

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

JUDGE COTE

SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

vs.

POINTER WORLDWIDE LTD

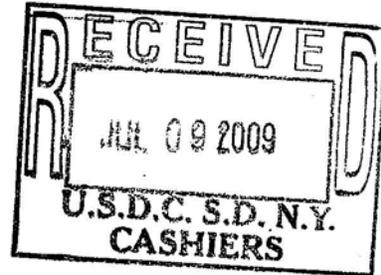
and

TATIANA BADMAEVA,

Defendants.

09 CIV 6162

Civil No.



COMPLAINT FOR INJUNCTIVE AND OTHER RELIEF

Plaintiff the United States Securities and Exchange Commission ("Commission")

alleges:

SUMMARY

1. This action stems from a modern-day, technological version of the traditional "pump-and-dump" market manipulation scheme. Between June 18, 2008 and June 20, 2008, five online broker-dealers experienced intrusions into fifteen investors' accounts whereby existing positions were sold and the proceeds were used to purchase thousands of shares in four publicly traded companies. The unauthorized purchases created the appearance of legitimate trading activity, thereby inducing others to trade the securities and driving up the price and volume of these stocks. Trading records reveal that an account at Nobletrading.com ("Nobletrading") titled in the name of Pointer

Worldwide Ltd. (“Pointer Worldwide”) was the only account that traded in all four of these securities on the dates of the intrusions. In fact, the Pointer Worldwide account, which was opened just one week before the intrusions began, traded in only these four securities. The Pointer Worldwide account is beneficially owned by Tatiana Badmaeva (“Badmaeva”). In just three days of trading, involving a combination of buys, sales and short sales, Pointer Worldwide and Badmaeva generated a net profit of \$33,113.75 trading in the four securities. In addition, the unauthorized purchase and sale orders in the intruded accounts resulted in losses exceeding \$3 million to the victims’ accounts.

2. By virtue of their conduct, the defendants have engaged, and unless enjoined will continue to engage, in violations of Section 17(a) of the Securities Act of 1933 (“Securities Act”) [15 U.S.C. § 77q(a)] and Section 10(b) of the Securities Exchange Act of 1934 (“Exchange Act”) [15 U.S.C. § 78j(b)] and Rule 10b-5 promulgated thereunder [17 C.F.R. § 240.10b-5].

JURISDICTION AND VENUE

3. The Commission brings this action, and this Court has jurisdiction over this action, pursuant to authority conferred by Sections 20(b), 20(d) and 22(a) of the Securities Act [15 U.S.C. §§ 77t(b), 77t(a) and 77v(a)] and Sections 21(d), 21(e) and 27 of the Exchange Act [15 U.S.C. §§ 78u(d), 77u(e) and 78aa].

4. This Court has personal jurisdiction over the defendants and venue is proper in the Southern District of New York pursuant to Section 27 of the Exchange Act [15 U.S.C. § 78aa] because some of the transactions, acts, practices, and courses of business constituting the violations alleged herein occurred within this District.

5. The defendants, directly and indirectly, have made use of the means and

instrumentalities of interstate commerce, and the means and instruments of transportation and communication in interstate commerce, in connection with the transactions, acts, practices, and courses of business alleged in this Complaint.

DEFENDANTS

6. Defendant Tatiana Badmaeva is believed to be a thirty-five year old Russian citizen residing in Elista, Kalmykia. Badmaeva is listed as the director of Pointer Worldwide and the beneficial owner of the Pointer Worldwide account on the account opening documents at Nobletrading.

7. Defendant Pointer Worldwide Ltd. is an entity of undetermined business purpose located in Elista, Kalmykia. According to account opening documents at Nobletrading, Pointer Worldwide was formed in approximately June 2007, and its sole officer and director is Badmaeva.

FACTS

Badmaeva and Pointer Worldwide's Account Intrusion Scheme

8. Between June 18, 2008 and June 20, 2008, Badmaeva, using an account at Nobletrading titled in the name of Pointer Worldwide, traded in the securities of four public companies whose share prices were manipulated through online intrusions and unauthorized trading in investors' accounts at E*Trade Clearing LLC ("E*Trade"), Fidelity Brokerage Services LLC ("Fidelity"), Charles Schwab & Co., Inc. ("Schwab"), Scottrade, Inc. ("Scottrade") and TD Ameritrade, Inc. ("TD Ameritrade").

