

JUDGE CHIN

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

v.

ALAN M. STRICOFF,
JEFFREY STRICOFF,
MARVIN STONE,
TODD STONE and
DANIEL M. PORUSH

Defendants.

97 CIV. 8183

97 Civ. _____

COMPLAINT

The Securities and Exchange Commission, for its complaint, alleges as follows:

SUMMARY

1. This case involves illegal insider trading in options for the common stock of Caesars World, Inc. prior to the December 19, 1994 public announcement of ITT Corporation's tender offer for Caesars. Defendant Alan M. Stricoff ("Alan Stricoff") learned of the proposed tender offer in the course of his work as a vice president for compliance at Bankers Trust Securities Corporation ("Bankers Trust"), a subsidiary of Bankers Trust New York Corporation ("Bankers Trust NY") which served as financial advisor to ITT. Alan Stricoff breached his duty of trust and confidence to Bankers Trust by directly or indirectly disclosing the proposed acquisition of Caesars to his brother, defendant Jeffrey Stricoff, his father-in-law, defendant Marvin Stone, his brother-in-law, defendant Todd Stone, and Todd Stone's close friend, defendant Daniel M. Porush. Each of these men then

purchased call option contracts for Caesars common stock shortly before the public announcement of the tender offer. When they purchased the options, defendants Jeffrey Stricoff, Marvin Stone, Todd Stone and Porush each knew, or recklessly disregarded, that the information they received concerning ITT's proposed acquisition of Caesars had been communicated to them in breach of a duty of trust and confidence. By trading while in possession of the misappropriated material nonpublic information, defendants Jeffrey Stricoff, Marvin Stone, Todd Stone and Porush made illegal profits totalling \$428,200. In addition, defendants Todd Stone and Porush caused a close friend of Todd Stone to purchase Caesars call options prior to the announcement for profits of \$30,000, for which defendants Porush and Todd Stone are also liable. As a result of the conduct alleged herein, each defendant violated Sections 10(b) and 14(e) of the Securities Exchange Act of 1934 ("Exchange Act"), 15 U.S.C. §§ 78j(b) and 78n(e), and Rules 10b-5 and 14e-3 thereunder, 17 C.F.R. §§ 240.10b-5 and 240.14e-3.

2. Unless enjoined, defendants are likely to engage in the future in similar illegal acts and practices.

JURISDICTION

3. This Court has jurisdiction pursuant to Sections 21(e) and 27 of the Exchange Act, 15 U.S.C. §§ 78u(e) and 78aa.

DEFENDANTS

4. Alan Stricoff resides in Plainview, New York and was employed as an assistant vice president in Bankers Trust's

compliance department from January 1993 until January 1995, when he was discharged.

5. Jeffrey Stricoff resides in New York city and is Alan Stricoff's brother.

6. Todd Stone resides in Melville, New York and is Alan Stricoff's brother-in-law.

7. Marvin Stone resides in Brooklyn, New York and is Todd Stone's father.

8. Daniel M. Porush resides in Oyster Bay Cove, New York and at all relevant times was a close friend of Todd Stone and president of Stratton Oakmont, Inc., a broker-dealer registered with the Commission.

FIRST CLAIM

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

9. In 1993, Alan Stricoff began working as an assistant vice president in Bankers Trust's compliance department in New York City. Bankers Trust, a registered broker dealer, is a subsidiary of Bankers Trust NY, a major investment banking firm. At all times relevant to this case, Bankers Trust NY had a policy that required its employees and Bankers Trust employees to maintain the confidentiality of material nonpublic information concerning Bankers Trust NY and its customers. In 1993 and 1994, Alan Stricoff acknowledged in writing that he had reviewed and agreed to abide by this policy.

10. On November 21, 1994, ITT engaged Bankers Trust as its financial advisor with respect to its contemplated acquisition of

Caesars. On the same day, ITT also retained Bankers Trust NY to provide investment banking services to it in connection with the contemplated acquisition of Caesars.

11. On December 7, 1994, Alan Stricoff attended a Bankers Trust compliance department meeting where he learned certain material nonpublic information concerning ITT, namely that ITT was considering a possible merger/tender offer involving ITT and Caesars.

12. On December 16, 1994, ITT executed a confidentiality agreement with Caesars and at 12:39 p.m. that day, Bankers Trust placed Caesar's name on a "restricted list" thereby instructing its compliance department to monitor trading in securities of Caesars.

13. On or before December 14, 1994, in violation of his duty of trust and confidence to Bankers Trust, Alan Stricoff disclosed ITT's contemplated merger/tender offer involving Caesars to his brother Jeffrey Stricoff with the understanding that Jeffrey Stricoff would purchase securities of Caesars prior to the public announcement of the contemplated tender offer.

14. On or before December 16, 1994, in violation of his duty of trust and confidence to Bankers Trust, Alan Stricoff directly or through one of his tippees disclosed ITT's contemplated merger/tender offer involving Caesars to Marvin Stone, Todd Stone and Porush.

15. On or before December 16, 1994, Todd Stone disclosed ITT's contemplated tender offer for Caesars to Porush with the

understanding that Porush would purchase securities of Caesars prior to the public announcement of the contemplated merger/tender offer.

