

JUDGE PRESKA

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97 CIV. 6805

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

SECURITIES AND EXCHANGE COMMISSION,	:	
	:	
Plaintiff,	:	
	:	
v.	:	97 Civ. _____
	:	
	:	<u>COMPLAINT</u>
ROY HANDOJO,	:	
	:	
Defendant.	:	

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

NATURE OF THE ACTION

1. This is a flagrant case of insider trading by the employee of an investment banking firm engaged to advise public companies in connection with merger and acquisition transactions. The defendant, Roy Handojo ("Handojo"), an Indonesian national residing in New York City, is a visiting analyst in the bank group of J.P. Morgan & Co., Inc. ("J.P. Morgan"), an investment banking firm headquartered in New York City. In July and August of this year, the defendant purchased securities in four public

companies then engaged in confidential merger negotiations in which the bank group at J.P. Morgan was participating as an adviser. In each case, defendant Handojo purchased securities while in possession of material, nonpublic information concerning the impending announcements of the companies' transactions. In each case, the companies publicly announced merger transactions less than a week after the defendant's purchases. Handojo profited at least \$363,189 on his combined trades in these companies.

2. Defendant Handojo purchased 6,209 shares of the common stock of Signet Banking Corp. ("Signet"), a J.P. Morgan client, on July 17-18, 1997, for a total investment exceeding \$230,000. On July 21, Signet publicly announced a definitive agreement to be acquired by First Union Corporation. On July 22, Signet stock closed at \$50.18 per share, up \$13.49 from the prior day's closing price of \$36.69. When the defendant sold his entire position on August 20, he reaped nearly \$90,000 in profits on his Signet trades.

3. On August 20 and 22, 1997, the defendant purchased a total of 12,500 shares of the common stock of ACC Consumer Financial Corp. ("ACC") for a total investment exceeding \$203,000. On August 25, ACC announced that it had agreed to be acquired by Household International ("Household"), a J.P. Morgan client. On the day of the announcement, ACC's stock price surged 34 percent, closing at \$21.13 on August 25, up \$5.38 from the previous day's closing price of \$15.75. Following the announcement, the defendant sold his entire position in ACC stock for a nearly \$60,000 profit.

4. Defendant Handojo opened an options trading account on August 25, 1997, and over the following three days, purchased 280 call options in Barnett Banks, Inc.

4. Defendant Handojo opened an options trading account on August 25, 1997, and over the following three days, purchased 280 call options in Barnett Banks, Inc. ("Barnett") and 80 call options in NationsBank Corporation ("NationsBank") for an aggregate investment of more than \$68,000. On August 27, he also purchased 500 shares each of Barnett and NationsBank common stock. All of these call options were "out of the money," meaning they were exercisable at strike prices exceeding the then market value of the companies' stock. On August 29, the two companies publicly announced a definitive agreement to merge Barnett, a J.P. Morgan client, into NationsBank. On the day after the announcement, Barnett's stock soared to \$68.13, up \$13.32 from the previous day's closing price of \$54.81. On September 2 and 5, the defendant sold all of his accumulated Barnett and NationsBank shares and call options, profiting \$207,329 on the Barnett options and approximately \$7,000 on the Barnett shares.

JURISDICTION AND VENUE

5. This Court has jurisdiction over this action pursuant to Sections 21(e), 21A and 27 of the Securities Exchange Act of 1934 (the "Exchange Act") [15 U.S.C. §§ 78u(e), 78u-1 and 78aa].

6. This Court properly has venue over this action because the defendant Handojo currently resides in the Southern District of New York. Moreover, each of the securities transactions at issue herein was executed through trading accounts serviced by a Charles Schwab & Co., Inc. ("Schwab") office located in the Southern District of New York.

THE DEFENDANT

7. Defendant ROY HANDOJO (“Handojo”), age 25, is an Indonesian citizen currently residing in New York, New York. Handojo is employed as a visiting analyst in the J.P. Morgan bank group in New York, New York. Handojo, whose family lives in Indonesia, intends to leave the country for Asia.

RELEVANT ENTITIES

8. Signet is a bank holding company headquartered in Richmond, Virginia. Signet’s stock is traded on the New York Stock Exchange.

9. First Union is a bank holding company headquartered in Charlotte, North Carolina. First Union’s stock is traded on the New York Stock Exchange.

10. ACC is a San Diego, California-based specialty lender to the automotive industry. ACC’s stock is traded on NASDAQ.

11. Household, headquartered in Prospect Heights, Illinois, is a provider of consumer finance and credit-card products. Household’s stock is traded on the New York Stock Exchange.

12. Barnett is a bank holding company headquartered in Jacksonville, Florida. Barnett’s common stock is traded on the New York Stock Exchange.

13. NationsBank is a bank holding company headquartered in Charlotte, North Carolina. NationsBank’s common stock is traded on the New York Stock Exchange.

