

IN THE UNITED STATES DISTRICT COURT  
FOR THE EASTERN DISTRICT OF PENNSYLVANIA

SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

v.

ROBERT HUNTER, EDWARD R. DUDLIK, JR.,  
THOMAS F. GOLDMAN, W. KENNETH GREENWOOD,  
JOSEPH MCKEON, KATHY NAUMANN,  
BENJAMIN PAUL, THOMAS B. PILEGGI,  
JOHN ROSE, JOHN ROSE, JR.,  
RAYMOND F. WHITE,

Defendants,

-and-

H. CONSTANCE NEFF,

Relief Defendant.

CIVIL ACTION  
No. 97-4621  
( J.)

COMPLAINT AND  
JURY DEMAND

**FILED**

**JUL 16 1997**

MICHAEL E. KUNZ, Clerk  
By                      Dep. Clerk

Plaintiff Securities and Exchange Commission for its  
Complaint against defendants Robert Hunter, Edward R. Dudlik,  
Jr., Thomas F. Goldman, W. Kenneth Greenwood, Joseph McKeon,  
Kathy Naumann, Benjamin Paul, Thomas B. Pileggi, John Rose, John  
Rose, Jr. ("Rose Jr."), and Raymond F. White (together, the  
"Defendants"), and against relief defendant H. Constance Neff  
("Relief Defendant"), alleges as follows:

**PRELIMINARY STATEMENT**

1. In November 1993, the Defendants purchased stock in  
Independence Bancorp, Inc. ("INBC") while in possession of  
material, nonpublic information relating to an offer by  
CoreStates Financial Corp. ("CoreStates") to acquire INBC. The  
Defendants and the Relief Defendant earned a total of nearly

*6-20-97  
mud  
7-16-97*

\$750,000 by trading while in possession of material, nonpublic information concerning the CoreStates' offer.

2. Hunter was a director of INBC and of one of its subsidiary banks, Cheltenham Bank ("Cheltenham"), when he learned of the CoreStates proposal. Pileggi and Greenwood were directors of Cheltenham when they learned of the CoreStates proposal. Hunter, Pileggi, and Greenwood breached their fiduciary duties to INBC, Cheltenham, and their shareholders by purchasing INBC stock prior to the public announcement of the merger agreement.

3. Hunter also breached his fiduciary duties by purchasing INBC stock for Relief Defendant Neff and his now-deceased sister, Carol Cook, prior to public disclosure of the CoreStates proposal, and by tipping his friends and relatives about the CoreStates proposal, including Defendants Dudlik, Goldman, McKeon, Naumann, Paul, Rose, Rose Jr., and White.

4. Dudlik, Goldman, McKeon, Naumann, Paul, Rose, Rose Jr., and White, who knew or were reckless in not knowing that the information was disclosed to them in breach of a fiduciary duty, purchased INBC stock before news of the CoreStates proposal became public. Naumann, who knew or was reckless in not knowing that the information was disclosed to her in breach of a fiduciary duty, tipped other relatives of her and Hunter before news of the CoreStates proposal became public.

5. Greenwood also breached his fiduciary duties in January 1993 by selling INBC stock while in possession of material, nonpublic information concerning a negative INBC quarterly

earnings report. Greenwood avoided a loss in the value of his INBC investment by selling his stock before INBC released the earnings report to the public.

6. The Defendants, directly or indirectly, singly or in concert, have engaged and, unless enjoined and restrained, will continue to engage in violations of 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, and, as to Greenwood, violations of Section 17(a) of the Securities Act of 1933 ("Securities Act"). 15 U.S.C. § 77q(a).

#### JURISDICTION AND VENUE

7. The Commission brings this action against the Defendants and the Relief Defendant pursuant to authority conferred upon it by Section 20(b) of the Securities Act, 15 U.S.C. § 77t(b), and Section 21(d) of the Exchange Act, 15 U.S.C. § 78u(d), for the following relief: (i) permanent injunctive relief against the Defendants; and (ii) disgorgement of illegal INBC trading profits, plus prejudgment interest thereon, from the Defendants and Relief Defendant. The Commission also seeks civil penalties against the Defendants pursuant to Section 21A of the Exchange Act, also known as the Insider Trading and Securities Fraud Enforcement Act of 1988 ("ITSFEA"), 15 U.S.C. § 78u-1, and an order barring Hunter from serving as an officer or director of a public company pursuant to Section 21(d)(2) of the Exchange Act, 15 U.S.C. § 78u(d)(2).

