

UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF NEW YORK

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<b>UNITED STATES SECURITIES AND EXCHANGE COMMISSION</b>	:	
	:	
<b>Plaintiff,</b>	:	
	:	
<b>vs.</b>	:	<b>Civil Action No. 18-cv-7130</b>
	:	
<b>DOROTHY ZARSKY,</b>	:	
	:	
<b>Defendant.</b>	:	
	:	

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**COMPLAINT**

Plaintiff United States Securities and Exchange Commission (the “Commission”), for its Complaint against Defendant Dorothy Zarsky, alleges as follows:

**SUMMARY**

1. In June 2017, Dorothy Zarsky engaged in illegal insider trading. On June 22, 2017, Christopher Collins, then a director of Innate Immunotherapeutics, Ltd. (“Innate”) received highly confidential and material information about negative clinical trial results for a drug being developed by Innate. Christopher Collins tipped that information to his son, Cameron Collins. Cameron Collins immediately tipped his then girlfriend and now fiancée, who owned Innate stock. Cameron Collins and his girlfriend then tipped Cameron Collins’s girlfriend’s mother, Dorothy Zarsky, who also owned Innate stock. On June 22, 2017, based on this tip, Dorothy Zarsky sold 30,250 of her 50,000 shares of Innate, and on the morning of June 23, 2017, she sold the remaining 19,750 shares of Innate based on the same material nonpublic information. Innate announced the news about the clinical trial failure to the public on the

evening of June 26, 2017. The next trading day, Innate's share price dropped 92% to \$0.0351 from the previous day's close of \$0.45. By selling her Innate shares before the announcement of the negative drug trial results, Dorothy Zarsky avoided losses of \$22,600.

2. By engaging in the conduct described in this Complaint, Dorothy Zarsky violated, and unless restrained and enjoined will violate again, 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 and Section 17(a)(1) of the Securities Act of 1933 ("Securities Act") [*15 U.S.C. § 77q(a)(1)*].

### **NATURE OF PROCEEDING AND RELIEF SOUGHT**

3. The Commission brings this action against Dorothy Zarsky pursuant to Section 21A of the Exchange Act [*15 U.S.C. § 78u-1*] and Section 20(b) of the Securities Act [*15 U.S.C. § 77t(b)*] to enjoin the transactions, acts, practices, and courses of business alleged in this Complaint and to seek orders of disgorgement, along with prejudgment interest, civil penalties, and such further relief that the Court may deem appropriate.

### **JURISDICTION AND VENUE**

4. This Court has jurisdiction over this action pursuant to Sections 20(b) and 22(a) of the Securities Act [*15 U.S.C. §§ 77t(b) and 77v(a)*], and Sections 21(d), 21(e), 21A, and 27 of the Exchange Act [*15 U.S.C. §§ 78u(d), 78u(e), 78u-1, and 78aa*].

5. Venue in this district is proper under Section 22(a) of the Securities Act [*15 U.S.C. § 77v(a)*], and Section 27 of the Exchange Act [*15 U.S.C. § 78aa*]. Certain of the sales of securities and acts, practices, transactions, and courses of business constituting the violations alleged in this Complaint occurred within the Southern District of New York, and were effected, directly or indirectly, by making use of the means, instruments or instrumentalities of

transportation or communication in interstate commerce, or of the mails, or the facilities of national securities exchanges.

#### **DEFENDANT**

6. **Defendant Dorothy Zarsky**, age 64, is a resident of Summit, New Jersey. During the time period relevant to this complaint, Dorothy Zarsky's daughter was the girlfriend of Cameron Collins and shared a residence with him. By selling all of her 50,000 shares of Innate stock before Innate's June 26, 2017, announcement of the clinical trial failure, Dorothy Zarsky avoided losses of \$22,700.

#### **RELEVANT ENTITY**

7. **Innate Immunotherapeutics, Ltd. ("Innate")** is a biotechnology company headquartered in Sydney, Australia that developed a drug, MIS416, intended to treat multiple sclerosis. At that time, the company's securities publicly traded in the United States as a penny stock on the OTC Pink market under the ticker symbol INNMF and also traded on the Australian Stock Exchange (the "ASX").

#### **FACTS**

8. As of June 22, 2017, and throughout the period relevant to this complaint, Christopher Collins was a member of Innate's board of directors and thus owed a duty to Innate's shareholders to safeguard material nonpublic information that belonged to the company.

9. In 2014, Innate began a clinical trial to test the efficacy of MIS416, a drug that the company was developing for the treatment of multiple sclerosis. In April 2017, Innate announced that the last patient had completed the clinical portion of the trial and that the final results would be available in August or September of 2017. Innate further noted that it might receive and release the high-level, preliminary conclusions, referred to as the "top-line" results,

sooner.

