

3. Hansen's illegal trading on the Murdoch/Gansman tips embraced securities of at least five target companies of E&Y clients, and included common-stock purchases of ATI Technologies, Inc. and Freescale Semiconductor, Inc. through accounts in Hansen's daughters' names, as well as trades in both Freescale and Bausch & Lomb call options through Murdoch's account.

4. Hansen also tipped Kobrovsky concerning the acquisition of Freescale; and Kobrovsky, in turn, traded heavily in Freescale call options on the basis of Hansen's tipping. The illegal profits that Hansen and Kobrovsky collectively realized – from Hansen's trading on Murdoch's illegal tips and Hansen's tipping of Kobrovsky – totaled at least \$215,345.

5. At the time of the foregoing tipping and trading, Hansen and Kobrovsky each knew or recklessly disregarded that the tips each received derived from a breach of duty to the information's source. By their conduct, each of the defendants 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]. Each defendant will continue to violate the foregoing statutes and rules unless restrained or enjoined by this Court.

6. The SEC seeks permanent injunctions enjoining the defendants from further violations of the federal securities laws, disgorgement of their unlawful trading profits with prejudgment interest, civil monetary penalties, and any additional relief that the Court deems appropriate.

JURISDICTION AND VENUE

7. This Court has jurisdiction over this action pursuant to Exchange Act Sections 21(d), 21(e), 21A, and 27 [15 U.S.C. §§ 78u(d) and 78u(e), 78u-1, and 78aa].

8. Defendants, directly or indirectly, made use of the means and instrumentalities of interstate commerce, or of the mails, or of the facilities of a national securities exchange in connection with the acts, practices, and courses of business alleged herein.

9. Venue in this district is proper under Section 27 of the Exchange Act [15 U.S.C. § 78aa] because a substantial portion of the conduct alleged in this complaint occurred within the bounds of the Eastern District of Pennsylvania.

10. At all relevant times Murdoch and Hansen worked in the offices of Keystone Equities Group located in Oaks, Montgomery County, Pennsylvania.

11. Murdoch tipped Hansen about the acquisitions identified herein while Murdoch and Hansen were working together at Keystone's offices in Oaks, Montgomery County, Pennsylvania. Murdoch received the information from Gansman. Murdoch and Hansen knew, or were reckless in not knowing, that Gansman was in breach of his duties to E&Y and its clients when he conveyed the information to Murdoch.

12. Hansen tipped Kobrovsky by phone while Hansen was physically located within the bounds of the Eastern District of Pennsylvania. Kobrovsky also knew, or was reckless in not knowing, that Hansen's possession of the information derived from a breach of duty to one of the parties to the merger.

DEFENDANTS

13. Defendant Hansen, age 70, resided at all relevant times in Villanova, Pennsylvania. Until mid-2009, Hansen served as the Chairman of the Keystone Equities Group (“Keystone”), a Pennsylvania based broker-dealer and investment banking firm, and was at all relevant times a registered securities industry professional. At all relevant times he was a supervisor and close personal friend of then-registered securities industry professional Donna Murdoch, who was likewise associated with Keystone at all relevant times. Prior to joining Keystone, Hansen was a registered representative with several different broker-dealer firms. Hansen has also served as a director of two publicly traded companies: Ultralife Batteries, Inc., from 1991 to 2001, and Computone Corp. from 1995 to 2000.

14. Defendant Kobrovsky, age 69, is a resident of Scottsdale, Arizona. He is currently retired. Formerly he was the President of Fairmeadow Securities in Allentown, Pennsylvania, and was a licensed securities industry professional for over twelve years.

OTHER RELEVANT INDIVIDUALS

15. Murdoch was at all relevant times a close personal friend and subordinate of Hansen at Keystone, and associated with Keystone as a registered securities industry professional.

16. Gansman was at all relevant times a partner in the Transaction Advisory Services department of E&Y, and specialized in providing services concerning the human resources aspects of acquisitions for clients of the firm. These services included analysis of the cost—in cash and stock—of payments to executives having severance or other

employment agreements triggered by a change in control, and the federal excise tax implications of those costs.

17. Gansman and Murdoch were both defendants in the recently settled civil case of S.E.C. v. James E. Gansman, et al., 08-CV-4918 (PKC) (S.D.N.Y.) Both were also charged in a parallel criminal case. Murdoch entered guilty pleas to a total of 17 felony counts. She awaits sentencing. Gansman was convicted by a jury of six felony counts and acquitted of four. He is currently incarcerated pending his appeal. See United States v. Gansman et al., 08 Cr. 471 (SGC) (S.D.N.Y.)