CLAIM FOR RELIEF

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

14. Paragraphs 1 through 13 are realleged and incorporated herein by reference.

15. In or about June 1996, Handojo became employed by the Hong Kong office of J.P. Morgan. In or about October 1996, Handojo was transferred to the New York City office of J.P. Morgan where he participated in a trainee program through the end of that year. In or about January of this year, Handojo became a visiting analyst in J.P. Morgan's bank group in New York. His current position is for a nine-month rotation that ends this month. Handojo plans to leave J.P. Morgan's New York office later this month for Singapore. He intends to commence work based in the firm's Hong Kong office effective November 1, 1997. Handojo currently works out of a cubicle in a work area he shares with numerous other employees of the J.P. Morgan bank group.

16. When Handojo initially was hired by J.P. Morgan, he was given a copy of the firm's "Worldwide Rules: General Standards of Conduct," which sets forth employee rules of conduct in a variety of areas, including personal investing. At that time, defendant signed a form acknowledging receipt of the rules. The rules require J.P. Morgan employees to preclear all personal securities transactions with their local compliance officers. The rules also prohibit employees from all options transactions unless for bona fide hedging purposes. In addition, the J.P. Morgan rules and certain training materials

distributed to Handojo by the firm warn employees against the misuse of material, nonpublic information learned in the course of client representation.

17. During July and August 1997, the bank group at J.P. Morgan acted as an adviser to Signet, Household and Barnett in connection with confidential acquisition negotiations involving each of the three companies. In the course of those engagements, J.P. Morgan and certain of its bank group employees gained access to material, nonpublic information concerning these negotiations, including the identities of its clients' prospective merger partners and the likely terms and timing of the transactions. Although Handojo was not assigned to work for any of these clients during this period, his position in the bank group put him in proximity to other employees who possessed material, nonpublic information concerning the clients' impending transactions, and afforded him the opportunity to access such information.

18. On June 25, 1997, defendant Handojo opened an equity trading account at Schwab into which he initially deposited \$19,999, drawn on his personal checking account at Citibank, N.A. ("Citibank"). His Schwab account application indicated "none" under both "investment experience" and "investment knowledge."

The Signet/First Union Acquisition

19. On July 21, 1997, Signet and First Union publicly announced that they had signed a definitive merger agreement pursuant to which Signet would be merged into First Union, thereby creating the largest banking company in Virginia, based on combined deposits of approximately \$20 billion. Under the terms of the agreement, First Union, the country's sixth largest bank holding company, would exchange 0.55 shares of its common

stock for each share of Signet common stock. J.P. Morgan's bank group acted as an adviser to Signet in the transaction. On the day of the announcement, the price of Signet's common stock climbed to \$50.18 per share, a nearly 37% increase over the prior day's closing price of \$36.69.

20. On July 17, 1997 -- four days before the merger announcement -- Handojo purchased in his Schwab account 879 shares of Signet common stock at \$38.25 per share. The next day, July 18, he purchased an additional 5,360 shares of Signet common stock at prices ranging from \$36.75 to \$36.8125 per share. The defendant paid a total consideration of \$230,367 for these purchases. Also on July 18, defendant Handojo deposited \$100,000 into his Schwab account in the form of a check drawn on his personal Citibank account. On August 20, 1997, Handojo sold his entire position of 6,209 Signet shares at \$51.6250, garnering a profit of \$89,654 on the trades.

21. Handojo, in breach of the duty arising out of his relationship of trust and confidence with J.P. Morgan and its client, Signet, misappropriated from J.P. Morgan and Signet material, nonpublic information concerning Signet's intention to enter into a merger with First Union. While in possession of such material, nonpublic information, Handojo purchased the Signet common stock described above. At the time he made those purchases, Handojo knew, should have known or recklessly disregarded the fact that the information he possessed concerning First Union's acquisition of Signet was material and nonpublic.

ACC/Household Acquisition

22. On August 25, 1997, ACC publicly announced that it had entered into a definitive agreement to be acquired by Household. Under the terms of the agreement, ACC shareholders would be entitled to receive consideration equal to \$22 per share of ACC common stock; the consideration to include not less than \$2 nor more than \$4 in cash, with the remainder paid in Household common stock. J.P. Morgan's bank group acted as an adviser to Household in the transaction. On news of the acquisition agreement, ACC's common stock closed at \$21.13 on August 25, up \$5.38 from the prior day's closing of \$15.75.

23. On August 20, 1997 -- five days before the announcement -- defendant Handojo purchased 6,000 shares of ACC common stock in his Schwab account at \$16.375 per share. On August 22, he purchased an additional 6,500 shares of ACC common at \$16.125 per share. The defendant paid a total consideration of \$203,766 for those purchases. On August 25, following the public announcement, Handojo sold 6,500 ACC shares at \$21.125. Two days later, on the 27th, he sold his remaining 6,000 ACC shares at \$21 per share. Handojo garnered \$59,176 in total profits on his ACC trades.

24. Handojo, in breach of the duty arising out of his relationship of trust and confidence with J.P. Morgan and its client, Household, misappropriated from J.P. Morgan and Household material, nonpublic information concerning Household's intention to enter into a merger with ACC. While in possession of such material, nonpublic information, Handojo purchased the ACC common stock described above. At the time he made those purchases, Handojo knew, should have known or recklessly disregarded the fact that the

information he possessed concerning Household's acquisition of ACC was material and nonpublic.