10. Dorothy Zarsky had invested in Innate in September 2016, buying 50,000 shares.

11. On the evening of June 22, 2017, Christopher Collins and other members of Innate's board of directors were informed that the top-line results of the clinical trial of MIS416 were negative. This information was material and nonpublic.

12. Shortly thereafter, Christopher Collins reached Cameron Collins on the telephone, and the two spoke for several minutes. During this call, Christopher Collins tipped Cameron Collins with material nonpublic information about the negative drug trial results. At the time of the phone call with his father, Cameron Collins was with his girlfriend, Dorothy Zarsky's daughter, at the home he and his girlfriend shared.

13. Later that evening, Cameron Collins and his girlfriend drove to Dorothy Zarsky's home and tipped Dorothy Zarsky with material nonpublic information concerning the clinical trial failure.

14. That night, Dorothy Zarsky placed an order to sell all of her Innate shares in the Australian market, which was open at the time. Ultimately, she received a partial fill of this order and was able to sell 30,250 of the 50,000 shares that she owned on the Australian market.

15. Early the next morning, on June 23, 2017, after the U.S. OTC market opened, Dorothy Zarsky sold her remaining 19,750 shares of Innate stock. Dorothy Zarsky's sales of Innate were made on the basis of material nonpublic information.

16. On the evening of June 26, 2017, Innate publicly announced the negative results of the MIS416 clinical trial. The next day Innate's share price on the U.S. OTC market dropped 92% closing at \$0.0351, as compared to the previous day's close of \$0.45.

17. By selling her Innate shares before the company announced the negative results of

the MIS416 clinical trials, Dorothy Zarsky avoided losses of \$22,600.

18. Dorothy Zarsky was aware that Cameron Collin's father, Christopher Collins, was an Innate insider and thus had access to material nonpublic information about the company. Dorothy Zarsky knew or was reckless in not knowing that the information that Cameron Collins and her daughter tipped to her about Innate's negative trial results was material and nonpublic. When Dorothy Zarsky sold her Innate shares based on this information, she knew, should have known, was reckless in not knowing, or consciously avoided knowing that the information had been conveyed in breach of a fiduciary duty or similar obligation arising from a relationship of trust or confidence in exchange for a personal benefit.

### **FIRST CLAIM FOR RELIEF**

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

19. The Commission re-alleges and incorporates by reference each and every allegation in paragraphs 1 through 18, inclusive, as if fully set forth herein.

20. Defendant Dorothy Zarsky, with scienter, by use of the means or instrumentalities of interstate commerce or of the mails, in connection with the purchase or sale of securities, directly or indirectly:

- (a) employed devices, schemes, or artifices to defraud;
- (b) made untrue statements of material fact or omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; and/or
- (c) engaged in acts, practices or courses of business which operated or would operate as a fraud or deceit upon any person.

By reason of the actions alleged herein, Defendant Dorothy Zarsky 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 unless restrained and enjoined will continue to do so.

**SECOND CLAIM FOR RELIEF**

**Violations of Section 17(a)(1)**

21. The Commission re-alleges and incorporates by reference each and every allegation in paragraphs 1 through 18, inclusive, as if fully set forth herein.

22. Defendant Dorothy Zarsky, by use of the means or instrumentalities of interstate commerce or of the mails, in the offer or sale of securities, directly or indirectly, with scienter, employed devices, schemes, or artifices to defraud.

23. By reason of the actions alleged herein, Defendant Dorothy Zarsky violated Section 17(a)(1) of the Securities Act [*15 U.S.C. § 77q(a)(1)*] and unless restrained and enjoined will continue to do so.

**PRAYER FOR RELIEF**

WHEREFORE, the Commission respectfully requests that the Court enter a Final Judgment:

**I.**

Finding that Defendant Dorothy Zarsky violated the provisions of the federal securities laws as alleged herein;

**II.**

Permanently restraining and enjoining Defendant Dorothy Zarsky from, directly or indirectly, engaging in conduct in violation of 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 Section 17(a)(1) of the Securities Act [*15 U.S.C. § 77q(a)(1)*];

**III.**

Ordering Defendant Dorothy Zarsky to disgorge, with prejudgment interest, all illicit trading profits, avoided losses, or other ill-gotten gains that she received as a result of the actions alleged herein;

**IV.**

Ordering Defendant Dorothy Zarsky to pay civil penalties pursuant to Section 21A of the Exchange Act [*15 U.S.C. § 78u-1*]; and

**V.**

Granting such other and further relief as this Court may deem just, equitable, or necessary.

Dated: August 8, 2018

Respectfully submitted,

S/ Robert A. Cohen  
Robert A. Cohen  
Joseph G. Sansone  
Cheryl L. Crumpton\*  
Melissa J. Armstrong\*  
William Max Hathaway\*  
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\*Application for admission *pro hac vice* forthcoming

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