THE ACQUISITION TARGETS

18. ATI Technologies Inc. (“ATI”) is a Canadian corporation headquartered in Markham, Ontario, Canada, that supplies graphics and multimedia processors and technologies for desktop and notebook PCs and consumer electronic devices such as mobile phones, digital televisions and game consoles. Prior to its merger with Alberta ULC — an indirect wholly owned subsidiary of Advanced Micro Devices, Inc. (“AMD”) — ATI’s common stock was registered with the Commission pursuant to Section 12(g) of the Exchange Act, and listed on the Nasdaq National Market System under the ticker symbol ATYT.¹

19. Freescale is a Delaware corporation headquartered in Austin, Texas, that designs and manufactures embedded semiconductors for the automotive, consumer, industrial, networking and wireless markets. Prior to being taken private by a consortium of private equity firms effective December 31, 2006, Freescale’s common stock was

¹ On July 31, 2006 the Nasdaq National Market changed its name to the Nasdaq Global Market. Also in 2006, Nasdaq became an exchange and companies traded on the Nasdaq Global Market became registered with the Commission pursuant to Section 12(b) of the Exchange Act.

registered with the Commission pursuant to Section 12(b) of the Exchange Act and listed on the New York Stock Exchange under the ticker symbols FSL and FSL.B

20. Bausch & Lomb Incorporated (“Bausch & Lomb”) is a New York corporation headquartered in Rochester, New York, that manufactures and markets eye health products, including contact lenses, contact lens care solutions and ophthalmic surgical and pharmaceutical products. Prior to being taken private by affiliates of private equity firm Warburg Pincus effective October 26, 2007, Bausch & Lomb’s common stock was registered with the Commission pursuant to Section 12(b) of the Exchange Act and listed on the New York Stock Exchange under the ticker symbol BOL.

FACTS

The Breach of the Relevant Duties and the Defendants’ Knowledge Thereof

21. Gansman owed a duty to E&Y, as a partner of that firm, to refrain from tipping anyone concerning material, non-public information he learned in the course of his work at the firm. Gansman also owed a duty to E&Y’s clients to refrain from tipping anyone concerning material, non-public information he learned in the course of his work on client engagements.

22. E&Y provided valuation services, including the human resources valuation services in which Gansman specialized, to the acquiring entities in all of the acquisitions discussed herein. In all but the Bausch & Lomb acquisition, Gansman served as E&Y’s engagement partner for that work. In the Bausch & Lomb acquisition, Gansman did not work directly on E&Y’s engagement but instead learned of it through his access to information on his firm’s engagements as a partner in the same E&Y department that was working on the Bausch & Lomb acquisition.

23. In providing each of the tips of material, non-public information described herein to Murdoch, Gansman breached his duties of confidentiality to his firm and/or its clients.

24. Murdoch knew that the tips Gansman conveyed to her, described herein, were of material, non-public information, and that in conveying each of those tips, Gansman breached his duties of confidentiality to his firm and/or its clients. Murdoch further knew that it was unlawful for her to use those tips for her own or others' benefit.

25. Before passing on Gansman's tips to Hansen, Murdoch told Hansen that Gansman was the source of the tips, that the tips derived from Gansman's work, and that Gansman was a partner at E&Y who worked on acquisitions for clients of his firm.

26. By the time he began receiving the tips described herein from Murdoch, Hansen had been a longtime securities industry professional who had also served for approximately ten years as a director of publicly traded companies. Through that experience, Hansen was familiar with the proscriptions against insider trading and tipping.

27. At the time he received each of the tips described herein from Murdoch, Hansen knew or recklessly disregarded that Gansman's tips to Murdoch were conveyed in breach of solemn duties of trust and confidence that Gansman owed to his firm, E&Y, and its clients.

28. For his part, by the time he received the illegal Freescale tips from Hansen as described herein, Kobrovsky had over twelve years experience as a licensed securities industry professional and was familiar through that experience with the proscriptions against insider trading and tipping. Kobrovsky knew or recklessly disregarded that

Hansen's tipping of him, described herein, derived from a breach of duty to the information's source.

