

**GEORGE S. CANELLOS
REGIONAL DIRECTOR**

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**UNITED STATES DISTRICT COURT
DISTRICT OF NEW JERSEY**

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	:
SECURITIES AND EXCHANGE COMMISSION,	:
	:
Plaintiff,	:
	:
-against-	:
	:
KIM ANN DESKOVICK and	:
BRIAN S. HAIG,	:
	:
Defendants.	:
	:
-----X	

11 Civ. _____ ()

COMPLAINT

Plaintiff Securities and Exchange Commission (“Commission”), for its Complaint against defendants Kim Ann Deskovick (“Deskovick”) and Brian S. Haig (“Haig”), alleges as follows:

SUMMARY OF ALLEGATIONS

1. This action involves unlawful insider trading in the shares of First Morris Bank and Trust (“First Morris”) before an October 2006 announcement that Provident Financial Services, Inc. (“Provident”) had agreed to acquire First Morris. Deskovick was a First Morris director and, as such, received confidential information concerning First Morris’s merger negotiations with several banks, including Provident. In breach of her fiduciary duty as a director, Deskovick tipped a close friend (“Individual A”) that First Morris was for sale and

periodically updated Individual A on the status of First Morris's merger negotiations. Individual A did not purchase First Morris securities, but Individual A told Haig, a friend and business associate, that Deskovick had told Individual A that First Morris was for sale and urged Haig to buy First Morris securities.

2. Based on Individual A's tip, Haig purchased 4,000 shares of First Morris stock in September 2006. Haig also tipped a friend and business associate, now deceased ("Individual B"), about the pending sale of First Morris and the source of the information. Based on Haig's tip, Individual B purchased 800 shares of First Morris stock in September 2006. On the day that First Morris and Provident announced their merger agreement, the price of First Morris stock increased by approximately 14%. Haig sold his entire First Morris position on the day of the announcement for a profit of \$56,797, and Individual B sold his entire First Morris position on the following day for a profit of \$11,480.

3. By virtue of the conduct alleged herein, Deskovick and Haig have engaged, directly or indirectly, in transactions, acts, practices, or courses of business that constitute violations of 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. Unless Deskovick and Haig are permanently restrained and enjoined, they will again engage in the transactions, acts, practices and courses of business set forth in this Complaint and in transactions, acts, practices and courses of business of similar type and object.

JURISDICTION AND VENUE

4. The Commission brings this action pursuant to the authority conferred upon it by Section 21(d) of the Exchange Act, 15 U.S.C. § 78u(d), to restrain and enjoin Deskovick and

Haig permanently from engaging in the transactions, acts, practices, and courses of business alleged in this Complaint. The Commission also seeks a judgment (i) requiring Haig to disgorge the trading profits that he and Individual B obtained through their unlawful purchases of First Morris stock, plus prejudgment interest thereon; (ii) imposing civil money penalties pursuant to Section 21A(a) of the Exchange Act, 15 U.S.C. § 78u-1(a), on Deskovick and Haig; and (iii) barring Deskovick from acting as an officer or director of a public company pursuant to Section 21(d)(2) of the Exchange Act, 15 U.S.C. § 78u(d)(2).

5. This Court has jurisdiction over this action, and venue lies in this District, pursuant to Sections 21(d), 21(e), 21A, and 27 of the Exchange Act, 15 U.S.C. §§ 78u(d), 78u(e), 78u-1, 78aa. Deskovick and Haig, directly and indirectly, singly or in concert, made use of the means or instrumentalities of interstate commerce, or of the mails, in connection with the transactions, acts, practices, and courses of business alleged herein. Certain of the relevant conduct, transactions, acts, practices, and courses of business occurred in the District of New Jersey, and both defendants reside in the District of New Jersey.

DEFENDANTS

6. **Deskovick**, age 55, was a director of First Morris during the relevant period, and at the time owned 9.81% of the outstanding shares of First Morris. Deskovick resides in Mendham, New Jersey.

7. **Haig**, age 45, resides in Hackettstown, New Jersey. He is a CPA licensed in New Jersey and is a partner in an accounting firm located in Livingston, New Jersey.

RELEVANT ENTITIES

8. **First Morris** was a regional bank serving the Morris County, New Jersey area during the relevant period. First Morris was acquired by and merged into Provident on April 1, 2007. Prior to the merger, First Morris's shares were publicly traded and quoted on the OTC Bulletin Board.

