registered with the Commission. The Defendants opened and maintain a margin account at Interactive Brokers through which Blue Bottle has done the trading in question.

12. Bank of Cyprus Limited is located in Nicosia, Cyprus. Blue Bottle has a bank account at the Bank of Cyprus. Money from this account has been transferred into

Defendants' Interactive Brokers trading account, and money from the trading account has been transferred into this bank account.

**SELECT SECURITIES IN WHICH DEFENDANTS HAVE TRADED**

13. Achillion Pharmaceuticals, Inc. is a Delaware corporation headquartered in New Haven, Connecticut. Achillion's common stock is registered with the Commission pursuant to Section 12(g) of the Exchange Act. Achillion's common stock trades on the NASDAQ under the ticker symbol ACHN.

14. AllianceBernstein Holding L.P. is a Delaware limited partnership headquartered in New York, New York. AllianceBernstein's common stock is registered with the Commission pursuant to Section 12(b) of the Exchange Act. AllianceBernstein's common stock trades on the New York Stock Exchange under the ticker symbol AB, and options for its common stock trade on the Stock Exchange, Chicago Board Options Exchange, and Philadelphia Stock Exchange.

15. Allscripts Healthcare Solutions, Inc. is a Delaware corporation headquartered in Chicago, Illinois. Allscripts' common stock is registered with the Commission pursuant to Section 12(g) of the Exchange Act. Allscripts' common stock trades on the NASDAQ under the ticker symbol MDRX.

16. BJ's Wholesale Club, Inc. is a Delaware corporation headquartered in Natick, Massachusetts. BJ's Wholesale's common stock is registered with the Commission pursuant to Section 12(b) of the Exchange Act. BJ's Wholesale's common stock trades on the New York Stock Exchange under the ticker symbol BJ, and options for its common stock trade on the Philadelphia Stock Exchange, International Securities Exchange, Pacific Stock Exchange, and Boston Options Exchange.

17. Brady Corporation is a Wisconsin corporation headquartered in Milwaukee, Wisconsin. Brady's common stock is registered with the Commission pursuant to Section 12(b) of the Exchange Act. Brady's common stock trades on the New York Stock Exchange under the ticker symbol BRC.

18. CACI International Inc. is a Delaware corporation headquartered in Arlington, Virginia. CACI's common stock is registered with the Commission pursuant to Section 12(b) of the Exchange Act. CACI's common stock trades on the New York Stock Exchange under the ticker symbol CAI, and options for its common stock trade on the Chicago Board Options Exchange, Philadelphia Stock Exchange, and Pacific Stock Exchange.

19. Hornbeck Offshore Services, Inc. is a Delaware corporation headquartered in Covington, Louisiana. Hornbeck Offshore Services' common stock is registered with the Commission pursuant to Section 12(b) of the Exchange Act. Hornbeck Offshore Services' common stock trades on the New York Stock Exchange under the ticker symbol HOS, and options for its common stock trade on the Philadelphia Stock Exchange, Chicago Board Options Exchange, and Intercontinental Exchange.

20. LeCroy Corporation is a Delaware Corporation headquartered in Chestnut Ridge, New York. LeCroy's common stock is registered with the Commission pursuant to Section 12(g) of the Exchange Act. LeCroy's common stock trades on the NASDAQ under the ticker symbol LCRY.

21. Millipore Corporation is a Massachusetts corporation headquartered in Billerica, Massachusetts. Millipore's common stock is registered with the Commission pursuant to Section 12(b) of the Exchange Act. Millipore's common stock trades on the New York

Stock Exchange under the ticker symbol MIL, and options for its common stock trade on the Chicago Board Options Exchange, Philadelphia Stock Exchange, International Securities Exchange, Pacific Stock Exchange, and American Stock and Options Exchange.

22. Odyssey Healthcare, Inc. is headquartered in Dallas, Texas. Odyssey Healthcare's common stock is registered with the Commission pursuant to Section 12(g) of the Exchange Act. Odyssey Healthcare's common stock trades on the NASDAQ under the ticker symbol ODSY, and options for its common stock trade on the Philadelphia Stock Exchange, Chicago Board Options Exchange, Pacific Stock Exchange, and American Stock and Options Exchange.

23. Symantec Corporation is a Delaware corporation headquartered in Cupertino, California. Symantec's common stock is registered with the Commission pursuant to Section 12(g) of the Exchange Act. Symantec's common stock trades on the NASDAQ under the ticker symbol SYMC, and options for its common stock trade on the Philadelphia Stock Exchange, Chicago Board Options Exchange, American Stock Exchange, Boston Options Exchange, Intercontinental Exchange, and Pacific Stock Exchange.

24. RealNetworks, Inc. is a Washington corporation headquartered in Seattle, Washington. RealNetworks' common stock is registered with the Commission pursuant to Section 12(g) of the Exchange Act. RealNetworks' common stock trades on the NASDAQ under the ticker symbol RNWK, and options for its common stock trade on the Chicago Board Options Exchange.