8. This Court has jurisdiction over this action pursuant

to Sections 21(d), 21A(a), and 27 of the Exchange Act, 15 U.S.C. §§ 78u(d), 78u-1, 78aa, and Section 22(a) of the Securities Act, 15 U.S.C. § 77v.

9. Defendants, directly or indirectly, have made use of the means or instrumentalities of interstate commerce, or of the mails, in connection with the acts, practices and courses of conduct alleged herein. Certain of these acts, practices and courses of conduct have occurred in the Eastern District of Pennsylvania, including, but not limited to, the occurrence of material corporate events, receipt of material, nonpublic information, and placement of orders to purchase securities with brokers or dealers located in the Eastern District of Pennsylvania.

#### THE DEFENDANTS

10. Robert Hunter, age 66, was a director of both INBC and Cheltenham at all relevant times. Hunter is currently incarcerated at the Pennsylvania State Correctional Institution at Dallas. He maintains a residence in Huntingdon Valley, Pa. Hunter is the owner of the North Philadelphia Aviation Center, Inc., which leases the facilities at the North Philadelphia Airport, as well as the owner of Hunter Glass Company and several real estate concerns.

11. Edward R. Dudlik Jr., age 48, resides in Rydal, Pa. He is the owner of Dudlik Construction, Inc. He has known Hunter for over 20 years and occasionally has done construction work for him.

12. **Thomas F. Goldman**, age 55, resides in Newtown, Pa. He is an attorney and occasionally has done legal work for Hunter and his family.

13. **W. Kenneth Greenwood**, age 65, resides in Meadowbrook, Pa. Greenwood, who owned Ken Greenwood, Inc., a furniture business, was a director of Cheltenham at all relevant times.

14. **Joseph McKeon**, age 67, resides in Lafayette Hill, Pa. McKeon is a friend of Hunter and was in the glass business prior to his retirement.

15. **Kathy Naumann**, age 49, is Hunter's niece. She resides in Pottstown, Pa., and owns a paper business.

16. **Benjamin Paul**, age 67, is an attorney and resides in Philadelphia, Pa. He occasionally has done legal work for Hunter.

17. **Thomas Pileggi**, age 52, resides in Dresher, Pa. He was a director of Cheltenham at all relevant times. From 1986 to 1991, he served on the board of INBC. Pileggi owns Thomas Pileggi Associates, a building and real estate development concern.

18. **John Rose**, age 51, resides in Southampton, Pa. He is the president of United Discount Auto Parts, which is located in a building next door to Hunter Glass. Rose has known Hunter, from whom Rose leases the building, for over 30 years.

19. **John Rose, Jr.**, age 28, resides in Warminster, Pa. and is the son of Rose. He is a mechanic and is employed by his father.

20. **Raymond White**, age 72, resides in Philadelphia, Pa. A registered representative at the Bryn Mawr Investment Group, Inc. ("Bryn Mawr"), he has been Hunter's broker for over 25 years.

**RELIEF DEFENDANT**

21. **H. Constance Neff**, age 63, resides in Ivyland, Pa., and is Hunter's former wife. She was unemployed at all relevant times.

**RELEVANT ENTITIES**

22. **INBC**, a Pennsylvania corporation with its headquarters in Perkasio, was a bank holding company prior to June 1994. It had four banking subsidiaries: Cheltenham, Lehigh Valley Bank, Bucks County Bank and Trust Company, and Third National Bank and Trust Company of Scranton, each an independent bank prior to becoming part of INBC. As of November 19, 1993, the date that INBC announced it had reached an agreement of merger with CoreStates, INBC had approximately \$2.6 billion in assets and 12.7 million common shares outstanding. Its stock was traded on the National Association of Securities Dealers Automated Quotations System ("NASDAQ"). On June 27, 1994, INBC merged into CoreStates in a tax free exchange of stock.

23. **CoreStates**, a Pennsylvania corporation, is a bank holding company. At all relevant times, it had approximately \$22.8 billion in assets, and its 117 million shares outstanding traded on the NASDAQ.

24. **Cheltenham**, located in Cheltenham, Pa., was a wholly owned subsidiary bank of INBC. Cheltenham, which was originally

formed as an independent national bank, combined with INBC and Lehigh Valley in 1983 to form a bank holding company.

