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13 **UNITED STATES DISTRICT COURT**
14 **CENTRAL DISTRICT OF CALIFORNIA**

15 SECURITIES AND EXCHANGE
16 COMMISSION,

17 Plaintiff,

18 vs.

19 SHIVBIR S. GREWAL and
20 PREETINDER GREWAL,

21 Defendants.

Case No.

COMPLAINT

22 Plaintiff Securities and Exchange Commission (the “SEC”) alleges as follows:

23 **JURISDICTION AND VENUE**

24 1. This Court has jurisdiction over this action pursuant to Sections 20(b)
25 and 22(a) of the Securities Act of 1933 (the “Securities Act”), 15 U.S.C. §§ 77t(b) &
26 77v(a), and Sections 21(d), 21A and 27 of the Securities Exchange Act of 1934 (the
27 “Exchange Act”), 15 U.S.C. §§ 78u(d), 78u-1 & 78aa.

28 2. Venue is proper in this district pursuant to Section 22(a) of the
Securities Act, 15 U.S.C. § 77v(a), and Section 27(a) of the Exchange Act, 15 U.S.C.

§ 78aa(a), because certain of the transactions, acts, practices and courses of conduct constituting violations of the federal securities laws occurred within this district.

SUMMARY

3. This case involves unlawful insider trading by Defendants Shivbir S. Grewal (“Shivbir”) and his wife, Preetinder Grewal (“Preetinder”), in the securities of Spectrum Pharmaceuticals, Inc. (“Spectrum”). Shivbir and Preetinder each sold Spectrum stock shortly before Spectrum announced, on March 12, 2013, that it expected a significant drop in sales and revenue.

4. Shivbir is an attorney admitted to practice law in California and, at all times relevant to this Complaint, was a shareholder in a law firm of more than 100 attorneys with offices in California, including in Newport Beach, California where Shivbir is located (“Law Firm”). Throughout 2013, he was Spectrum’s primary outside counsel and advised the company on matters of corporate and securities law. From time to time during 2013, he also served as Spectrum’s corporate secretary in company board meetings.

5. On March 5, 2013, Spectrum’s senior management informed Shivbir that the company expected a significant decrease in revenue due to an unanticipated drop in orders for its top-selling product. That information was not known to the public, and Spectrum shared it with Shivbir in the course of seeking advice from Law Firm regarding disclosing it.

6. Shortly thereafter and before Spectrum disclosed the drop in orders, on March 7, 2013, Shivbir sold 8,000 shares of Spectrum stock – his entire investment – on the basis of the non-public information he received from Spectrum. Shivbir also tipped Preetinder to sell, and she sold all of her Spectrum shares on March 11, 2013.

7. After the close of trading on March 12, 2013, five days after Shivbir sold his Spectrum stock and one day after Preetinder sold her Spectrum stock, Spectrum issued a press release announcing that it expected sales of its top-selling drug to drop by more than half in 2013 and expected company-wide revenue to fall by 35% or

1 more as a result (the “March 12 Press Release”). The next day, Spectrum’s stock
2 traded at a multiple of its average daily volume and closed at \$7.79 per share, a 37%
3 decline from its previous close.

4 8. By selling his Spectrum stock in advance of the March 12 Press Release,
5 Shivbir avoided \$30,343.17 in losses (more than 30% of his investment’s value at the
6 time he sold). By selling her Spectrum stock in advance of the March 12 Press
7 Release, Preetinder avoided \$14,400.05 in losses (more than 34% of her position’s
8 value at the time she sold).

9 9. Shivbir sold his Spectrum stock, and tipped Preetinder to sell, in breach
10 of his duties of trust and confidence. He obtained material, non-public information
11 from Spectrum in his role as the company’s outside counsel, and he and Preetinder
12 traded on the basis of that information, thereby gaining an unlawful advantage over
13 other investors.