9. In each of these instances, the trading pattern was similar. In some instances, Badmaeva first accumulated in her own account a position in one of the issuers. Next, a series of unauthorized electronic intrusions involving that issuer occurred

at one or more broker-dealers whereby the intruders liquidated existing positions in the accounts and used the resulting proceeds to buy thousands of shares of the same stocks previously purchased by Badmaeva in her own account. Then, at the height of the pump, Badmaeva sold her shares at the inflated prices for a profit. In other instances, Badmaeva engaged in short sales, timing her covers by taking advantage of the lower prices following the intrusions.

10. The Pointer Worldwide account was opened just one week before the intrusions began, and it traded in only the four subject securities. Over the course of just three days, the Pointer Worldwide account generated \$896,038.15 in gross proceeds through its trading in these four securities, realizing a net profit of \$33,113.75.

11. The unauthorized purchase and sale orders in the intruded accounts resulted in losses exceeding \$3 million to the holders of these accounts. In addition, Badmaeva's manipulative trading caused damage to market participants who purchased at the inflated prices the stocks of the following four companies that were subject to intrusions: Duff & Phelps Corporation ("DUF"), Stage Stores, Inc. ("SSI"), Cytospor Therapeutics ("CYTX") and Digi International, Inc. ("DGII").

Duff & Phelps Corporation

12. Duff & Phelps Corporation is a New York-based purported financial advisory and investment banking firm. The company's shares are traded on the New York Stock Exchange under the symbol DUF. On June 18, 2008, DUF was the subject of online intrusions at E*Trade, Fidelity and Schwab. The intrusions had a significant impact on the price and volume of DUF stock. On that day, DUF opened at \$17.19 per share and increased to an intraday high of \$18.81 per share on volume of 408,700 shares,

which was approximately eight times greater than the average trading volume over the fifteen days leading up to the intrusions. Badmaeva and Pointer Worldwide engaged in short sales after the intrusions began, benefitting from the price volatility caused by the manipulation of DUF's stock.

13. On June 18, 2008, between 12:12 p.m. and 12:59 p.m., a total of 82,134 DUF shares were purchased in intruded accounts at E*Trade, Fidelity and Schwab at prices ranging from \$17.44 to \$18.70 per share.

14. On June 18, 2008, from 1:02 p.m. to 1:03 p.m., a total of 6,000 DUF shares were purchased in an intruded account at E*Trade at \$18.70 per share. At 1:04 p.m., a total of 3,900 DUF shares were purchased in an intruded account at E*Trade at \$18.50 per share.

15. Contemporaneously with the intrusions, at 1:02 p.m., Badmaeva and Pointer Worldwide sold short 1,000 DUF shares at \$18.71 and \$18.72 per share. Between 1:03 p.m. and 1:04 p.m., they sold short an additional 4,400 DUF shares at prices ranging from \$18.40 to \$18.57 per share. Then, at 1:47 p.m., Badmaeva and Pointer Worldwide covered their short sales of 5,400 DUF shares at the price of \$17.04 per share, benefitting from the manipulation by covering their short sales later in the day when the price had fallen below the day's open.

16. As a result of their conduct, Badmaeva and Pointer Worldwide realized a net profit of \$7,877.27.

Stage Stores, Inc.

17. Stage Stores, Inc. is a Houston, Texas-based purported department store retailer. The company's shares are traded on the New York Stock Exchange under the

symbol SSI. On June 19, 2008, SSI was the subject of online intrusions at Fidelity and Schwab. On that day, SSI opened at \$13.29 per share and increased to an intraday high of \$13.65 per share on a volume of 722,400, more than two times the average trading volume over the fifteen days leading up to this intrusion. Badmaeva and Pointer Worldwide bought and sold shares before the intrusions began, and then sold shares and engaged in short sales, benefitting from the higher prices in the manipulated market.