### FACTS

#### I. INSIDER TRADING IN NOVEMBER 1993

##### **CoreStates' Proposal to Acquire INBC**

25. Before the fall of 1993, INBC responded to informal inquiries regarding possible mergers by stating that the bank wanted to remain independent. As late as September 21, 1993, the INBC board passed a resolution directing management to continue to respond to future expressions of interest by stating that the board wanted to remain independent.

26. On September 27, 1993, John Harding, the chief executive officer of INBC, and Monroe Long, INBC's chairman, met with Terrence Larsen, the chief executive officer of CoreStates. At the meeting, Larsen expressed CoreStates' interest in acquiring INBC and asked Harding and Long to take back to the INBC board a letter outlining the terms of a proposed merger. Harding and Long declined to accept the letter at that time without board authority, but advised Larsen that they would seek the board's approval to do so.

27. At the close of the next INBC board meeting on October 19, 1993, which Hunter attended, Harding apprised the board members of his recent meeting with Larsen and reviewed the business combination structure proposed by CoreStates. The board members advised Harding to pursue merger discussions and told him he could bring back a written proposal for the board's

consideration. The board's willingness to consider a merger proposal was a significant event for INBC because it represented a complete reversal of the board's previously held position that it wanted INBC to remain independent.

28. On October 22, 1993, Harding and Long had another meeting with Larsen. Larsen offered Harding and Long a written acquisition proposal. Harding and Long agreed to take the proposal back to INBC for consideration.

29. On Monday, October 25, 1993, Harding and Long met with INBC's financial and legal advisors to review the CoreStates proposal. They agreed that the proposal should be presented to the full INBC board at its monthly meeting scheduled for November 16, 1993, and that the proposal and the preparations for presenting it to the INBC board should not be publicly disclosed.

#### **The November 1 Meeting Of The Cheltenham Group**

30. Shortly after receiving the CoreStates' proposal, Long told Harry Barbin, who was a member of the boards of both INBC and Cheltenham, that CoreStates had made a merger proposal worthy of the INBC board's consideration.

31. Barbin then scheduled a meeting for November 1, 1993, for a group of directors of Cheltenham, including Hunter, Pileggi, and Greenwood, who had long been interested in acquiring Cheltenham from INBC ("Cheltenham Group"). The purpose of the meeting was to consider the feasibility of making an offer to purchase Cheltenham from INBC. Barbin also asked an attorney to attend the meeting in order to advise the Cheltenham Group.



32. Each of the members of the Cheltenham Group became aware that INBC had received a merger proposal from the calls they received to attend the meeting scheduled for November 1.

33. At the meeting, Barbin, Pileggi, and others presented background information concerning the Cheltenham Group's interest in acquiring Cheltenham as well as INBC's present financial status to the outside attorney. The Cheltenham Group also discussed the possibility that INBC would be acquired and that CoreStates was a potential acquiror of INBC.

34. After their attorney presented several options to the Cheltenham Group as to how they could proceed, the Cheltenham Group decided to retain an investment adviser and to meet again on November 11 to consider their options. The Cheltenham Group knew they had to act quickly to formulate an acquisition plan for Cheltenham prior to the INBC board meeting on November 16, because they anticipated that the INBC board would take action on an acquisition proposal at that time.

#### **INBC Schedules A Special Meeting Of The Board**

35. During the end of October and the beginning of November, representatives of INBC and CoreStates met to discuss potential due diligence.

36. In or about the beginning of November, INBC's management and its advisers decided that they would call a special meeting of the board to present the CoreStates proposal for the board's consideration. The meeting was scheduled to take place the morning of November 16, immediately before the regular

board meeting. Accordingly, on November 10, 1993, Harding mailed letters to all the board members advising them of the special meeting to be held "for directors only." The letter asked that they maintain "confidentiality surrounding the meeting."

37. Also on November 10, 1993, INBC and CoreStates executed a confidentiality agreement.

#### **The November 11 Meeting Of The Cheltenham Group**

38. At the November 11 meeting, Barbin addressed the CoreStates proposal with the members of the Cheltenham Group. Among other things, the Cheltenham Group also concluded that it would not be economically feasible for them to acquire Cheltenham from INBC, and Pileggi stated that he would approach CoreStates to buy Cheltenham if CoreStates was successful in acquiring INBC.

#### **November 16, 1993: The INBC Board Authorized Management To Negotiate A Merger Agreement With CoreStates**

39. At the November 16 special meeting of the INBC board, which Hunter attended, INBC's management presented the CoreStates proposal. The board directed management to commence due diligence and to negotiate with CoreStates with a view to reaching a merger agreement. It appointed a special committee to provide advice and counsel to management in connection with the negotiations with CoreStates.

