

**UNITED STATES DISTRICT COURT FOR THE
NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION**

SECURITIES AND EXCHANGE COMMISSION,)	
)	
)	
Plaintiff,)	
)	
v.)	
)	
WILLIAM A. MAROVITZ)	Case No.
)	
Defendant.)	

COMPLAINT

Plaintiff, Securities and Exchange Commission (“Commission”), alleges:

SUMMARY

1. This case involves insider trading in the securities of Playboy Enterprises, Inc. by Defendant William A. Marovitz (“Marovitz”) when he misappropriated material, non-public information from his wife, Christie Hefner (“Hefner”), who was the Chief Executive Officer of Playboy during most of the trades at issue. Despite instructions from his wife that he should not trade in shares of Playboy and a warning from the general counsel of Playboy about his buying or selling Playboy stock, Marovitz bought and sold shares of Playboy in his own brokerage accounts between 2004 and 2009 ahead of public news announcements related to Iconix’s potential acquisition of Playboy, Playboy’s negative earnings announcements and Playboy’s offering of stock. As a result of his misuse of confidential information about Playboy, Marovitz gained profits and avoided losses totaling \$100,952.40.

2. By engaging in this conduct, which is described more fully below, Marovitz violated Section 10(b) of the Securities Exchange Act of 1934 (the “Exchange Act”), 15 U.S.C. §

78j(b), Rule 10b-5 thereunder, 17 C.F.R § 240.10b-5, and Section 17(a) of the Securities Act of 1933 (the “Securities Act”), 15 U.S.C. § 77q(a).

JURISDICTION AND VENUE

3. The Commission brings this action pursuant to Sections 21(d) and 21A of the Exchange Act, 15 U.S.C. §§ 78u(d) and 78u-1, and Sections 20(b) and 20(d) of the Securities Act, 15 U.S.C. §§ 77t(b) and 77t(d).

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

5. This Court has personal jurisdiction over the Defendant. Venue is proper in this Court because Defendant resides in this District and the acts and transactions constituting the violations alleged herein occurred in this District.

DEFENDANT

6. **William A. Marovitz**, age 66, is a resident of Chicago, Illinois. He is an attorney licensed in Illinois and President of the Marovitz Group, a real estate investment and development company he founded in 1993. Marovitz has been married to Christie Hefner since 1995.

RELEVANT ENTITIES AND INDIVIDUALS

7. **Playboy Enterprises, Inc.**, incorporated in Delaware with its principal place of business in Chicago, Illinois, is a global media, entertainment and licensing company. During the relevant time period, Playboy’s common stock was registered with the Commission pursuant to Section 12(b) of the Exchange Act and was listed on the NYSE as “PLA.”

8. **Iconix Brand Group, Inc.**, incorporated in Delaware with its principal place of business in New York, New York, is a brand management company engaged in licensing, marketing and providing trend direction for a portfolio of owned consumer brands.

9. **Christie Hefner**, age 58, is a resident of Chicago, Illinois. She was the Chief Executive Officer of Playboy from 1988 to January 31, 2009. Hefner has been married to Marovitz since 1995.

FACTS

A. Background.

10. As CEO of Playboy, Hefner was concerned with Marovitz buying or selling any Playboy stock. Hefner talked to Marovitz about her concerns with his trading in Playboy stock.

11. Hefner also asked Playboy's general counsel, Howard Shapiro, to talk to Marovitz about the implications of any trading by him in Playboy stock. Shapiro complied with Hefner's request by faxing a memorandum to Marovitz's home and office on September 4, 1998 warning Marovitz of the "serious implications" of Marovitz trading in Playboy stock. Among other things, Shapiro warned Marovitz that "all SEC rules governing Christie's sale or purchase of stock are equally applicable to you, particularly the rules governing insider trading" and "your purchase is imputed to Christie." Shapiro requested that Marovitz consult with him before executing any trades in Playboy stock. Marovitz never contacted Shapiro to discuss any of his trades in Playboy.