14 10. By engaging in the conduct alleged in this Complaint, Shivbir and
15 Preetinder violated the antifraud provisions of the federal securities laws, specifically
16 Section 17(a) of the Securities Act, 15 U.S.C. § 77q(a), Section 10(b) of the
17 Exchange Act, 15 U.S.C. § 78j(b), and Rule 10b-5 promulgated under the Exchange
18 Act, 17 C.F.R. § 240.10b-5.

19 DEFENDANTS

20 11. **Shivbir S. Grewal**, age 55, is a corporate and securities lawyer who
21 resides in Santa Ana, California. He has been admitted to practice law in California
22 since 1990 and was a shareholder in Law Firm from 1999 through September 2014.
23 He served as Spectrum’s primary outside counsel from at least January 2009 through
24 at least January 2014.

25 12. **Preetinder Grewal**, age 50, is a homemaker who resides in Santa Ana,
26 California with Shivbir. She and Shivbir lived together and shared finances
27 throughout 2013. At all times relevant to this Complaint, Preetinder knew Shivbir
28 was a Law Firm shareholder and Spectrum’s primary outside counsel.

1 **OTHER RELEVANT ENTITY**

2 13. **Spectrum Pharmaceuticals, Inc.** is a pharmaceutical company based in
3 Henderson, Nevada. At all times relevant to this Complaint, shares of Spectrum
4 common stock traded on the NASDAQ stock market under the ticker symbol "SPPI."
5 In 2012 and 2013, Spectrum marketed three oncology drugs, including a drug for
6 colorectal cancer called "FUSILEV." FUSILEV was Spectrum's top-selling product in
7 2012 and accounted for more than two-thirds of its revenue during that period.

8 **FACTS**

9 **A. Shivbir And Preetinder Owned Spectrum Stock**

10 14. Between June 2007 and December 2012, Shivbir purchased 8,000 shares
11 of Spectrum common stock in his 401(k) account at City National Bank. He did not sell
12 any of those shares until March 7, 2013.

13 15. On June 14, 2011, Preetinder purchased 3,500 shares of Spectrum common
14 stock in her personal brokerage account at Newport Coast Securities. She did not sell
15 any of those shares until March 11, 2013.

16 **B. Shivbir Learned That Spectrum Expected A Significant Decrease In**
17 **Revenue Due To An Unanticipated Drop In Orders For FUSILEV**

18 16. On March 5, 2013, Spectrum's senior management informed Shivbir that
19 Spectrum had come to expect a significant drop in orders for FUSILEV and, as a result,
20 expected a significant decrease in the company's revenue in 2013.

21 17. The information Spectrum's management shared with Shivbir was not
22 available to the public at that time. Spectrum shared the information with Shivbir for
23 the purpose of seeking Law Firm's advice on disclosing it to the public.

24 18. The information Spectrum's management shared with Shivbir was material
25 because it concerned sales of Spectrum's top-selling drug and a drop in expected
26 revenue of 35% or more.

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28 ///

1 **C. Shivbir Sold All Of His Spectrum Stock On The Basis Of The**
2 **Material, Non-Public Information He Received From Spectrum**

3 19. On March 7, 2013, Shivbir used the Internet to log on to his 401(k)
4 account at City National Bank and sold all 8,000 shares of his Spectrum stock. He sold
5 at an average price of approximately \$11.58 per share, yielding \$92,663.17 in proceeds.

6 20. Shivbir sold those shares on the basis of the material, non-public
7 information he received from Spectrum regarding FUSILEV sales.

8 **D. Shivbir Tipped Preetinder To Sell Her Spectrum Stock On The Basis**
9 **Of Material, Non-Public Information He Received From Spectrum**

10 21. No later than March 8, 2013, Shivbir conveyed material, non-public
11 information about Spectrum's anticipated FUSILEV sales, which he received from
12 Spectrum in his capacity as the company's outside counsel, to Preetinder and
13 encouraged her to sell her Spectrum stock before that information became public.
14 Shivbir benefitted personally from tipping Preetinder to sell because he and Preetinder
15 were married and shared finances.