40. INBC's outside counsel advised the board members that the discussion regarding the CoreStates offer was confidential and that they should not trade INBC stock.

41. On November 16, INBC stock, which had been trading as low as \$26.50 in early November, closed at \$28.50, with a

threefold increase in trading volume (to 154,100 shares) from the day before.

#### **November 17-18: Negotiations To Close The Deal**

42. On November 17 and 18, INBC and CoreStates conducted negotiations concerning price and structure for the transaction, and CoreStates conducted due diligence.

43. At the close of trading on November 17, the price increased to \$31.00 with 516,500 shares traded.

44. During the afternoon of November 18, the National Association of Securities Dealers ("NASD") asked INBC about the unusually high trading volume in INBC stock. In response, INBC issued a press release stating that the bank was engaged in discussions regarding a possible acquisition.

45. The stock closed at \$33.50 on November 18, with 451,100 shares traded.

46. During the evening of November 18, the INBC board held a special meeting to review the terms of a proposed merger agreement. The INBC board, including Hunter, directed management to continue discussions with CoreStates concerning any remaining issues with a view to reaching a definitive agreement.

#### **Insider Trading By Hunter**

47. On November 3, 1993, Hunter, while in possession of at least the material, nonpublic information set forth above, purchased 350 shares of INBC stock at \$27.50 per share in a custodial account at Bryn Mawr that he had established for the daughter of his then-girlfriend (the "Custodial Account").

48. On November 15, Hunter, while in possession of at least the material, nonpublic information set forth above, purchased 20,000 shares of INBC stock at \$27.56 per share in his margin account at Bryn Mawr. This was the first time that Hunter had purchased INBC stock in the open market in almost 3 years.

49. On November 17, Hunter, while in possession of at least the material, nonpublic information set forth above, purchased an additional 20,000 shares of INBC stock at \$30.025 per share in his margin account.

**Hunter Purchased INBC Stock For His Former Wife, Neff**

50. On the morning of November 18, Hunter, while in possession of at least the material, nonpublic information set forth above, opened a margin securities account for Neff with his broker, White, with an initial purchase order for 1,000 shares of INBC stock at \$33.00 per share. The address on Neff's new account form was that of Hunter Glass.

51. On the morning of November 19, Hunter, while in possession of at least the material, nonpublic information set forth above, purchased an additional 10,000 shares of INBC stock for Neff at prices ranging from \$33.50 to \$34.13 per share.

52. Hunter placed the orders in Neff's account for his direct or indirect personal benefit.

53. Hunter paid for Neff's stock by arranging with White to transfer \$115,000 from Hunter's account into Neff's account.

**Hunter Purchased INBC Stock For His Sister, Carol Cook**

54. On the morning of November 18, Hunter, while in

possession of at least the material, nonpublic information set forth above, opened a margin securities account with White for his sister, Carol Cook, with an initial purchase order for 2,000 shares of INBC stock at \$33.00 per share. The address on Cook's new account form was that of Hunter Glass.

55. Hunter placed the order in Cook's account for his direct or indirect personal benefit.

56. Hunter paid for Cook's stock by arranging with White to transfer \$35,000 from Hunter's account into Cook's account.

#### **Insider Trading By Pileggi**

57. On November 3 and 4, Pileggi, while in possession of at least the material, nonpublic information set forth above, purchased a total of 15,000 INBC shares at prices ranging from \$25.75 to \$27.25.

58. On November 17, Pileggi, while in possession of at least the material, nonpublic information set forth above, purchased an additional 20,000 shares of INBC stock at \$29.81 per share.

#### **Insider Trading By Greenwood**

59. On November 8 and 9, Greenwood, while in possession of at least the material, nonpublic information set forth above, purchased a total of 16,700 INBC shares at prices ranging from \$26.00 to \$27.13 per share.

60. On November 17 and the morning of November 18, Greenwood, while in possession of at least the material, nonpublic information set forth above, purchased an additional

3,600 shares at prices ranging from \$30.50 to \$31.00 per share.

#### **Hunter Tipped His Relatives And Friends About INBC**

61. As detailed below, Hunter conveyed material, nonpublic information relating to the CoreStates' proposal to acquire INBC to his relatives and friends, including Dudlik, Goldman, McKeon, Naumann, Paul, Rose, Rose Jr., and White, in breach of Hunter's fiduciary duties.

