

JUDGE SCHWARTZ

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**UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK**

SECURITIES AND EXCHANGE COMMISSION,	:	
	:	
Plaintiff,	:	
	:	
v.	:	
	:	
	:	<u>COMPLAINT</u>
ANINDYA N. BAKRIE,	:	
	:	
Defendant.	:	

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

NATURE OF THE ACTION

1. This is a case of insider trading by a former employee of an investment banking firm engaged to advise a public company in connection with a merger transaction. The defendant, Anindya N. Bakrie ("Bakrie"), an Indonesian national residing at all relevant times in New York City, was a junior analyst in the Global Power Group of Salomon Smith Barney Inc. ("Salomon"), an investment banking firm headquartered in New York City. On September 5, 1997, Bakrie asked his friend, Roy Handojo

(“Handojo”), to purchase common stock of Washington Gas Light Company (“Washington Gas”) on Bakrie’s behalf, promising to share any resulting profits with Handoyo; Washington Gas’ common stock is traded on the New York and Philadelphia Stock Exchanges. At the time, Washington Gas was engaged in confidential merger negotiations with a potential acquirer, Consolidated Natural Gas Company (“Consolidated”), for which Salomon, including its Global Power Group, was serving as investment banker. On September 5, 1997, Handoyo purchased 25,000 shares of Washington Gas common stock for a total investment of \$650,000. In the days prior to September 5, Bakrie had learned through Salomon that a merger announcement was imminent. Bakrie had also performed limited work on the transaction for Salomon in August 1997.

2. On September 7, 1997, Bakrie learned through Salomon that the merger was no longer likely. Immediately thereafter, Bakrie told Handoyo that he had changed his mind about purchasing Washington Gas stock. Over the next two days, September 8 and 9, 1997, Handoyo sold all of the Washington Gas stock, incurring a \$13,869 loss. By trading through Handoyo and by not disclosing the Washington Gas trades to Salomon, contrary to the terms of his employment, Bakrie evaded Salomon’s detection.

3. On September 12, 1997, the Commission filed an emergency civil action against Handoyo in the United States District Court for the Southern District of New York concerning unrelated allegations of insider trading (SEC v. Handoyo, 97 Civ. 6805 (LAP)). That same day, the U.S. Attorney’s Office for the Southern District of New York arrested Handoyo for the same conduct alleged in the Commission’s complaint in SEC v. Handoyo.

Within a week after Handojo's arrest, Bakrie abruptly returned to Indonesia to work for the Bakrie Group and resigned from Salomon. On November 6, 1997, Handojo pleaded guilty to a one-count information of securities fraud for the same insider trading alleged against him in the Commission's amended complaint in SEC v. Handojo.

JURISDICTION

4. This Court has jurisdiction over this action pursuant to Sections 21(d)(3), 21(e), and 27 of the Securities Exchange Act of 1934 (the "Exchange Act") [15 U.S.C. §§ 78u(d)(3), 78u(e), and 78aa].

THE DEFENDANT

5. Defendant ANINDYA N. BAKRIE, age 23, is an Indonesian citizen currently residing in Jakarta, Indonesia. At all relevant times, Bakrie was employed as a junior financial analyst in the Global Power Group at Salomon in New York, New York.

CLAIM FOR RELIEF

Violations of Exchange Act Section 10(b) and Rule 10b-5 Promulgated Thereunder

6. Paragraphs 1 through 5 are realleged and incorporated herein by reference.

A. Bakrie's Employment at Salomon

7. In the summer of 1995, Bakrie worked as an intern at Salomon's Hong Kong office. From September 1996 to September 12, 1997, he worked as a financial analyst in the Global Power Group of Salomon's New York office. By agreement with Salomon, Bakrie was to transfer to Salomon's Hong Kong office effective September 25, 1997, to continue working as an analyst. Four days after Handojo's arrest on September 12, 1997, Bakrie suddenly returned to Indonesia to work for the Bakrie Group, an

Indonesian conglomerate engaged in the business of, among other things, raising capital in the international markets and providing financial advisory services. By letters dated September 19 and September 23, 1997, Bakrie resigned from Salomon effective September 19, 1997.

8. Bakrie knew that Salomon's policies prohibited securities trading by its employees while in possession of material, nonpublic information concerning Salomon's clients. In June 1995 and June 1996, Bakrie acknowledged, in writing, Salomon's policy that proscribed the use of confidential client information for trading by or for Salomon's employees. In April and June 1997, only months before his Washington Gas purchases, Bakrie signed an acknowledgment of receipt of Salomon's "Manual of Firm-Wide Compliance Policies and Procedures." Policies contained in the manual explicitly: (i) prohibited employees from using confidential client information to trade in securities; (ii) explained proscriptions against insider trading under the federal securities laws; and (iii) prohibited employees who possess material, nonpublic information from trading, selling, or making recommendations with respect to the affected securities. The policies also required that employees pre-clear their securities trades through Salomon's compliance department and only trade through brokerage firms designated by Salomon.

9. Bakrie opened an individual brokerage account at a Salomon-designated firm in September 1996. During the following year, the account was lightly traded and had an average monthly value of \$32,000. Bakrie liquidated the account in late September 1997 after he resigned from Salomon.

10. Bakrie and the other analysts in the Global Power Group at Salomon's New York office sat next to each other in contiguous cubicles. This close proximity created the opportunity for the analysts to observe documents on each other's desks and overhear telephone or other conversations that occurred in their cubicles. In addition, Bakrie shared the same secretary as a senior analyst ("Senior Analyst"), who was a member of Salomon's team for the Consolidated-Washington Gas negotiations.