## **FACTS**

### **In Opening Their Brokerage Account, The Defendants Provided False Information And Documentation**

25. In October 2006, the Defendants began efforts to open an account in the name of Blue Bottle Limited at Interactive Brokers LLC, an on-line U.S. broker.
26. To open an account at Interactive Brokers, the Defendants were required to submit information and documentation about Blue Bottle, but the required information was limited because of Blue Bottle's status as an organization. Stokes also was required to submit additional personal information and documentation because he was identified as the CEO, owner, trader, treasurer, and secretary of Blue Bottle.
27. In the account opening documents, Blue Bottle's business is identified as accounting services and tax consultation.
28. In the account opening documents, Stokes, or someone purporting to be Stokes, provided incorrect personal information, including his home telephone number and address (1 King's Avenue, Winchmore Hill, London, N21 3NA, United Kingdom).
29. In November 2006, Interactive Brokers mailed an item to Stokes' address, but it could not be delivered. When Interactive Brokers tried to call Stokes at the telephone number provided in connection with the account opening, the number did not work. Interactive Brokers then e-mailed Stokes. In approximately mid-December 2006, Interactive Broker's records indicate Stokes, or someone purporting to be Stokes, represented by email that he would update this contact information. Stokes never provided updated contact information to Interactive Brokers.

30. Similarly, the residential address that Stokes, or someone purporting to be Stokes, provided to Interactive Brokers is identified on London's electors' list as the address of an accounting firm and an insolvency practitioner.

31. To open an account, Interactive Brokers required Stokes to provide proof of his residential address at 1 King's Avenue, Winchmore Hill, London, N21 3NA, United Kingdom (which was also identified as Blue Bottle's principal place of business in account opening documents). Stokes, or someone purporting to be Stokes, submitted a "Thames Water Utilities Ltd" bill with the Winchmore Hill address as proof of residential address.

32. The water bill that Stokes, or someone purporting to be Stokes, submitted is fake. First, the bill submitted to open the Interactive Brokers account contained a six digit account number, Thames Water account numbers are ten digits long. Second, the remittance address listed in the phony water bill is incorrect. Third, the meter reading and dates in the phony water bill are not presented in the format used by Thames Water Limited. Fourth, Thames Water Limited did not create a water bill for the listed address on the date of the phony water bill. Fifth, the name of the occupant(s) of the Winchmore Hill address during this period was not Matthew Stokes.

33. Stokes, or someone purporting to be Stokes, also told Interactive Brokers that Blue Bottle has a branch office at 41 Duke Street, Edinburgh EH6 8HH, but 39-43 Duke Street is occupied by a firm of accountants.

34. The internet protocol address information submitted in connection with log-ins to the Blue Bottle account and in email headers in communications with Interactive Brokers have not been from any location in the United Kingdom.

35. Interactive Brokers' sole communication with the Defendants has been through emails.

36. The Commission believes, and avers, that the Defendants took active steps to limit the amount of information provided, and provided false information, to open the account at Interactive Brokers, and the Defendants have taken, and are taking, active steps to conceal their identity and true location in furtherance of a scheme to violate the federal securities laws.

**The Defendants' Unusual Trading  
In Advance Of Scheduled And Unscheduled News Releases**

37. The Defendants initially funded their account with a wire transfer from the Bank of Cyprus on November 15, 2006, and began trading through their Interactive Brokers account shortly thereafter.

38. In January 2007, the nature of the Defendants' trades changed. The trades more frequently involved the stock and/or options of a U.S. public company just before that company released business and financial information likely to effect market values. The typical size of the Defendants' positions increased, the trades increasingly involved options, and the trades often resulted in significant profits.

39. All of the identified trading was just before the public dissemination of a news release and appears to have been based on, and intended to profit from, the news contained in the release.

40. Specifically, when the release contained positive news and the market price likely would increase, Blue Bottle purchased the issuer's stock and/or purchased call options. A call option is a contract that provides the buyer the right, but not the obligation, to buy an agreed quantity of an underlying stock by a date (the expiration date) for a certain price (the

strike price). The buyer of a call option generally expects the price of the underlying security will rise, allowing the buyer of the call option to make a profit from the difference between the strike price (plus the cost of the option) and the higher market price. A call option is in-the-money if the strike price is less than the market price of the underlying security. A call option is out-of-the-money if the strike price is more than the market price of the underlying security. In U.S. markets, each call option contract generally requires delivery of 100 shares of the underlying security.