16 22. On March 11, 2013, Preetinder called the trading desk at Newport Coast
17 Securities and placed an order to sell all 3,500 shares of her Spectrum stock. She sold
18 at an average price of approximately \$11.90 per share, yielding \$41,665.05 in proceeds.

19 23. Preetinder sold those shares on the basis of the material, non-public
20 information about Spectrum's FUSILEV sales that she received from Shivbir.

21 **E. Shivbir And Preetinder Avoided Significant Losses By Selling Their**
22 **Stock Before Spectrum Issued The March 12 Press Release**

23 24. After the close of trading on March 12, 2013, Spectrum issued the March
24 12 Press Release and attached the March 12 Press Release to a Form 8-K it filed with
25 the SEC. The March 12 Press Release informed the public, for the first time, that
26 Spectrum expected sales of FUSILEV to be less than half of what they had been in
27 2012 and, as a result, expected company-wide revenue to fall by 35% or more in 2013.

28 25. The next day, Spectrum stock traded at more than five times its average

1 daily volume and lost more than 35% of its market value. After closing March 12 at
2 \$12.43 per share, it opened March 13 at \$7.71 per share and closed the day at \$7.79 per
3 share.

4 26. Had Shivbir still held his Spectrum stock at the close of trading on March
5 13, 2013, his 8,000 shares would have been worth \$62,320 – *i.e.*, \$30,343.17 less than
6 the proceeds of his March 5 sale. In other words, he avoided \$30,343.17 in losses by
7 selling before Spectrum issued the March 12 Press Release.

8 27. Had Preetinder still held her Spectrum stock at the close of trading on
9 March 13, 2013, her 3,500 shares would have been worth \$27,265 – *i.e.*, \$14,400.05
10 less than the proceeds of her March 11 sale. In other words, she avoided \$14,400.05 in
11 losses by selling before Spectrum issued the March 12 Press Release.

12 **F. Shivbir Sold His Spectrum Stock In Breach Of His Legal Duties**

13 28. As Spectrum's attorney, Shivbir owed Spectrum a duty of trust and
14 confidence. Spectrum shared confidential information with him for the corporate
15 purpose of obtaining legal advice, and Shivbir had a duty not to misuse that information
16 for his own personal gain. Shivbir breached that duty by selling his Spectrum stock on
17 the basis of the material, non-public information he received from Spectrum regarding
18 FUSILEV sales.

19 29. As a shareholder of Law Firm, Shivbir also owed Law Firm a duty not to
20 misappropriate information from a client of the firm. He breached that duty by selling
21 Spectrum stock on the basis of Spectrum's confidential information regarding
22 FUSILEV sales.

23 **G. Shivbir Sold His Spectrum Stock With Scienter**

24 30. When Shivbir sold his Spectrum stock, he knew he owed duties to
25 Spectrum and Law Firm not to trade on material, non-public information he received
26 from Spectrum in his role as outside counsel. He was aware of those duties based on
27 his experience as a corporate and securities lawyer, and because he had reviewed and
28 signed Law Firm's internal policy concerning insider trading in client securities.

31. Shivbir knew it was a breach of his duties to sell his Spectrum stock because he knew the information he received from Spectrum, and on which he based his trade, was material and non-public. The material nature of the information was obvious to him, given his experience as a corporate and securities lawyer and as Spectrum's counsel. He knew the information was non-public because he knew that Spectrum still had not disclosed it to the public.

H. Shivbir Tipped Preetinder To Sell In Breach Of His Legal Duties And With Scienter

32. As Spectrum's attorney, Shivbir had a duty not to divulge Spectrum's confidential information outside the attorney-client relationship. He breached that duty, and knew he was breaching that duty, when he conveyed material, non-public information about Spectrum's FUSILEV sales to Preetinder.

33. When Shivbir tipped Preetinder to sell, he knew, or was reckless in not knowing, that she would sell her Spectrum stock on the basis of his tip.

I. Preetinder Sold Her Spectrum Stock With Scienter

34. When Preetinder sold her Spectrum stock, she knew, or was reckless in not knowing, that the information Shivbir conveyed to her about Spectrum's FUSILEV sales, and on which she based her trade, was material and non-public.