18. On June 19, 2008, between 12:00 p.m. and 12:05 p.m., Badmaeva and Pointer Worldwide purchased 9,900 SSI shares at prices ranging from \$13.21 to \$13.23 per share. From 12:08 p.m. to 12:09 p.m., they sold 5,000 SSI shares at prices ranging from \$13.60 to \$13.65 per share.

19. Minutes later, between 12:17 p.m. and 12:33 p.m., a total of 57,000 SSI shares were purchased in intruded accounts at Fidelity and Schwab at prices ranging from \$13.30 to \$13.70 per share.

20. From 12:35 p.m. to 12:41 p.m., Badmaeva and Pointer Worldwide took advantage of the price increase caused by the intrusions, selling 3,900 SSI shares at prices ranging from \$13.55 to \$13.60 per share.

21. At 12:43 p.m., a total of 3,000 SSI shares were purchased in an intruded account at Fidelity at \$13.55 per share.

22. At 12:45 p.m., Badmaeva and Pointer Worldwide sold 1,000 SSI shares at \$13.55 per share. Then, from 12:51 p.m. to 1:05 p.m., Badmaeva and Pointer Worldwide sold short 9,000 SSI shares at \$13.47 and then covered their sale at prices ranging from \$13.21 to \$13.23. They then purchased 9,500 SSI shares at \$13.20 per share.

23. Between 1:44 p.m. and 1:46 p.m. on June 19, 2008, a total of 20,000 SSI shares were purchased in an intruded account at TD Ameritrade at prices ranging from \$13.22 to \$13.25 per share.

24. From 2:25 p.m. to 2:26 p.m., Badmaeva and Pointer Worldwide sold their remaining 9,500 SSI shares at prices ranging from \$13.21 to \$13.23 per share.

25. As a result of their conduct, Badmaeva and Pointer Worldwide grossed \$381,242.04 in just over 2 hours and 30 minutes, realizing a net profit of \$5,610.90.

Cytori Therapeutics

26. Cytori Therapeutics is a San Diego, California-based purported manufacturer of medical technologies relating to regenerative medicine. The company's shares are traded on the Nasdaq under the symbol CYTX. On June 20, 2008, CYTX was the subject of unauthorized intrusions at Scottrade, Fidelity, Schwab and E*Trade. The unauthorized trading activity had a significant impact on the market for CYTX's stock. On the date of the intrusion, June 20, 2008, CYTX opened at \$7.37 per share, which matched its intra-day high. It closed at \$6.42 on a volume of 881,400 shares, nearly four times the average trading volume for the fifteen days leading up to this intrusion. Badmaeva and Pointer Worldwide bought and sold shares before the intrusions began, and then engaged in short sales, benefiting from the higher prices in the manipulated market.

27. Specifically, on June 20, 2008, at 10:34 a.m., Badmaeva and Pointer Worldwide purchased 16,000 CYTX shares at \$6.80 per share. Six minutes later, at 10:40 a.m., Badmaeva sold 16,000 CYTX shares at \$6.99 per share.

28. Between 10:53 a.m. and 11:42 a.m., a total of 15,000 CYTX shares were sold short, and then covered, and another 126,000 CYTX shares were purchased in intruded accounts at Scottrade, Fidelity, Schwab and E*Trade at prices ranging from \$6.80 to \$7.03 per share.

29. From 11:52 a.m. to 12:00 p.m. on June 20, 2008, Badmaeva and Pointer Worldwide sold short 22,000 CYTX shares at prices ranging from \$6.94 to \$6.95 per share. Then, between 12:17 p.m. and 12:23 p.m., they covered their short sales at prices ranging from \$6.50 to \$6.67 per share.

30. As a result of their conduct, Badmaeva and Pointer Worldwide grossed \$264,326.66 in approximately 90 minutes, realizing a net profit of \$10,367.60.

Digi International, Inc.