41. On the other hand, if the release contained negative news and the market price likely would decrease, Blue Bottle purchased put options and/or made short sales of the stock. A put option is a contract that provides the buyer the right, but not the obligation, to sell an agreed quantity of an underlying security by a date (the expiration date) for a certain price (the strike price). The buyer of a put option generally expects the market price of the underlying security will decline, allowing the buyer of the put option to make a profit from the difference between the strike price (less the cost of the option) and the lower market price. A put option is in-the-money if the strike price is more than the market price of the underlying security. A put option is out-of-the-money if the strike price is less than the market price of the underlying security. In U.S. markets, each put option contract generally requires delivery of 100 shares of the underlying stock. A short sale is the opposite of purchasing a stock, in that a short seller borrows shares (for a fee) and sells, anticipating that the price of the shorted stock will fall, and it will be possible to buy shares to “cover” the short sale at a price lower than the short sale price, thereby making a profit. Thus a short seller takes a fundamentally negative, or “bearish,” stance.

42. In all cases, Blue Bottle has opened and then closed its positions within two or three trading days, maintaining the position only for the period immediately before and after the announcement.

43. Some of the positions involved options contracts that were set to expire and become worthless within a few days of the purchase. Additionally, at the time Blue Bottle purchased them, some of the options contracts were out-of-the-money and, therefore, of limited value when purchased, unless the stock's market price changed because of a material event, such as a significant news release.

44. The Defendants engaged in suspect trading in a number of companies' securities, including, but not limited to:

Trading In BJ's Wholesale (BJ)

45. On January 3, 2007 at approximately 3:36 p.m. EST (all times are EST), Blue Bottle began buying 200 BJ Jan07 30 put contracts, which represented 34% of the BJ Jan07 30 put contracts traded on that day. The put contracts were set to expire on January 20, 2007. When Blue Bottle bought the put contracts, they were out-of-the-money. Essentially, buying the put contracts was a bet that the price of BJ stock would decrease below the strike price of the put contracts.

46. On January 4, 2007 at approximately 7:33 a.m. BJ's reduced its fourth quarter earnings, reported sales, and issued preliminary 2007 guidance. BJ's announced expected fourth quarter earnings far below its earlier forecasted earnings because of slow sales. BJ's expected earnings for the next fiscal year were below analysts' forecasts.

47. At approximately 9:40 a.m. that morning, Blue Bottle began selling the BJ put contracts for a profit while the market price was below the put option strike price of \$30.00.

48. On January 4, 2007, the volume of trading in BJ increased approximately 355% from the prior trading day. BJ closed at \$30.55, down \$1.31, or a drop of approximately 4%, from the prior close.

49. As a result of this trading, Blue Bottle garnered a profit of approximately \$12,630.

Trading in LeCroy Corporation (LCRY)

50. On January 9, 2007 at approximately 2:44 p.m., Blue Bottle began selling short 10,000 shares of LCRY, which essentially was a bet that the price of LCRY would decrease.

51. On January 10, 2007 at approximately 6:57 a.m., LeCroy Corporation announced its preliminary second quarter financial results and revised its fiscal year 2007 guidance.

LeCroy expected to report a GAAP operating loss of about \$8 million for its second fiscal quarter and lowered its 2007 revenue estimate below analysts' expectations due to slower sales.

52. At approximately 7:02 a.m. Blue Bottle began to cover the shorted LCRY position.

53. On January 10, 2007, the volume of trading in LCRY increased approximately 369% from the prior trading day. LCRY closed at \$10.35, down \$1.08, or a 9% drop from the prior close.

54. As a result of this trading, Blue Bottle garnered a profit of approximately \$18,259.

### Trading In Hornbeck Offshore Services, Inc. (HOS)

55. On January 10, 2007 at approximately 1:29 p.m., Blue Bottle began buying 250 HOS Jan07 35 put contracts, which represented 42% of the HOS Jan07 35 put contracts traded on that day. The put contracts were set to expire on January 20, 2007. When Blue Bottle bought the put contracts, they were in-the-money. Essentially, buying the put contracts was a bet that the price of HOS would decrease.

56. At approximately 6:07 p.m. that day, HOS lowered its guidance for the fourth quarter and calendar year 2006. HOS lowered its per share quarterly guidance and indicated problems that were impacting, and would continue to impact, its operating environment. HOS also stated that it might have to adjust downward its 2007 guidance by as much as 20%.

57. The next morning, January 11, 2007, at approximately 10:08 a.m., Blue Bottle began selling the HOS Jan 35 put contracts for a profit.

58. On January 11, 2007, the volume of trading in HOS increased approximately 3,664% from the prior trading day. HOS closed at \$26.14, down \$7.37, or a 22% drop from the prior close.

59. As a result of this trading, Blue Bottle garnered a profit of approximately \$177,560.

### Trading In Symantec Corporation (SYMC)

60. On January 12, 2007 at approximately 1:03 p.m. EST, Blue Bottle began buying 10,000 SYMC Jan07 20 put contracts, which represented 20% of the SYMC Jan07 20 put contracts traded on that day. When Blue Bottle bought the put contracts, they were out-of-the-money. Essentially, buying the put contracts was a bet that the price of SYMC would decrease below the strike price of the put contracts. At approximately 1:37 p.m. EST, Blue