B. Marovitz's Trading in Advance of Public Announcements Regarding Iconix's Potential Acquisition of Playboy.

12. From October 2008 through December 2009, Iconix was engaged in talks with Playboy regarding a possible acquisition. While she was CEO of Playboy, Hefner met with Iconix CEO Neil Cole in October and December 2008 to discuss the possible deal.

13. Hefner resigned as CEO of Playboy on January 31, 2009 and stepped down from Playboy's board of directors in May 2009. Despite her departure from Playboy, Iconix representatives continued to discuss the possible acquisition with Hefner, who continued to advise Playboy on the deal. As a result, Hefner continued to obtain confidential, non-public information about the deal through 2009 even though she was no longer Playboy's CEO or on Playboy's board.

14. Hefner's severance agreement from Playboy prohibited Hefner from disclosing Playboy's confidential information to anyone outside of Playboy even after her employment with Playboy ended.

15. Between September 2009 and November 13, 2009, Iconix representatives and Playboy representatives, including Hefner, communicated weekly to discuss the possible acquisition.

16. On November 10, 2009, Marovitz bought 9,000 shares of Playboy stock at \$2.77/share through his broker at Mesirow Financial.

17. Before Marovitz bought Playboy shares on November 10, 2009, he obtained material, non-public information about Iconix's potential acquisition of Playboy through Hefner. In 1998, Hefner made clear to Marovitz, both personally and through Playboy's general counsel, that she expected him to keep any information he learned from her confidential and not use the information to trade shares of Playboy. Nevertheless, Marovitz misappropriated the information about Iconix's potential acquisition of Playboy. Marovitz purchased Playboy stock while in the possession of and on the basis of this material, non-public information that he misappropriated.

18. On November, 12, 2009, Bloomberg reported that Playboy was in talks to be acquired by Iconix, and Playboy stock increased by 42%, closing at \$4.07/share.

19. The next day, November 13, 2009, Iconix sent Playboy a non-binding offer letter.

20. Marovitz's unrealized gains from his purchase of Playboy stock on November 10, 2009 totaled \$11,745.

21. At 11:05 a.m. CST on December 15, 2009, Hefner received an email that Iconix's CEO Cole had sent to Playboy representatives to inform them that Iconix was ending its efforts to acquire Playboy. At 12:06 p.m. CST that same day, Hefner received another email from Cole attaching a letter he had sent to the Playboy Board of Directors that day informing them that Iconix could not proceed with the deal to acquire Playboy.

22. At approximately 2:40 p.m. CST on December 15, 2009, Marovitz called his broker at Mesirow Financial and instructed him to sell all of his 35,200 shares of Playboy stock. Marovitz's broker was able to sell only 23,752 shares at \$3.88/share before the market closed on December 15, 2009.

23. Before Marovitz sold Playboy shares on December 15, 2009, he obtained material, non-public information through Hefner about the end of Iconix's efforts to acquire Playboy. In 1998, Hefner made clear to Marovitz, both personally and through Playboy's general counsel, that she expected him to keep any information he learned from her confidential and not use the information to trade shares of Playboy. Nevertheless, Marovitz misappropriated the information about the end of Iconix's efforts to acquire Playboy. Marovitz sold Playboy stock while in the possession of and on the basis of this material, non-public information that he misappropriated.

24. On December 16, 2009, Bloomberg reported that Iconix had ended its talks with Playboy regarding the potential acquisition. Following the announcement, Playboy's stock dropped 10% to \$3.46/share.

25. Marovitz's broker called Marovitz on the morning of December 16, 2009 to see if Marovitz wanted to sell his remaining 11,448 Playboy shares. Marovitz told the broker not to sell his remaining Playboy shares.