35. Preetinder knew, or was reckless in not knowing, that Shivbir conveyed that information to her in breach of his duties.

FIRST CLAIM FOR RELIEF

(Against All Defendants)

Fraud In The Sale Of Securities

Violations Of Section 10(b) Of The Exchange Act and Rule 10b-5

36. The SEC re-alleges and incorporates by reference paragraphs 1 through 35 above.

37. Shivbir learned material, nonpublic information about Spectrum's expected sales of FUSILEV in his role as the company's outside counsel and sold

1 Spectrum stock on the basis of that information.

2 38. Shivbir tipped material, non-public information about Spectrum's
3 expected sales of FUSILEV to Preetinder that he learned in his role as the company's
4 outside counsel, and Preetinder sold Spectrum stock on the basis of that information.

5 39. At all relevant times, Shivbir owed duties to Spectrum and Law Firm not
6 to trade on the basis of Spectrum's confidential information. He breached those
7 duties by selling Spectrum stock on the basis of the material, non-public information
8 he received from Spectrum in his role as the company's outside counsel.

9 40. At all relevant times, Shivbir owed Spectrum a duty not to divulge
10 Spectrum's confidential information outside the attorney-client relationship. He
11 breached that duty by conveying Spectrum's confidential information to Preetinder.

12 41. Shivbir personally benefitted from tipping Spectrum's confidential
13 information to Preetinder because he and Preetinder were married and shared
14 finances.

15 42. The information Shivbir learned from Spectrum and conveyed to
16 Preetinder was material because it would have been important to a reasonable
17 investor in making an investment decision. There is a substantial likelihood that the
18 disclosure of that information would have been viewed by a reasonable investor as
19 having significantly altered the total mix of information available to investors.

20 43. The information Shivbir learned from Spectrum and conveyed to
21 Preetinder was non-public because Spectrum did not disclose that information, and it
22 was not otherwise available to the investing public, until after Shivbir and Preetinder
23 sold their Spectrum stock.

24 44. At all relevant times, Shivbir acted with scienter by trading on the basis
25 of the material, nonpublic information he received from Spectrum and by conveying
26 that information to Preetinder.

27 45. At all relevant times, Preetinder acted with scienter by trading on the
28 basis of the material, non-public information she received from Shivbir.

1 46. Defendants, by engaging in the conduct described above, directly or
2 indirectly, in connection with the purchase or sale of a security, by the use of means
3 or instrumentalities of interstate commerce, of the mails, or of the facilities of a
4 national securities exchange, with scienter:

- 5 a. employed devices, schemes, or artifices to defraud;
- 6 b. made untrue statements of a material fact or omitted to state a
7 material fact necessary in order to make the statements made, in
8 the light of the circumstances under which they were made, not
9 misleading; or
- 10 c. engaged in acts, practices, or courses of business which operated
11 or would operate as a fraud or deceit upon other persons.

12 47. By engaging in the conduct described above, Defendants violated and,
13 unless restrained and enjoined, will continue to violate, Section 10(b) of the
14 Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-
15 5].

16 **SECOND CLAIM FOR RELIEF**

17 **(Against All Defendants)**

18 **Fraud In Connection With The Sale Of Securities**

19 **Violations of Section 17(a) Of The Securities Act**

20 48. The SEC re-alleges and incorporates by reference paragraphs 1 through
21 47 above.

22 49. Shivbir learned material, nonpublic information about Spectrum's
23 expected sales of FUSILEV in his role as the company's outside counsel and sold
24 Spectrum stock on the basis of that information.

25 50. Shivbir tipped material, non-public information about Spectrum's
26 expected sales of FUSILEV to Preetinder that he learned in his role as the company's
27 outside counsel, and Preetinder sold Spectrum stock on the basis of that information.

28 51. At all relevant times, Shivbir owed duties to Spectrum and Law Firm not

1 to trade on the basis of Spectrum's confidential information. He breached those
2 duties by selling Spectrum stock on the basis of the material, non-public information
3 he received from Spectrum in his role as the company's outside counsel.