9. **Provident** is the parent company of a regional bank based in northern and central New Jersey named The Provident Bank. Provident's common stock trades on the New York Stock Exchange.

THE DEFENDANTS' INSIDER TRADING VIOLATIONS

Provident's Acquisition of First Morris

10. In June 2006, First Morris operated nine branches in Morris County, New Jersey and had assets of \$571 million. However, First Morris's revenue had declined consistently since the first quarter of 2005 and as of June 1, 2006, its share price had declined over 25% since March 31, 2005.

11. On or about June 20, 2006, First Morris hired an investment bank (the "Investment Bank") to explore the possible sale of First Morris.

12. In July 2006, the Investment Bank contacted approximately seventeen financial institutions, including Provident, to determine whether those institutions were interested in evaluating a potential purchase of a commercial bank. Several of the institutions, including Provident, then executed confidentiality agreements with First Morris. Provident executed a confidentiality agreement with First Morris on July 14, 2006.

13. On or about July 20, 2006, First Morris's board of directors, including Deskovick, discussed the potential sale of First Morris and authorized the retention of the Investment Bank to act as First Morris's financial advisor with respect to the potential sale of First Morris. On or about August 31, 2006, First Morris's executive committee discussed written offers made by Provident and another bank for the acquisition of First Morris.

14. On or about September 12, 2006, Provident began its due diligence review of First Morris. On or about October 12, 2006, First Morris's board of directors, including Deskovick, notified Provident that First Morris would negotiate exclusively with Provident regarding the sale of First Morris. On or about October 15, 2006, First Morris's board of directors, including Deskovick, discussed the final terms of a sale of First Morris to Provident.

15. On the evening of October 15, 2006, First Morris and Provident executed a merger agreement pursuant to which Provident would acquire First Morris. Under the terms of the merger agreement, 50% of the common stock of First Morris was converted into shares of Provident and the other 50% was converted into cash. First Morris shareholders of record as of March 2, 2007 had the option of choosing 2.1337 shares of Provident Financial common stock or \$39.75 in cash for every First Morris share.

16. On the morning of October 16, 2006, First Morris and Provident announced that they had entered into a merger agreement pursuant to which Provident would acquire First Morris. That day, the price of First Morris stock reached a high of \$39.00 and closed at \$38.30, an increase of 14% from its opening price of \$32.89.

17. On March 22, 2007, First Morris shareholders approved the merger agreement and, following the necessary regulatory approvals, First Morris merged into Provident's banking subsidiary, The Provident Bank, on April 1, 2007.

The Relationship Among Deskovick, Individual A and Haig

18. In early 2006, Deskovick developed a close personal relationship with Individual A, after Individual A performed services for Deskovick in connection with her home. Individual A knew that Deskovick was a major shareholder of First Morris and a member of its board of directors. At the time, Individual A was experiencing significant financial difficulties. Deskovick was aware of Individual A's financial problems and assisted him financially. Deskovick provided Individual A with substantial sums of money from March 2006 through July 2006 and gave gifts to Individual A's spouse.

19. Individual A met Haig in or about November 2005, when Individual A retained Haig to perform accounting work in connection with a pending lawsuit. Individual A and Haig subsequently developed a friendship, and Haig also performed other accounting services for Individual A.

Haig Purchased First Morris Stock Based On Confidential Information That Deskovick Gave To Individual A In Breach Of Her Fiduciary Duty

20. As detailed below, Deskovick tipped Individual A that First Morris was for sale and Individual A then tipped Haig, who purchased First Morris stock on the basis of that information before the public announcement of Provident's agreement to acquire First Morris.

21. As a director of First Morris, Deskovick had a fiduciary duty to First Morris and its shareholders that required her, among other things, to maintain the confidentiality of non-public information she obtained in her capacity as a director of First Morris. Moreover, in or

about January 2006, Deskovick signed a Certificate of Compliance with First Morris's Code of Conduct, in which she acknowledged, among other things, that as a director she was prohibited from disclosing confidential information about First Morris. Deskovick breached her fiduciary duty to First Morris and its shareholders by disclosing confidential information about First Morris to Individual A.

22. Beginning in or about June 2006, Deskovick told Individual A that First Morris was for sale. In several subsequent communications, Deskovick kept Individual A apprised of the status of First Morris's efforts to negotiate a merger with another bank.