26. Marovitz's losses avoided from his sale of his Playboy stock on December 15, 2009 totaled \$9,911.70.

C. Marovitz's Trading Ahead of Playboy's Negative Earnings Announcements and Public Share Offering.

1. Marovitz's Trading in Advance of Playboy's First Quarter 2008 Earnings Announcement.

27. On May 5, 2008, Marovitz sold 14,700 shares of Playboy stock at \$8.27/share.

28. Before Marovitz sold his Playboy shares on May 5, 2008, he obtained material, non-public information about Playboy's negative earnings information through Hefner. In 1998, Hefner made clear to Marovitz, both personally and through Playboy's general counsel, that she expected him to keep any information he learned from her confidential and not use the information to trade shares of Playboy. Nevertheless, Marovitz misappropriated the information about Playboy's negative earnings information for the first quarter 2008. Marovitz sold Playboy stock while in the possession of and on the basis of this material, non-public information that he misappropriated.

29. The next day, May 6, 2008, Playboy announced a first quarter loss that caused the price of Playboy's stock to decrease by 9% to \$7.49/share.

30. By selling his stock the day before Playboy's negative earnings announcement, Marovitz avoided \$11,507.20 in losses.

2. Marovitz's Trading in Advance of Playboy's Second Quarter 2004 Earnings Announcement.

31. On August 5, 2004, Marovitz sold all 25,000 shares of his Playboy stock for \$11.60/share.

32. Before Marovitz sold his Playboy shares on August 5, 2004, he obtained material, non-public information through Hefner about Playboy's negative earnings information for the second quarter 2004. In 1998, Hefner made clear to Marovitz, both personally and through Playboy's general counsel, that she expected him to keep any information he learned from her confidential and not use the information to trade shares of Playboy. Nevertheless, Marovitz misappropriated the information about Playboy's negative earnings information for the second quarter 2004. Marovitz sold Playboy stock while in the possession of and on the basis of this material, non-public information that he misappropriated.

33. The following day, August 6, 2004, Playboy reported a second quarter loss. Playboy's shares dropped by 18% to \$9.00/share after the negative earnings announcement.

34. By executing his trade the day before Playboy's negative earnings announcement, Marovitz avoided \$64,982.50 in losses.

3. Marovitz's Trading in Advance of Playboy's April 21, 2004 Stock Offering.

35. Marovitz purchased 5000 shares of Playboy stock on April 15, 2004 at \$13.19/share.

36. Before Marovitz purchased Playboy shares on April 15, 2004, he obtained material, non-public information about Playboy's stock offering through Hefner. In 1998, Hefner made clear to Marovitz, both personally and through Playboy's general counsel, that she expected him to keep any information he learned from her confidential and not use the information to trade shares of Playboy. Nevertheless, Marovitz misappropriated the information

about Playboy's stock offering. Marovitz purchased Playboy stock while in the possession of and on the basis of this material, non-public information that he misappropriated.

37. On April 21, 2004, Playboy announced an offering of its Class B stock. Playboy planned to use the proceeds from the sale of its Class B stock to repay debt on its balance sheet, which would cut costs and boost cash flows.

38. After Playboy's announcement of the Class B stock offering, Playboy's stock price increased by 8% closing at \$13.75/share on April 21, 2004.

39. Marovitz's unrealized gains as a result of his purchase of Playboy stock in advance of the announcement of Playboy's stock offering totaled \$2,806.

COUNT ONE

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

40. The Commission realleges and incorporates by reference Paragraphs 1-39 as though fully set forth herein.

41. As more fully described in Paragraphs 1-39 above, Marovitz, in connection with the purchase and sale of securities, by the use of the means and instrumentalities of interstate commerce or of the mails, directly or indirectly: used or employed devices, schemes and artifices to defraud; made untrue statements of material fact or omitted to state a material fact necessary to make the statements made, in light of the circumstances under which they were made, not misleading; and/or engaged in acts, practices and courses of business which operated as a fraud and deceit upon other persons.

42. Hefner had a duty of trust and confidence to Playboy, and that duty was in effect from April 2004 through December 2009 when Hefner learned the material, non-public

information concerning Playboy. The duty Hefner owed to Playboy flowed to Marovitz when Marovitz obtained confidential information through Hefner.