62. Hunter conveyed the information to Dudlik, Goldman, McKeon, Naumann, Paul, Rose, Rose Jr., and White for his direct or indirect personal benefit.

63. Each of these individuals purchased INBC stock while they knew or were reckless in not knowing that the information was disclosed to them in breach of a fiduciary duty.

#### **Insider Trading By Dudlik**

64. In early to mid-November, Hunter conveyed to Dudlik, who had been doing some paving work for Hunter, material, nonpublic information relating to CoreStates' interest in acquiring INBC.

65. After speaking with Hunter, Dudlik opened a securities account and purchased 6,000 shares of INBC on the morning of November 18 at prices ranging from \$31.25 to \$31.37 per share.

66. Dudlik's investment of \$189,000 in INBC stock amounted to half his liquid net worth.

#### **Insider Trading By Goldman**

67. On the morning of November 17, Hunter conveyed to Goldman material, nonpublic information relating to CoreStates'

interest in acquiring INBC.

68. That day, shortly after speaking with Hunter, Goldman purchased 2,000 shares of INBC at \$30.50 per share.

69. Goldman purchased additional INBC shares on November 19. His purchase of of INBC stock on November 17 and 19 represented the largest investment he had ever made in any one stock.

#### **Insider Trading By McKeon**

70. On November 16, Hunter conveyed to McKeon material, nonpublic information relating to CoreStates' interest in acquiring INBC.

71. That day, shortly after speaking with Hunter, McKeon purchased 400 shares of INBC at \$27.75 per share.

72. After speaking with Hunter again the morning of November 19, during which Hunter confirmed that the merger would take place, McKeon purchased an additional 500 shares of INBC at \$34.75 per share.

#### **Insider Trading By Paul**

73. On November 17, Hunter conveyed to Paul material, nonpublic information relating to CoreStates' interest in acquiring INBC.

74. That day, shortly after speaking with Hunter, Paul purchased 1,000 shares of INBC at \$28.75 per share.

#### **Insider Trading By Rose and Rose Jr.**

75. On or about November 17, Hunter conveyed to Rose and Rose Jr. material, nonpublic information relating to CoreStates'

interest in acquiring INBC.

76. On November 17, Rose purchased 800 shares of INBC at \$30.50 per share, and Rose Jr. purchased 260 shares of INBC at \$30.50.

77. Rose financed his purchase by selling other stock and by borrowing nearly one third of the purchase price from others.

78. Rose Jr. purchased additional shares on November 19. He financed his purchases of INBC stock in November 1993 in part by withdrawing the entire balance in his savings account.

**Insider Trading By White And His Solicitation of Trades From His Clients**

79. During November 1993, White and Hunter communicated several times weekly about the price movement and volume activity of INBC stock. During that time, Hunter conveyed to White material, nonpublic information relating to CoreStates' interest in acquiring INBC.

80. White, while in possession of material, nonpublic information relating to CoreStates' interest in acquiring INBC, purchased a total of 1,600 shares of INBC stock on November 15, 17, and 18 at prices ranging from \$27.25 to \$32.75 per share.

81. White last held INBC stock in 1990. His purchase of INBC stock in November 1993, which was a large investment in stock for him, left him with a negative balance in his securities account.

82. Between November 15 and 18, White also solicited trades for 18 customer accounts and received commissions for executing trades in INBC stock for his clients. He did so for his direct



or indirect personal benefit.

83. In addition, White assisted Hunter and Hunter's relatives in opening new securities accounts and immediately placing orders for the purchase of INBC stock on November 17 and 18 by filling out their new account forms with false information and fictitious entries and by signing their names to the new account forms.

#### **Insider Trading By Naumann**

84. On November 17, Hunter conveyed to Naumann, his niece, material, nonpublic information relating to CoreStates' interest in acquiring INBC. Shortly after speaking with Hunter, Naumann opened a margin account with White and purchased 500 shares of INBC at \$30.50 per share.

85. Naumann's purchase of INBC stock was the first stock she purchased in five years.

86. Naumann also opened an account with White on November 17 for her business partner, and she placed an initial purchase order for 150 shares of INBC stock at \$31.00 per share. Naumann did so for her direct or indirect personal benefit.

#### **Naumann Tipped Her Relatives**

87. Naumann conveyed the material, nonpublic information she received from Hunter about INBC to other members of her and Hunter's family.