B. The Merger Negotiations

11. The merger negotiations between Consolidated and Washington Gas began in early 1997 and ended in October 1997. The parties signed a confidentiality agreement in February 1997, at which time Consolidated hired Salomon. In July 1997, the companies' chairmen reached a handshake agreement on an acceptable exchange ratio, subject to further definition of certain conditions. From July through August 1997, the companies completed their due diligence, and the companies' outside attorneys prepared a draft merger agreement. Negotiations over management structure and technology issues continued into September 1997. The parties reached an impasse in October 1997, and Consolidated withdrew its offer.

12. Throughout the period of negotiations, Salomon advised Consolidated on valuation and other economic issues. Salomon gave presentations and updates to Consolidated's Board of Directors on at least three occasions, the last of which occurred on Saturday, September 6, 1997.

C. Bakrie's Knowledge of the Merger Negotiations

13. In late August 1997, the Senior Analyst had Bakrie perform updates of financial information on companies comparable to Washington Gas and Consolidated. The assignment lasted approximately two days. In connection with the assignment, the Senior Analyst informed Bakrie of the ongoing merger negotiations, and identified the companies' names and Salomon's code name for the project. Bakrie, however, was not part of the Consolidated deal team.

14. By early September 1997, the merger negotiations had reached a critical stage and the transaction was close to completion. On Saturday, September 6, 1997, two senior members of Salomon's team, with assistance from the Senior Analyst, made a presentation about the merger to Consolidated's Board of Directors in Pittsburgh. In the days prior to the meeting, Bakrie learned that a potential merger announcement was imminent because, among other circumstances: (i) the Senior Analyst was working around the clock on Salomon's presentation materials for the meeting; (ii) the meeting was scheduled for Saturday, which was an unusual circumstance suggesting an important event; (iii) the analysts in the Global Power Group knew that the Senior Analyst was working on the presentation for the meeting; (iv) the Senior Analyst had telephone discussions at his cubicle with the Salomon team members and Consolidated representatives about the meeting; and (v) for the first time since the negotiations began, the Senior Analyst had a copy of a preliminary agreement for the merger on his desk.

15. Consolidated's Board reached no decision with respect to final terms of the merger at the September 6 meeting. As a result of the meeting, the Salomon team was

more guarded in its optimism about a possible merger. The day after the meeting, Sunday, September 7, 1997, Bakrie learned that a merger was unlikely. On September 7, Bakrie was working at Salomon's office at the same time as the Senior Analyst. However, the Senior Analyst was no longer working the fast-paced schedule that would be expected if an announcement was imminent.

D. Bakrie's Trading in Washington Gas Securities Through Handojo

16. In the two days prior to September 5, 1997, Bakrie and Handojo exchanged phone messages of less than one minute. Then, at 12:55 p.m. on Friday, September 5, Handojo placed a thirteen-minute call to Bakrie. During the call, Bakrie asked Handojo to purchase Washington Gas stock for him and said he would reimburse Handojo for the purchase price and share in any profits. Also during the call, Handojo telephoned his broker and began selling the existing holdings in his brokerage account with Charles Schwab & Co., Inc. Immediately after the call to Bakrie ended, Handojo began placing orders to purchase Washington Gas stock in his Schwab account. He continued placing orders through the afternoon, acquiring a total of 25,000 shares of Washington Gas common stock for a total investment of \$650,725.

17. In the early afternoon on Sunday, September 7, 1997, shortly after he learned that the merger was no longer imminent, Bakrie placed two brief calls to Handojo's work and home phones, failing to reach Handojo. Later that afternoon, Handojo placed an eight-minute call to Bakrie. During the call, Bakrie said he had changed his mind about the Washington Gas stock and that he did not have the money to reimburse Handojo for the purchases. Handojo told Bakrie that he would sell the stock.

On Monday and Tuesday, September 8 and 9, 1997, Handojo sold all the Washington Gas shares, incurring a \$13,869 loss.

18. On Wednesday, September 10, 1997, upon returning from a four-day vacation, Handojo found a one-page letter from Bakrie with a \$500 check attached; the check was dated Monday, September 8, 1997. The letter states:

Roy, I am sorry for the unmaterialized gain that we had this past weekend. I hope that you could get back to your previous position without incurring too much loss in trading fees. I included some amount to at least cover the trading fees that you did on my behalf. Please let me know if I caused you more damage than I thought I did. Please call me whenever you have a chance. Your Friend, Anin Bakrie

19. On the evening of Friday, September 12, 1997, the day Handojo was arrested, Handojo briefly called Bakrie and told him that he had been arrested and charged with insider trading. Bakrie and several friends then went to Handojo's apartment.

20. Prior to September 16, 1997, Handojo called Bakrie several times in an attempt to raise bail money. During one of the calls, Bakrie asked Handojo where he had left the letter and the \$500 check. Handojo said that they were on his desk at J.P. Morgan when he was arrested. Bakrie responded, "Shoot."

21. On September 16, 1997, Bakrie abruptly returned to Indonesia.

22. By reason of the foregoing, defendant Bakrie, directly and indirectly, violated Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5], and is likely to commit such violations in the future unless enjoined from doing so.

PRAYER FOR RELIEF

WHEREFORE, Plaintiff Commission respectfully requests that this Court enter a judgment:

1. permanently enjoining the defendant from violating Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5];
2. ordering defendant to pay civil penalties under Section 21(d)(3) of the Exchange Act [15 U.S.C. § 78u(d)(3)]; and
3. granting such further relief as this Court may deem just and appropriate.

Dated: August 4, 1998

Respectfully submitted,



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