43. Marovitz owed a duty of trust and confidence to Hefner as her spouse.

44. Marovitz breached the fiduciary duties of trust and confidence which he owed to Hefner and Playboy by purchasing and selling Playboy securities on the basis of material, non-public information.

45. The information Marovitz obtained through Hefner about Playboy's potential merger with Iconix, Playboy's negative earnings announcements and Playboy's stock offering was material, non-public information.

46. Marovitz used this material, non-public information about Playboy in connection with the purchase or sale of securities by buying and selling Playboy stock.

47. Marovitz acted with *scienter*.

48. By reason of the foregoing, Marovitz violated and, unless enjoined, will continue to violate 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.

COUNT TWO

Violations of Section 17(a)(1) of the Securities Act

49. The Commission realleges and incorporates by reference Paragraphs 1-48 as though fully set forth herein.

50. As more fully described in Paragraphs 1-15 and 21-34 above, Marovitz, by the use of means or instruments of transportation or communication in interstate commerce or by use of the mails, directly or indirectly used or employed devices, schemes and artifices to defraud upon purchasers of securities.

51. Marovitz owed a duty of trust and confidence to Hefner as her spouse.

52. Marovitz breached the fiduciary duties of trust and confidence which he owed to Hefner by selling Playboy securities on the basis of material, non-public information.

53. The information Marovitz obtained through Hefner about the end of Iconix's efforts to acquire Playboy and Playboy's negative earnings announcements was material, non-public information.

54. Marovitz used this material, non-public information he obtained through Hefner about Playboy in the offer or sale of securities.

55. Marovitz acted with *scienter*.

56. By reason of the foregoing, Marovitz violated and, unless enjoined, will continue to violate Section 17(a)(1) of the Securities Act, 15 U.S.C. § 77q(a)(1).

COUNT THREE

Violations of Sections 17(a)(2) and 17(a)(3) of the Securities Act

57. The Commission realleges and incorporates by reference Paragraphs 1-56 as though fully set forth herein.

58. As more fully described in Paragraphs 1-15 and 21-34 above, Marovitz, by the use of means or instruments of transportation or communication in interstate commerce or by use of the mails, directly or indirectly: made untrue statements of material fact or omitted to state a material fact necessary to make the statements made, in light of the circumstances under which they were made, not misleading; and/or engaged in transactions, practices and courses of business which operated as a fraud and deceit upon purchasers of securities.

59. Marovitz owed a duty of trust and confidence to Hefner as her spouse.

60. Marovitz breached the fiduciary duties of trust and confidence which he owed to Hefner by selling Playboy securities on the basis of material, non-public information.

61. The information Marovitz obtained through Hefner about the end of Iconix's efforts to acquire Playboy and Playboy's negative earnings announcements was material, non-public information.

62. Marovitz used this material, non-public information he obtained through Hefner about Playboy in the offer or sale of securities.

63. By reason of the foregoing, Marovitz violated and, unless enjoined, will continue to violate Sections 17(a)(2) and 17(a)(3) of the Securities Act, 15 U.S.C. § 77q(a)(2), (3).

PRAYER FOR RELIEF

WHEREFORE, the Commission respectfully requests that the Court:

I.

Permanently enjoin Defendant William A. Marovitz from violating Section 10(b) of the Exchange Act and Rule 10b-5 thereunder and Sections 17(a)(1), 17(a)(2) and 17(a)(3) of the Securities Act;

II.

Order Defendant William A. Marovitz to disgorge the ill-gotten gains from each trade in Playboy securities he purchased or sold on the basis of material, non-public information, including prejudgment interest thereon;

III.

Order Defendant William A. Marovitz to pay civil penalties pursuant to Section 21A of the Exchange Act, 15 U.S.C. § 78u-1, and Section 20(d) of the Securities Act, 15 U.S.C. § 77t(d).

IV.

Grant such other and further relief as the Court deems just and appropriate.

Respectfully submitted,

DATED: August 3, 2011

s/Amy Flaherty Hartman
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