88. Naumann conveyed the information for her direct or indirect personal benefit.

#### **Naumann Tipped Her Mother, Dorothy Landis**

89. Dorothy Landis is Naumann's mother and Hunter's sister.

90. On or about November 17, Naumann conveyed to Landis the material, nonpublic information relating to CoreStates' interest in acquiring INBC that Naumann had received from Hunter.

91. That day, shortly after speaking with Naumann, Landis opened an account with White and purchased 400 shares of INBC at \$30.50 per share.

92. Landis' purchase of INBC stock was the first stock she had purchased in over 20 years.

#### **Naumann Tipped Her Cousin, Lenore Myers**

93. Lenore Myers is Naumann's cousin, Cook's daughter, and Hunter's niece.

94. On or about the evening of November 17, Naumann conveyed to Myers the material, nonpublic information relating to CoreStates' interest in acquiring INBC that Naumann had received from Hunter.

95. After speaking with Naumann, Myers opened an account with White on November 18 and purchased 200 shares of INBC at \$33.00 per share.

96. Myers had closed out a brokerage account several years earlier and had not purchased any stock since that time.

#### **November 19: The Public Announcement Of The Merger Agreement**

97. On the morning of November 19, the INBC board authorized the merger between INBC and CoreStates. At 3:47 p.m. INBC and CoreStates publicly announced that they had reached an

agreement of merger.

98. The agreement provided that CoreStates would acquire INBC in a stock swap worth \$40.50 per INBC share, for a total value of approximately \$514 million. INBC's closing stock price on November 19 was \$35.

99. Hunter's profit from his purchases of INBC stock in his personal account as of the close of trading on November 19, when the stock rose after the public dissemination of the merger agreement that had been reached, was \$248,250 on a \$1,151,750 investment. The profit in the Custodial Account as of the close of trading on November 19 was \$2,625 on a \$9,625 investment.

100. The profits from the trades that Hunter placed and financed for Neff and Cook as of the close of trading on November 19 were \$12,252.50 and \$4,000 on investments of \$372,747.50 and \$66,000, respectively.

101. The profits from the purchases of INBC stock by the other defendants as of the close of trading on November 19 were as follows:

a. Pileggi profited by at least \$228,000 on a \$996,200 investment;

b. Greenwood profited by at least \$150,412 on a \$560,087.50 investment;

c. Dudlik profited by at least \$22,000 on a \$189,000 investment;

d. Goldman profited by at least \$9,000 on his \$61,000 investment on November 17;

- e. McKeon profited by at least \$3,035 on a \$28,475 investment;
- f. Paul profited by at least \$6,250 on a \$28,750 investment;
- g. Rose profited by at least \$3,600 on a \$24,400 investment;
- h. Rose Jr. profited by at least \$1,170 on his \$7,930 investment on November 17;
- i. White profited by at least \$7,900 on a \$48,100 investment, his clients profited by \$29,512.50, and White earned commissions on his clients' purchases;
- j. Naumann profited by at least \$2,250 on a \$15,250 investment, and her tippees, Landis and Myers, profited by at least \$1,800 and \$400, respectively. From the trade that Naumann placed for her business partner, the profit amounted to at least \$600.

#### **Hunter Attempts To Cover Up His Illegal Trading And Tipping**

102. On January 19, 1994, the NASD sent a letter to the INBC board enclosing a list of individuals and asking if any of the named individuals had any relationship to INBC or its officers and directors. The names of Hunter, Greenwood, Pileggi, Neff, Cook, Dudlik, Goldman, and Rose and Rose Jr. were included on the list.

103. In response to the NASD's inquiry, Hunter failed to disclose that he knew Dudlik. He also minimized his relationship to Cook by identifying her as his tenant. In fact, Cook was his

sister, not his tenant.

104. At or around this time, Hunter suggested to Rose that Rose should state that the reason Rose bought INBC stock was because of an article Rose had read about the stock, rather than because Hunter had spoken to him about it.

## **II. INSIDER TRADING BY GREENWOOD IN JANUARY 1993**

105. On January 19, 1993, Greenwood attended a Cheltenham board meeting where he learned that INBC, which had anticipated a fourth-quarter gain of 50 cents per share, had suffered a loss of 60 cents per share for the quarter.

106. The information relating to the quarterly earnings loss was material, nonpublic information.

107. Upon learning about the earnings loss, Greenwood sold 95% of his family's holdings in INBC, or 15,000 shares, for \$28 per share.

108. The following day, January 20, after the public announcement of the quarterly loss, INBC stock dropped to \$25 3/4 per share.