Jeffrey Stricoff's Purchases

16. On December 14, 1994 Jeffrey Stricoff purchased, in an account in his name at Charles Schwab & Co. Inc., four Caesars February 50 call option contracts at a cost of \$1.00 a share and on December 16, 1994 he purchased, in the same account, 52 Caesars January 50 call option contracts at a cost of \$1.125 a share. A call option contract gives its owner the right to purchase 100 shares of the underlying security at a specified price (strike price) at any time prior to the close of trading on the third Friday of the month named in the contract. The four Caesars February 50 call option contracts gave Jeffrey Stricoff the right to purchase 400 shares of Caesars common stock at a price of \$50.00 a share at any time prior to February 18, 1995 and the 52 Caesars January 50 call option contracts gave Jeffrey Stricoff the right to purchase 5,200 shares of Caesars common stock at a price of \$50.00 a share at any time prior to January 21, 1995.

Marvin Stone's Purchase

17. On December 16, 1994, while in possession of material nonpublic information regarding ITT's contemplated merger/tender offer involving Caesars, Marvin Stone purchased, in an account in his and his wife's name at Merrill Lynch and Co., Inc., a total

of 20 Caesars January 50 call option contracts at a cost of .6875 cents per share.

Todd Stone's Purchase

18. On December 16, 1994, while in possession of material nonpublic information regarding ITT's contemplated merger/tender offer involving Caesars, Todd Stone purchased, in an account in his name at Stratton Oakmont, 105 Caesars January 50 call option contracts at a cost of \$1.125 per share.

Porush's Purchase

19. On December 16, 1994, while in possession of material nonpublic information regarding ITT's contemplated merger/tender offer involving Caesars, Porush purchased, in an account in his name at Stratton Oakmont, 95 Caesars January 50 call option contracts at a cost of \$1.125 per share and 10 Caesars January 50 call option contracts at a cost of \$1.00 per share.

Purchase by Todd Stone's Friend

20. On December 16, 1994, while in possession of material, nonpublic, confidential information concerning ITT's contemplated tender offer for Caesars, Todd Stone and Porush caused Marc Gold, a close friend of Todd Stone, to purchase, in an account at Stratton Oakmont, 20 Caesars January 50 call option contracts at a cost of \$1.125 per share.

21. At the time of their purchases of options alleged above Jeffrey Sticoff, Marvin Stone, Todd Stone and Porush knew, or recklessly disregarded, that the information concerning ITT's

contemplated tender offer for Caesars had been disclosed to them in violation of a duty of trust and confidence.

The Public Announcement

22. On the morning of December 19, 1994, prior to the opening of trading markets, ITT and Caesars announced that they had agreed to a friendly merger in which ITT would make a tender offer to purchase the outstanding common stock of Caesars at a price of \$67.50 a share. As a result of the announcement, the price of Caesars stock rose by approximately \$20 a share from Friday's closing price of \$45.25 per share to a high of \$65.75, and the price of the January and February call option contracts described above increased by approximately \$16 per share.

ILLEGAL PROFITS

23. On December 19, 1994, following the public announcement of the tender offer, Jeffrey Stricoff, Marvin Stone, Todd Stone, Daniel Porush and Todd Stone's friend sold their Caesars options contracts thereby obtaining profits as follows:

Jeffrey Stricoff	\$ 83,350
Marvin Stone	30,850
Todd Stone	157,000
Porush	157,000
Marc Gold	<u>30,000</u>
	\$458,200

24. By reason of the foregoing, each defendant violated Section 10(b) of the Exchange Act and Rule 10b-5 thereunder.

SECOND CLAIM

Violations of Section 14(e) of the Exchange
Act and Rule 14e-3 thereunder

25. Paragraphs one through 24 above are hereby realleged and incorporated herein.

26. On or before December 14, 1994, ITT took substantial steps with respect to the commencement of its proposed tender offer for Caesars.

27. During the period December 7, 1994 through December 16, 1994, Alan Stricoff directly or indirectly communicated material, nonpublic information relating to the proposed tender offer for Caesars' securities to Jeffrey Stricoff, Marvin Stone and Todd Stone under circumstances in which it was reasonably foreseeable that such communications were likely to result in purchases of securities or options for the securities of Caesars.

28. On or before December 16, 1994, Todd Stone communicated material nonpublic information relating to the proposed tender offer to Porush under circumstances in which it was reasonably foreseeable that such communication was likely to result in purchases of securities or options for the securities of Caesars.

29. During the period December 14, 1994 through December 16, 1994, Alan Stricoff, Jeffrey Stricoff, Marvin Stone, Todd Stone and Porush purchased, or caused to be purchased, call option contracts for securities of Caesars while in possession of material nonpublic information relating to the contemplated tender offer for Caesars, knowing, or having reason to know, that the information was nonpublic and that it had been acquired

directly or indirectly from the person contemplating making the tender offer or from another person acting on behalf of either Caesars or the person contemplating making the tender offer for Caesars.

30. By reason of the foregoing, each defendant violated Section 14(e) of the Exchange Act and Rule 14e-3 thereunder.

PRAYER FOR RELIEF

WHEREFORE, the Commission respectfully requests that this Court:

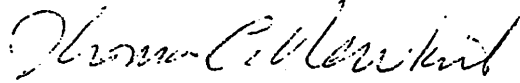
(a) enjoin each defendant from violating Sections 10(b) and 14(e) of the Exchange Act and Rules 10b-5 and 14e-3 thereunder;

(b) order each defendant to disgorge the profits that he obtained or caused others to obtain, including prejudgment interest accruing from the date the unlawful profits were earned;

(c) order each defendant to pay civil penalties pursuant to Section 21A(a) of the Exchange Act, 15 U.S.C. § 78u-1(a); and

(d) grant such other relief as this Court may deem appropriate.

Respectfully submitted,



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