

UNITED STATES DISTRICT COURT
MIDDLE DISTRICT OF FLORIDA
ORLANDO DIVISION

THE UNITED STATES SECURITIES
AND EXCHANGE COMMISSION,

Plaintiff,

v.

DONNA YUN and JERRY BURCH,

Defendants.

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**COMPLAINT AND DEMAND FOR JURY TRIAL
INJUNCTIVE RELIEF SOUGHT**

Plaintiff Securities and Exchange Commission (the "Commission") respectfully files the following complaint and prayer for relief, and demands a jury trial on the issues presented herein:

SUMMARY

1. This is an insider trading action seeking injunctive relief, disgorgement, prejudgment interest, and civil penalties in connection with trading in the securities of Scholastic Corporation ("Scholastic") prior to a February 20, 1997 announcement that Scholastic would have unexpected, negative earnings for its third quarter ("the announcement"). Following the

announcement, the price of Scholastic stock dropped approximately 40 per cent, from \$61.50 to \$36.75 per share.

2. Donna Yun, the wife of Scholastic executive David Yun, learned the substance of the announcement from her husband prior to its release, and disclosed that information to her co-worker, Jerry Burch, on February 18, 1997. On February 19 and 20, 1997, Burch used that information to purchase 130 Scholastic put option contracts. Burch's profits on those option contracts totaled \$269,000.

3. By their actions, Donna Yun and Jerry Burch violated Section 10(b) of the Securities Exchange Act of 1934 (the "Exchange Act") [15 U.S.C. § 78j(b)], and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5]. Unless enjoined, the defendants are likely to engage in such unlawful conduct again.

JURISDICTION

4. The Court has jurisdiction pursuant to Sections 21(d), 21(e), and 27 of the Exchange Act [15 U.S.C. §§ 78u(d), 78u(e) and 78aa].

5. The defendants used the means or instruments of interstate commerce, the mails, or the facilities of a national securities exchange in connection with the acts described herein.

6. The Commission brings this action pursuant to authority conferred upon it by Sections 21(d), 21(e), and 21A of the Exchange Act [15 U.S.C. §§ 78u(d), 78u(e) and 78u-1].

PARTIES

7. During the relevant period, Donna Yun was a resident of Longwood, Florida, and was employed by Stirling International as a real estate broker. She worked in the same office as Jerry Burch. Her husband is David Yun, the President of Scholastic Book Fairs, Inc., a subsidiary of Scholastic.

8. Jerry Burch, a resident of Heathrow, Florida, is a real estate broker. During the relevant period, he was employed by Stirling International, and worked in the same office as Donna Yun.

THE ISSUER

9. Scholastic Corporation is a New York-based publisher and distributor of children's books and other educational materials. Scholastic is registered with the Commission pursuant to Section 12(g) of the Exchange Act and is quoted on the NASDAQ National Market System. Scholastic's option contracts are traded on the Chicago Board of Options Exchange.

CLAIM ONE

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

10. Paragraphs 1 through 9 are incorporated herein by reference.

Scholastic's Announcement

11. On January 27 and 28, 1997, David Yun attended a strategic meeting for top Scholastic executives in New York City where he learned that the company expected to post a loss for the quarter ending February 28, 1997, due in large part to slowing sales and returns of Scholastic's "Goosebumps" series of books. During that meeting, David Yun and other Scholastic executives (1) were told that Scholastic would be issuing a public announcement revising its earnings forecasts prior to the close of the quarter ending February 28, 1997, and (2) were instructed to keep all information discussed at the meeting confidential until the announcement had been made. David Yun also received documents at that meeting that detailed the company's problems.

12. On February 17, 1997, Scholastic's Chief Financial Officer notified David Yun that the company would announce publicly on February 20 that its earnings for the quarter ending February 28, 1997 would fail to meet earlier public estimates.

13. On February 20, 1997, at the close of trading, Scholastic announced that it expected to post a loss of 20-30 cents per share for the quarter ending February 28, 1997. This announcement was in stark contrast to analysts' public earnings forecasts for Scholastic of 69 cents per share for that quarter. The market for Scholastic stock closed before the announcement at \$61.50 per share. The following day, the price of Scholastic's stock dropped approximately 40 per cent, closing at \$36.75 per share on trading of over 4.35 million shares.

**David Yun Disclosed the Substance
of the Announcement to his Wife, Donna Yun**

14. At the time David Yun attended the meeting described in ¶ 11, David and Donna Yun were negotiating a post-nuptial division of assets.