109. By selling his stock ahead of the earnings release, Greenwood avoided losses of \$33,750.

### **FIRST CLAIM FOR RELIEF**

**Insider Trading In November 1993  
In Violation Of Section 10(b) Of The Exchange Act,  
15 U.S.C. § 78j(b), And Rule 10b-5, 17 C.F.R. § 240.10b-5**

110. The Commission realleges and incorporates by reference each and every allegation contained in Paragraphs 1 to 109 above.

111. In November 1993, Hunter, Greenwood, and Pileggi,

Dudlik, Goldman, McKeon, Naumann, Paul, Rose, Rose Jr., and White knowingly or recklessly, directly or indirectly, singly or in concert, by use of the means or instrumentalities of interstate commerce, or of the mails, or the facilities of a national securities exchange, in connection with the purchase or sale of securities (i) employed devices, schemes, or artifices to defraud; (ii) made untrue statements of material fact or omitted to state material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; and (iii) engaged in acts, practices, and courses of business which would and did operate as a fraud and deceit upon any person.

112. As part and in furtherance of this violative conduct, Hunter, Greenwood, and Pileggi, in breach of their fiduciary duties to INBC, Cheltenham, and their shareholders, purchased INBC stock while in possession of material, nonpublic information about INBC.

113. As part and in furtherance of this violative conduct, Hunter, for his direct or indirect benefit, in breach of his fiduciary duties, purchased INBC stock in the Custodial Account and purchased INBC stock for Neff and Cook.

114. As part and in furtherance of this violative conduct, Hunter, for his direct or indirect benefit, in breach of his fiduciary duties, knowingly or recklessly communicated material, nonpublic information about INBC to Dudlik, Goldman, McKeon, Naumann, Paul, Rose, Rose Jr., and White.

115. As part and in furtherance of this violative conduct, Dudlik, Goldman, McKeon, Naumann, Paul, Rose, Rose Jr., and White purchased INBC stock while in possession of the material, nonpublic information about INBC Hunter conveyed to them. At the time of their purchases, Dudlik, Goldman, McKeon, Naumann, Paul, Rose, Rose Jr., and White knew or were reckless in not knowing that this material, nonpublic information had been communicated to them in breach of a fiduciary duty.

116. As part and in furtherance of this violative conduct, Naumann, for her direct or indirect benefit, knowingly or recklessly communicated material, nonpublic information about INBC to Landis and Myers. As part and in furtherance of this violative conduct, Naumann, for her direct or indirect benefit, also opened an account for her business partner and placed an order in his account for the purchase of INBC stock.

117. As part and in furtherance of this violative conduct, White, while in possession of the material, nonpublic information about INBC conveyed to him by Hunter, solicited White's clients to purchase INBC stock and, after they purchased, received commissions based on their purchases. White did so for his direct or indirect personal benefit.

118. By reason of the foregoing, Hunter, Pileggi, Greenwood, Dudlik, Goldman, McKeon, Naumann, Paul, Rose, Rose Jr., and White violated, and unless enjoined, will again violate Section 10(b) of the Exchange Act, 15 U.S.C. § 78j(b), and Rule 10b-5, 17 C.F.R. § 240.10b-5.

SECOND CLAIM FOR RELIEF

Insider Trading In January 1993  
In Violation Of Section 17(a) Of The Securities Act,  
15 U.S.C. § 77q(a), And Section 10(b)  
Of The Exchange Act, 15 U.S.C. § 78j(b),  
And Rule 10b-5, 17 C.F.R. § 240.10b-5

119. The Commission realleges and incorporates by reference each and every allegation contained in Paragraphs 1-109 and 111-118 above.

120. In January 1993, Greenwood, knowingly or recklessly, directly or indirectly, singly or in concert, by use of the means or instrumentalities of interstate commerce, or of the mails, or the facilities of a national securities exchange, in connection with the purchase, offer, or sale of securities: (i) employed devices, schemes, or artifices to defraud; (ii) obtained money or property by means of untrue statements of material facts or omitted to state material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; and (iii) engaged in acts, practices, transactions, and courses of business which would and did operate as a fraud and deceit upon the purchasers and sellers of securities and upon any other persons.

121. As part and in furtherance of this violative conduct, Greenwood, in breach of his fiduciary duties to INBC, Cheltenham, and their shareholders, sold INBC stock while in possession of material, nonpublic information concerning INBC's loss of earnings in the fourth quarter of 1992.