Barnett/NationsBank Acquisition

25. On August 29, 1997, Barnett and NationsBank publicly announced a definitive agreement for NationsBank's acquisition of Barnett. Under the terms of the agreement, NationsBank would pay a fixed exchange ratio of 1.1875 shares of its stock for each share of Barnett stock. J.P. Morgan acted as an adviser to Barnett in the transaction. The price of Barnett common stock rose to \$68.13 at closing on August 29, up \$13.32 from the prior day's closing of \$54.81.

26. On August 25, 1997 -- four days before the Barnett/NationsBank deal was announced-- defendant Handojo opened an options trading account at Schwab. In contrast to his June 25, 1997, brokerage account application, which indicated he had no investment experience or knowledge, Handojo's options account application indicated he had an "extensive" knowledge level of both stocks and options.

27. On August 26, 1997, the day after he opened his Schwab options account, Handojo purchased 50 Barnett January 60 call options at \$1.25. On August 27, he purchased 100 Barnett October 55 call options at \$1.50 and 50 NationsBank November 70 call options at \$1.50. Also on August 27, Handojo purchased 500 shares of Barnett common stock at \$52.50 per share for a total consideration of \$26,250, and 500 shares of NationsBank common stock at \$64.0625 per share for a total consideration of \$32,031.25.

28. On August 28 -- the day before the public announcement -- Handojo placed several limit orders for purchases of Barnett and NationsBank calls in his Schwab options account. As a result of those limit orders, Handojo purchased 60 Barnett October 55 call options at prices ranging from \$1.8125 to \$4.1250, and 70 Barnett January 60 call options at prices ranging from \$1.3125 to \$2.00. Also on August 28, Handojo purchased 30 NationsBank November 70 call options at \$1.3125. The total consideration for Handojo's combined purchases of Barnett call options on August 26 through 28 was \$56,517, and the total consideration for his combined purchases of NationsBank call options was \$11,651. All of the call options purchased by Handojo were "out of the money"; that is, they were exercisable at strike prices exceeding the then market value of the companies' common stock. Moreover, Handojo's purchases of the call options violated J.P. Morgan's rules prohibiting employees from investing in options except for bona fide hedging purposes.

29. On September 2, 1997, Handojo sold his 500 shares of Barnett common stock at \$66.88 per share, realizing a profit of \$7,030. On September 5, he sold his entire position of 280 Barnett call options at prices ranging from \$7.75 to \$10.88, for total proceeds of \$263,846. Handojo realized \$207,329 in profits from his sale of Barnett call options.

30. Each Barnett October 55 call option gives the holder the right to buy 100 shares of Barnett common stock at \$55 per share, expiring on October 18, 1997. Each Barnett January 60 call option gives the holder the right to buy 100 shares of Barnett common stock at \$60 per share, expiring on January 17, 1998. Each NationsBank

November 70 call option gives the holder the right to buy 100 shares of NationsBank common stock at \$70 per share, expiring on November 22, 1997. If Handojo had exercised his Barnett call options and sold the underlying shares of common stock, he could have gained profits of approximately \$307,500, about \$100,000 more than he profited by selling the call option contracts themselves.

31. Handojo, in breach of the duty arising out of his relationship of trust and confidence with J.P. Morgan and its client, NationsBank, misappropriated from J.P. Morgan and NationsBank material, nonpublic information concerning NationsBank's intention to enter into a merger with Barnett. While in possession of such material, nonpublic information, Handojo purchased the Barnett and NationsBank call options and common stock described above. At the time he made those purchases, Handojo knew, should have known or recklessly disregarded the fact that the information he possessed concerning NationsBank's acquisition of Barnett was material and nonpublic.

32. Contrary to J.P. Morgan's employee rules, a copy of which Handojo acknowledged receiving, Handojo did not seek preclearance from the firm's compliance office for any of his trades in Signet, ACC, Barnett or NationsBank. In addition, during a routine compliance follow-up by the firm in August of this year, Handojo falsely denied having any brokerage accounts.

33. On August 21, 1997, at Handojo's direction, Schwab transferred \$105,000 of his proceeds from the Signet trades to his personal Citibank account. On August 29, 1997, also at Handojo's direction, Schwab transferred \$20,000 from defendant's account in the form of a check made payable to him. Yesterday, September 11, 1997, defendant

withdrew an additional \$15,000 from his Schwab account via a wire transfer to his Citibank personal account. As of the close of business on Thursday, September 11, 1997, defendant's Schwab account contained \$500 in cash and a portfolio of securities valued at approximately \$658,000. The securities currently held in Handojo's Schwab account were purchased using proceeds from his sales of Signet, ACC and Barnett securities.

34. By reason of the foregoing, defendant Handojo, 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 the defendant to disgorge all profits realized from the unlawful trading alleged herein, with prejudgment interest;

3. ordering defendant to pay civil penalties under Section 21A of the Exchange Act [15 U.S.C. § 78u-1]; and
4. granting such further relief as this Court may deem just and appropriate.

Dated: September 12, 1997

Respectfully submitted,



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