II. The Unlawful Tips and Trading

A. ATI

29. By June 20, 2006, Gansman had learned through his work at E&Y—and, in particular, his work as the engagement partner for E&Y's valuation services to AMD, the acquirer in the ATI acquisition—that ATI was the target of highly confidential acquisition talks. By June 23, 2006, Gansman had tipped Murdoch with the foregoing material, non-public information, and Murdoch, in turn, had tipped it to Hansen.

30. In particular, Murdoch specifically told Hansen, in Hansen's office at Keystone, that Gansman had told her both that ATI was the target of pending acquisition talks and that Gansman was working on that transaction. At the time, Hansen already understood through Murdoch that Gansman worked on acquisitions for E&Y clients.

31. Murdoch and Hansen then looked together for news reports that they could potentially use as fraudulent cover for trading in ATI. They quickly found some articles referencing ATI, which Hansen stated would be sufficient to thwart any subsequent law enforcement inquiry into ATI trading by them. Hansen directed Murdoch to maintain the articles in a binder.

32. Hansen then—on June 23, 2006—purchased or caused to be purchased 1,000 shares of ATI in each of his daughters' accounts at the Fidelity brokerage firm, paying \$15.02 per share in one account and \$15.06 in the other.

33. Approximately one month later, on Monday, July 24, 2006, before the markets opened, ATI and AMD jointly announced that AMD subsidiary Alberta ULC

would acquire all of ATI's outstanding common stock for \$20.47 per share in cash and AMD stock. The announced acquisition price represented a 23.6% premium over ATI's \$16.56 closing price of Friday, July 21, 2006, the previous trading day. On the day of the announcement, ATI's stock price climbed to a 52-week high of \$19.69 before closing at \$19.67—up \$3.11 per share, or nearly 19%, from its previous trading day's close—on more than fourteen times its average daily trading volume.

34. On July 25, 2006—the day after the public announcement—Hansen sold or caused to be sold all of the ATI stock in his daughters' accounts, resulting in actual profits totaling \$4,660 (in one daughter's account), and \$4,740 (in the other's), for a total profit, from the Murdoch/Gansman ATI tip, of \$9,400.

B. Freescale

a. Murdoch Tips Hansen

35. By June 23, 2006, Gansman had learned through his work at E&Y—and, in particular, his work as the engagement partner for E&Y's valuation services to Blackstone, the lead acquiring entity in the Freescale acquisition—that Freescale was the target of highly confidential acquisition talks. By July 18, 2006, Gansman had tipped Murdoch concerning the Freescale acquisition talks, and Murdoch, in turn, had tipped Hansen.

36. In particular, after an initial conversation in which Gansman told her that Blackstone was trying to buy Freescale for a "huge premium," Murdoch went into Hansen's office at Keystone and relayed that material, non-public information to Hansen, including the fact that Gansman was working on the deal. In response, Hansen asked Murdoch if there were any articles or media reports about Freescale that could be used as

fraudulent cover for trading in Freescale. Murdoch then found a few articles about some new technology Freescale had and printed them out, giving a set to Hansen and keeping one for herself.

37. That same day, July 18, 2006, both Murdoch and Hansen placed their first-ever trades in Freescale—with Hansen, again, trading through his daughters' accounts.

38. In addition to trading in Freescale through his daughters' accounts, Hansen also traded in Freescale call options through Murdoch's account.

39. In early September 2006, Murdoch passed on to Hansen the latest Freescale tip that she had received from Gansman, namely, that the Freescale acquisition announcement "was going to happen the next week." Hansen responded by saying: "I want to put some money in your account. Let's be partners."

40. Hansen then wired \$15,000 on September 5, 2006 into Murdoch's account which Murdoch utilized to purchase out-of-the-money Freescale call options. By the time of the Freescale public announcement less than a week later, Murdoch had used \$11,230 of the \$15,000 that Hansen had wired to purchase over 300 Freescale call options, consisting of 243 September \$35s and 80 September \$30s. The strike prices of the vast majority of these options were as much as \$5 above Freescale's common stock share prices at the time; and every one of these options was slated to expire on September 15, 2006, less than ten days later.

41. On Monday, September 11, 2006, *The New York Times* reported that Freescale was in talks to be purchased by a consortium of investment firms for \$16 billion. Freescale issued a statement that morning confirming that it was "in discussions

with parties relating to a possible business transaction” but declined to release further details. Freescale’s stock price climbed to a 52-week high of \$37.18 that day, before closing at \$37.06, up 20.5% from its previous trading day’s close of \$30.75 on heavy volume. Four days later, Freescale announced that it had entered into a definitive agreement to be acquired by a private equity consortium—led by Gansman’s client Blackstone, and including The Carlyle Group, Permira Funds, and Texas Pacific Group—at \$40 per share. Freescale’s price climbed about \$2 more per share—to over \$39—on this news.