31. Digi International, Inc. is a Minnetonka, Minnesota-based corporation purportedly producing communications technology products. The company's shares are traded on the Nasdaq under the symbol DGII. On June 20, 2008, DGII was the subject of unauthorized intrusions and trading at E*Trade. The unauthorized trading activity in DGII on June 20, 2008 had a significant impact on the market for the company's stock. That day, DGII opened at \$8.68 per share. It reached an intra-day high of \$9.25 per share and closed at \$8.49 per share on a volume of 715,700 shares, more than six times the average daily trading volume for the fifteen days leading up to the intrusions. Badmaeva and Pointer Worldwide engaged in a short sale and cover in the middle of the account intrusions, benefiting from the price volatility caused by the manipulation of DGII's stock.

32. On June 20, 2008, between 1:00 p.m. and 1:13 p.m., a total of 64,600 DGII shares were purchased in an intruded account at E*Trade at prices ranging from \$8.43 to \$8.93 per share.

33. Moments later, at 1:15 p.m., Badmaeva and Pointer Worldwide sold short 17,000 DGII shares at \$8.86 per share.

34. From 1:19 p.m. to 1:24 p.m., a total of 54,000 DGII shares were sold, as well as sold short, in an intruded account at E*Trade at prices ranging from \$8.83 to \$8.11 per share.

35. Contemporaneously with the intrusions, at 1:24 p.m., Badmaeva and Pointer Worldwide covered their short sale at \$8.29 per share.

36. The intrusions continued from 1:25 p.m. to 1:30 p.m., when a total of 59,799 DGII shares were sold short and 15,000 DGII shares were purchased in an account at E*Trade at prices ranging from \$8.16 to \$8.44 per share.

37. Thus, in nine minutes, Badmaeva and Pointer Worldwide grossed \$150,486.98, realizing a net profit of \$9,256.98.

Badmaeva and Pointer Worldwide Masked Their IP Addresses

38. The Internet Protocol ("IP") addresses used to access the Pointer Worldwide account came from three Internet Service Providers ("ISPs"). The account used a different IP address and different ISP for each day of trading, and each one of these IP addresses traced to a different ISP located in varying geographical locations. In light of the foregoing, Badmaeva and Pointer Worldwide appear to have taken steps to conceal their true IP address by using hijacked IP addresses of innocent third parties or

proxy servers, thereby making it impossible to trace their actual locations and ISP account information.

39. On August 6, 2008, at Badmaeva's request, Nobletrading's clearing firm wired the entire balance in the Pointer Worldwide account to a bank account in Cyprus and closed the account.

CLAIMS FOR RELIEF

COUNT I

Violations of Section 17(a) of the Securities Act **[15 U.S.C. § 77q(a)]**

40. The Commission re-alleges and incorporates by reference paragraphs 1 through 39 above.

41. As set forth more fully above, the defendants, by engaging in the conduct described above, directly or indirectly, in the offer or sale of securities, by the use of means or instruments of transportation or communication in interstate commerce or by the use of the mails:

(a) knowingly or recklessly employed devices, schemes or artifices to defraud;

(b) knowingly, recklessly or negligently obtained money or property by means of untrue statements of material fact or by omitting 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; or

(c) knowingly, recklessly or negligently engaged in transactions, practices or courses of business which operated or would operate as a fraud or deceit upon the purchasers of such securities.

42. By reason of the foregoing, the defendants have violated Section 17(a) of the Securities Act [15 U.S.C. § 77q(a)].

COUNT II

Violations 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]

43. The Commission re-alleges and incorporates by reference paragraphs 1 through 39 above.

44. As set forth more fully above, the defendants, by engaging in the conduct described above, directly or indirectly, in connection with the purchase or sale of securities, by the use of means or instrumentalities of interstate commerce, or of the mails, or of a facility of a national securities exchange, knowingly or recklessly:

(a) employed devices, schemes or artifices to defraud;

(b) made 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; or

(c) engaged in acts, practices or courses of business which operated or would operate as a fraud or deceit upon other persons.

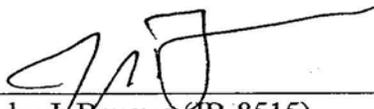
45. By reason of the foregoing, the defendants have violated Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5].

III.

Grants such other relief as this Court deems just and proper.

July 9, 2009

Respectfully submitted,



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