4 52. At all relevant times, Shivbir owed Spectrum a duty not to divulge
5 Spectrum's confidential information outside the attorney-client relationship. He
6 breached that duty by conveying Spectrum's confidential information to Preetinder.

7 53. Shivbir personally benefitted from tipping Spectrum's confidential
8 information to Preetinder because he and Preetinder were married and shared
9 finances.

10 54. The information Shivbir learned from Spectrum and conveyed to
11 Preetinder was material because it would have been important to a reasonable
12 investor in making an investment decision. There is a substantial likelihood that the
13 disclosure of that information would have been viewed by a reasonable investor as
14 having significantly altered the total mix of information available to investors.

15 55. The information Shivbir learned from Spectrum and conveyed to
16 Preetinder was non-public because Spectrum did not disclose that information, and it
17 was not otherwise available to the investing public, until after Shivbir and Preetinder
18 sold their Spectrum stock.

19 56. At all relevant times, Shivbir acted with scienter by trading on the basis
20 of the material, nonpublic information he received from Spectrum and by conveying
21 that information to Preetinder.

22 57. At all relevant times, Preetinder acted with scienter by trading on the
23 basis of the material, non-public information she received from Shivbir.

24 58. Defendants, by engaging in the conduct described above, in the sale of
25 securities by the use of means or instruments of transportation or communication in
26 interstate commerce or by use of the mails, directly or indirectly:

- 27 a. with scienter, employed devices, schemes, or artifices to defraud;
- 28 b. obtained money or property by means of untrue statements of a

1 material fact or by omitting to state a material fact necessary in
2 order to make the statements made, in light of the circumstances
3 under which they were made, not misleading; or

4 c. engaged in transactions, practices, or courses of business which
5 operated or would operate as a fraud or deceit upon the purchaser.

6 59. By engaging in the conduct described above, Defendants violated and,
7 unless restrained and enjoined, will continue to violate, Section 17(a) of the Securities
8 Act [15 U.S.C. § 77q(a)].

9 **PRAYER FOR RELIEF**

10 WHEREFORE, the SEC respectfully requests that the Court:

11 **I.**

12 Issue findings of fact and conclusions of law that Defendants committed the
13 alleged violations.

14 **II.**

15 Issue judgments, in forms consistent with Fed. R. Civ. P. 65(d), temporarily,
16 preliminarily, and permanently enjoining Defendants, and their agents, servants,
17 employees, and attorneys, and those persons in active concert or participation with
18 any of them, who receive actual notice of the judgment by personal service or
19 otherwise, and each of them, from violating Section 17(a) of the Securities Act [15
20 U.S.C. § 77q(a)], Section 10(b) of the Exchange Act [15 U.S.C. §§ 78j(b)], and Rule
21 10b-5 thereunder [17 C.F.R. § 240.10b-5].

22 **III.**

23 Order that Defendant Shivbir Grewal disgorge, with prejudgment interest, the
24 losses he avoided as a result of the conduct alleged in this Complaint, and order that
25 Defendant Preetinder Grewal disgorge, with prejudgment interest, the losses she
26 avoided as a result of the conduct alleged in this Complaint.

27 **IV.**

28 Order each Defendant to pay a civil penalty under Section 21A of the

1 Exchange Act, 15 U.S.C. § 78u-1.

2 **V.**

3 Retain jurisdiction of this action in accordance with the principles of equity and
4 the Federal Rules of Civil Procedure in order to implement and carry out the terms of
5 all orders and decrees that may be entered, or to entertain any suitable application or
6 motion for additional relief within the jurisdiction of this Court.

7 **VI.**

8 Grant such other and further relief as this Court may determine to be just and
9 necessary.

10 Dated: December 22, 2014

Respectfully submitted,

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12
13 /s/ John W. Berry

John W. Berry

14 M. Lance Jasper

Attorneys for Plaintiff

15 Securities and Exchange Commission
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