122. By reason of the foregoing, Greenwood violated, and



unless enjoined, will again violate Section 17(a) of the Securities Act, 15 U.S.C. § 77q(a), and Section 10(b) of the Exchange Act, 15 U.S.C. § 78j(b), and Rule 10b-5, 17 C.F.R. § 240.10b-5.

### THIRD CLAIM FOR RELIEF

#### Unjust Enrichment

123. The Commission realleges and incorporates by reference each and every allegation contained in Paragraphs 1-109, 111-118, and 119-122 above.

124. As part of this violative conduct, Hunter unlawfully purchased INBC stock in Neff's account for Neff.

125. Neff obtained profits from the trades in INBC stock that were executed in her account by Hunter under circumstances in which it is not just, equitable or conscionable for her to retain the profits.

126. As a consequence of the foregoing, Neff has been unjustly enriched and holds the money she received in constructive trust for defrauded public investors.

#### REQUEST FOR RELIEF

WHEREFORE, Plaintiff Commission respectfully requests that this Court issue final judgments:

#### I.

Permanently enjoining Hunter, Pileggi, Greenwood, Dudlik, Goldman, McKeon, Naumann, Paul, Rose, Rose Jr., and White, from future violations of Section 10(b) of the Exchange Act, 15 U.S.C. § 78j(b), and Rule 10b-5, 17 C.F.R. § 240.10b-5, thereunder.

## II.

Permanently enjoining Greenwood from future violations of Section 17(a) of the Securities Act, 15 U.S.C. § 77v.

## III.

Ordering disgorgement of illegal trading profits as follows, plus prejudgment interest thereon:

- a. Hunter to disgorge at least \$322,332.50, representing his personal trading profits, the profits in the Custodial Account, Cook's profits, and joint and several liability for the profits of Neff and his tippees, Naumann, Rose, Rose Jr., McKeon, Paul, Dudlik, Goldman, and White;
- b. Pileggi to disgorge at least \$228,800, representing his personal trading profits;
- c. Greenwood to disgorge at least \$184,162.50, representing his personal trading profits of \$150,412.50 in November 1993 and for his losses avoided of \$33,750 in January 1993;
- d. Naumann to disgorge at least \$5,050, representing her personal trading profits, the profits of her business partner, and the profits of her tippees, Myers and Landis;
- e. Dudlik to disgorge at least \$22,000, representing his personal trading profits, jointly and severally with Hunter;
- f. Goldman to disgorge at least \$9,000, representing his personal trading profits, jointly and severally with Hunter;
- g. McKeon to disgorge at least \$3,035, representing his personal trading profits, jointly and severally with Hunter;

h. Paul to disgorge at least \$6,250, representing his personal trading profits, jointly and severally with Hunter;

i. Rose to disgorge at least \$3,600, representing his personal trading profits, jointly and severally with Hunter;

j. Rose Jr. to disgorge at least \$1,170, representing his personal trading profits, jointly and severally with Hunter; and

k. White to disgorge at least \$37,412.50, representing his personal trading profits, jointly and severally with Hunter, and the profits of White's clients, and to disgorge the commissions he obtained relating to INBC trades he solicited from his clients.

### III.

Ordering Neff to disgorge at least \$12,000, the amount of money she obtained as a result of the violations alleged herein, plus prejudgment interest, jointly and severally with Hunter.

### IV.

Ordering Hunter, Pileggi, Greenwood, Dudlik, Goldman, McKeon, Naumann, Paul, Rose, Rose Jr., and White to pay civil penalties pursuant to ITSFEA of up to three times the amount to be disgorged.

### V.

Barring Hunter from serving as an officer or director of a public company pursuant to Section 21(d)(2) of the Exchange Act, 15 U.S.C. § 78u(d)(2).

VI.


Granting such other and further relief as the Court may deem just and proper.

JURY DEMAND

Plaintiff demands trial by jury on all issues so triable.

Dated: Philadelphia, Pa.  
July 16, 1997

Respectfully submitted,

  
HENRY KLEHM III (PA Bar No. 53868)  
Senior Associate Regional Director

Counsel for Plaintiff  
SECURITIES AND EXCHANGE COMMISSION  
Northeast Regional Office  
Seven World Trade Center  
New York, NY 10048  
(212) 748-8066

Of Counsel

Carmen J. Lawrence  
Edwin H. Nordlinger  
Daniel J. Goldstein  
Anahaita N. Kotval  
Audry Weintrob