15. Sometime during the first two weeks of February 1997, David Yun submitted a valuation of his assets to his wife, Donna Yun. That valuation listed Scholastic's stock price at \$55 per share, when at the time, the stock was trading at approximately \$65. In order to justify his valuation, David Yun told his wife during the weekend of February 15-16 that Scholastic was having a bad quarter, would probably have flat performance for the next two years, and that he expected the stock price to drop soon.

16. David Yun explained to his wife that the information regarding Scholastic that he disclosed to her during their post-nuptial negotiations was confidential and could not be shared with others. Donna Yun accepted a duty to keep that information confidential and fully understood the importance of maintaining that confidence.

17. Throughout the course of their approximately thirty year marriage, David Yun shared non-public, business information regarding his employer with Donna Yun and she understood and agreed that she would keep such information confidential.

Donna Yun Tipped Jerry Burch

18. During the evening of February 18, 1997, Donna Yun and Jerry Burch attended a cocktail party that was held for approximately 150 Orlando-area real estate brokers. Sometime during that evening, in breach of a duty owed to David Yun, Donna Yun told Jerry Burch the substance of the information that she had learned from her husband as described in ¶ 15.

19. Donna Yun's motive for tipping Burch was improper and she did so for her direct and/or indirect benefit.

20. The information that Donna Yun disclosed to Jerry Burch was material and non-public, and Donna Yun knew, recklessly disregarded, or should have known that her communications to Jerry Burch regarding

Scholastic violated the duty of trust and confidence that she owed to David Yun. Donna Yun also knew, recklessly disregarded, or should have known that Jerry Burch would purchase Scholastic securities based on that information, and/or communicate the information to others likely to purchase Scholastic securities.

**Jerry Burch Purchased Scholastic Options
While in Possession of Material, Non-Public Information
He Received From Donna Yun**

21. On February 19, 1997, Burch opened an options account at Legg Mason, receiving and submitting the requisite forms by facsimile on that day. On February 19 and 20, 1997, Burch purchased a total of 130 February and March series Scholastic put option contracts through this account and an account at Charles Schwab. His February series options expired on February 21, 1997. All of the Scholastic options purchased by Burch had a strike price of \$55 (the valuation given Scholastic stock by David Yun) or higher. On February 21, 1997, Burch exercised his Scholastic option contracts for a profit of approximately \$269,000.

22. On February 19-20, 1997, Burch's trades as described in ¶ 21 accounted for approximately 70 per cent of all Scholastic put contracts traded in the market. Prior to his Scholastic options, Burch's entire history of trading options consisted of 20 call option contracts.

23. Jerry Burch purchased the securities described in ¶ 21 while in possession of material, non-public information he received from Donna Yun concerning Scholastic. Jerry Burch knew, recklessly disregarded, or should have known that he had received that information from Donna Yun in breach of a duty of trust and confidence which she owed David Yun.

24. As a result of their conduct described in paragraphs 6 through 21, Donna Yun and Jerry Burch each violated Section 10(b) of the Exchange Act, and Rule 10b-5 thereunder.

PRAYER FOR RELIEF

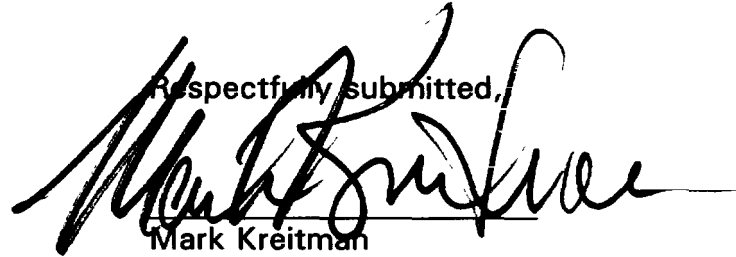
WHEREFORE, the Commission respectfully requests that the Court:

- (a) find that the defendants violated Section 10(b) of the Exchange Act, and Rule 10b-5 thereunder;
- (b) enjoin the defendants from further violating Section 10(b) of the Exchange Act, and Rule 10b-5 thereunder;
- (c) order each defendant to disgorge the unlawful profits described herein;
- (d) order defendant Jerry Burch to pay prejudgment interest on the unlawful profits described herein;
- (e) order each defendant to pay a civil penalty pursuant to Section 21A(a) of the Exchange Act 15 U.S.C. § 78u-1(a)]; and

(f) grant such other relief as the Court may deem appropriate.

Dated: February 2, 1999

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Mark Kreitman", written over a horizontal line.

Mark Kreitman
Trial Counsel
J. Kevin Edmundson

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