42. By September 25, 2006, after the announcement of the Freescale acquisition, Hansen had sold or caused to be sold all the Freescale common stock he had purchased or caused to be purchased in his daughter’s accounts, resulting in actual profits totaling \$22,910. Based on Freescale’s closing price on the day following the public announcement, Hansen’s illegal imputed profits on this trading were slightly less, totaling \$10,690 in one daughter’s account and \$10,660 in the other, for total illegal profits, from the Murdoch/Gansman Freescale tip, of at least \$21,350.

43. After the Freescale acquisition became public, Murdoch sold the Freescale call options that she had purchased using \$11,230 of the \$15,000 that Hansen had wired her. On September 12, 2006, Murdoch wrote Hansen a check for \$32,825. Thus, Hansen realized at least \$21,595 in actual profits from the Freescale options trading that he funded in Murdoch’s account. Counting the illegal profits of \$21,350 in his daughters’ accounts, detailed above, Hansen’s total illegal profits from the Murdoch/Gansman Freescale tipping were at least \$42,945.

b. Hansen Tips Kobrovsky

44. By August 17, 2006, Hansen had tipped Kobrovsky concerning the material, non-public information concerning Freescale that Hansen had received from Murdoch, including that Freescale was the target of highly confidential acquisition talks. On August 16, 2006, Hansen placed a seven minute call to Kobrovsky. The following day, August 17, 2006, Kobrovsky completed an application to trade options in one of his Ameritrade accounts. On August 18, 2006, Kobrovsky began purchasing Freescale call options in that Ameritrade account, accumulating a total of 410 contracts by the time of the Freescale acquisition announcement some four weeks later.

45. On September 6, 2006, the day after Hansen wired money into Murdoch's account so she could trade for him, Hansen placed another three minute call to Kobrovsky. Between the conclusion of that call and the Freescale public announcement, Kobrovsky purchased as many as 120 Freescale call option contracts.

46. Within days after the September 11 public announcement, Kobrovsky sold all his Freescale options, realizing \$163,000 in illegal profits.

C. Bausch & Lomb

47. In early October 2006, Gansman tipped Murdoch concerning acquisition talks between Bausch & Lomb and E&Y's client Warburg Pincus. In particular, Gansman told Murdoch that Gansman's firm was working on a potential acquisition of Bausch & Lomb by his firm's client, Warburg Pincus. Gansman further told Murdoch that Gansman was not personally working on the transaction but that others within his department were.

48. By October 10, 2006, Murdoch had passed Gansman's Bausch & Lomb acquisition tip on to Hansen. In particular, in a conversation taking place in Hansen's office at Keystone, Murdoch, knowing that Hansen hailed from the Rochester, New York area, and that Bausch & Lomb was headquartered in Rochester, Murdoch told Hansen that she had just received another Gansman tip that Hansen was "going to love." Murdoch then proceeded to pass on Gansman's tip to Hansen, telling him that Bausch & Lomb was the target of acquisition talks.

49. In response, Hansen told Murdoch that he wanted to "partner" with Murdoch on Bausch & Lomb trading through Murdoch's account, and that he would furnish some money for her to do so. Hansen then wired \$40,000 into Murdoch's bank account.

50. Shortly after receiving Hansen's \$40,000, Murdoch immediately began drawing from those funds to purchase out-of-the-money Bausch & Lomb call options with near-term expiration dates—spending about half the \$40,000 on such trading within days of receiving the funds.

51. The Bausch & Lomb talks became protracted, however, and no deal was announced until the following May. In the meantime, Murdoch frequently rolled over her investments in Bausch & Lomb calls so as to remain positioned to profit from the acquisition when it was announced. Murdoch also asked Gansman for updates on the talks' status during this period, which Gansman provided and which Murdoch passed on to Hansen.

52. On Wednesday, May 16, 2007, after the markets closed, Bausch & Lomb announced that it had agreed to be acquired by private equity firm Warburg Pincus for

\$65 per share, subject to Bausch & Lomb's right to seek higher offers over the next 50 days. On the next trading day, Thursday, May 17, 2007, Bausch & Lomb's stock climbed \$6 per share, or 9.8%, over its previous day's close of \$61.50 to close at \$67.50 on extremely heavy volume.

53. After the Bausch & Lomb acquisition was announced in May 2007, Murdoch sold the Bausch & Lomb call options that she then held, netting \$16,637 in illegal profits.

54. Also in May 2007, before Murdoch had passed along any of the Bausch & Lomb trading profits to Hansen, the SEC staff first contacted Murdoch in connection with the investigation that led to the filing of this action as well as the prior action against Gansman and Murdoch referenced above.

FIRST CLAIM FOR RELIEF

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

55. Plaintiff re-alleges and incorporates herein by reference paragraphs 1 through 54 above.

56. Defendant Hansen knew or was reckless in not knowing that the information he received from Murdoch concerning the ATI, Freescale and Bausch & Lomb acquisitions was material, non-public information that Gansman had misappropriated from his firm and its clients, in breach of Gansman's duties to them. Defendant Hansen traded, in the manner described herein, while in possession of that information intending to illegally benefit himself and his children.

57. Defendant Hansen also used that information to tip his long time friend and former business partner, Kobrovsky, who subsequently purchased Freescale securities. In

making this tip to Kobrovsky, Hansen acted for the purpose of obtaining personal benefits, including reputational enhancement as a source of stock tips, gratitude for being the cause of trading profits, the ability to repay any formal or informal indebtedness to Kobrovsky, and the ability to confer “gifts” of trading profits on his friend Kobrovsky.

58. Defendant Kobrovsky knew, or was reckless in not knowing, that the information concerning the Freescale acquisition that he received from Hansen was material, non-public information that had been disclosed to Hansen in breach of duty to the information’s source. Kobrovsky then knowingly or recklessly traded in Freescale securities while in possession of this material, non-public information.

59. As a result of all the foregoing, between June 2006 and May 2007 (for defendant Hansen), and between June 2006 and September 2006 (for defendant Kobrovsky), Defendants Hansen and Kobrovsky, directly or indirectly, in connection with purchases of common stock and options, by use of the means and instrumentalities of interstate commerce, of the mails, or of the facilities of a national securities exchange: (1) employed devices, schemes, or artifices to defraud; (2) made untrue statements of material facts, or omitted to state material facts necessary in order to make the statements made, in light of the circumstances in which they were made, not misleading; or (3) engaged in acts, practices or transactions which operated as a fraud or deceit upon purchasers or sellers of securities or upon other persons, in connection with the purchase or sale of securities.

60. By reason of the foregoing acts, practices, and transactions, defendants Hansen and Kobrovsky violated 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.

PRAYER FOR RELIEF

WHEREFORE, the Commission respectfully requests that this Court:

I.

Grant a Final Judgment of Permanent Injunction restraining and enjoining each defendant and their agents, servants, employees, attorneys-in-fact, and assigns and those persons in active concert or participation with them, and each of them, from violating Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 [17 C.F.R. § 240.10b-5] promulgated thereunder;

II.

Order Hansen to disgorge his illegal trading profits; plus prejudgment interest thereon; and order Hansen and Kobrovsky to jointly and severally disgorge Kobrovsky's illegal trading profits; plus prejudgment interest thereon;

III.

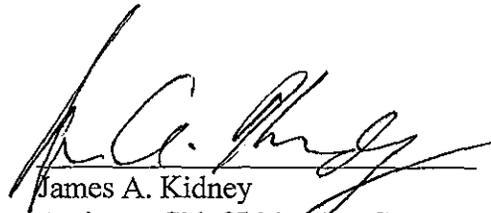
Order defendants Hansen and Kobrovsky to pay civil penalties pursuant to Section 21A of the Exchange Act [15 U.S.C. § 78u-1]; and

IV.

Grant such other and further relief as this Court may deem just, equitable, and necessary.

Dated: Sept. 27, 2010

Respectfully submitted:



James A. Kidney
Assistant Chief Litigation Counsel
Securities and Exchange Commission
100 F Street, N.E.
Washington, D.C. 20549-4010
Telephone: 202-551-4441
Facsimile: 202-772-9246
kidneyj@sec.gov

Cheryl J. Scarboro
C. Joshua Felker
J. Lee Buck, II
Kevin B. Muhlendorf

Securities and Exchange Commission
100 F Street, N.E.
Washington, D.C. 20549-4030

Attorneys for Plaintiff