23. In or about June 2006, and several times thereafter, Individual A told Haig that Individual A's friend "Kim," whom Individual A identified to Haig as a major shareholder and director of First Morris, told Individual A that First Morris was for sale. Individual A and Haig discussed First Morris's potential sale and the possibility of purchasing First Morris stock several times more between June and October 2006. On more than one occasion, Individual A told Haig that Haig should buy a substantial amount of First Morris stock in light of the fact that First Morris was for sale. On at least one occasion, Individual A discussed a potential First Morris sale price with Haig. At the time of the foregoing conversations, Haig understood that Individual A had obtained the information about a potential sale of First Morris from Deskovick.

24. Deskovick called Individual A in close proximity to several key events in the transaction, and Individual A called Haig soon after speaking with Deskovick on those occasions. This pattern of telephone calls began early in the course of the negotiations, on the day that First Morris's board of directors voted to retain the Investment Bank to act as First Morris's financial advisor with respect to a potential sale, and preceded Haig's First Morris stock

purchases during the latter stages of the transaction. In these and other conversations, Deskovick conveyed confidential information about First Morris's efforts to find a merger partner to Individual A, who then conveyed that information to Haig.

25. Haig's first 1,000 share purchase of First Morris stock, at a price of \$23.75 per share, occurred on September 5, 2006, which was the next trading day after First Morris's executive committee discussed the written bid received from Provident and decided to proceed with the due diligence phase of negotiations. On the day of that decision (September 1, 2006), Deskovick called Individual A and after they spoke, Individual A called Haig. Haig's next purchase also followed a similar series of phone calls. On the morning of September 11, 2006, the day before Provident began its due diligence review of First Morris, Individual A called Deskovick twice and then called Haig shortly after both of those calls. Haig purchased another 1,000 shares of First Morris, at a price of \$24.00 per share, approximately one hour after the second call from Individual A. Haig made the rest of his First Morris purchases on September 12 and September 14, 2006, buying a total of 1,000 shares on each of those two days, at \$24.00 and \$24.90 per share, respectively.

26. On the evening of October 15, 2006, while Haig and Individual A were out to dinner together with their spouses, Deskovick called Individual A and told him that an agreement for the sale of First Morris had been completed and that an announcement would be imminent. Individual A conveyed that information to Haig. On October 16, 2006, after the acquisition agreement between First Morris and Provident was publicly announced, Haig sold all his First Morris stock and realized a profit of \$56,797.

Individual B Purchased First Morris Stock Based On A Tip From Haig

27. Individual B bought 800 shares of First Morris stock on September 12, 2006 at \$24 per share and sold the shares on October 17, 2006 for a profit of \$11,480. Before Individual B purchased First Morris stock, Haig tipped Individual B that First Morris was for sale. Haig and Individual B were longtime business associates and friends.

28. Approximately one or two weeks before Individual B's stock purchase, Haig told Individual B that there was a strong possibility that First Morris would be sold. Haig further told Individual B that: (i) Haig had obtained this information from his friend, Individual A; (ii) Individual A knew somebody at First Morris; and (iii) Haig was going to buy some First Morris stock. Shortly thereafter, Haig and Individual B discussed the potential sale of First Morris a second time. In this conversation, Haig told Individual B that after speaking to Individual A again, Haig felt confident about a First Morris sale and that Haig had already bought First Morris stock and would be buying more. Individual B subsequently made the September 12, 2006 purchase of First Morris stock.

CLAIM FOR RELIEF

Violations of Section 10(b)
of the Exchange Act, 15 U.S.C. § 78j(b),
and Rule 10b-5, 17 C.F.R. § 240.10b-5

29. The Commission realleges and incorporates by reference each and every allegation contained above in paragraphs 1 through 28.

30. Deskovick and Haig, directly or indirectly, by the use of a means or instrumentality of interstate commerce, or of the mails, or of any facility of a national securities exchange, in connection with the purchase or sale of First Morris securities: (a) employed

devices, schemes, or artifices to defraud; (b) obtained money or property by means of, or otherwise made, untrue statements of material fact 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; and (c) engaged in transactions, acts, practices and courses of business which operated or would have operated as a fraud or deceit upon other persons, as set forth below.

31. As a director of First Morris, Deskovick owed a fiduciary duty to First Morris and its shareholders that required her, among other things, to maintain the confidentiality of the material, nonpublic information that she received regarding the potential sale of First Morris to another financial institution and the status of First Morris's merger negotiations with Provident and other banks until such information was publicly disseminated.

32. Deskovick breached the fiduciary duty that she owed to First Morris and its shareholders by conveying to Individual A material, nonpublic information regarding the potential sale of First Morris and First Morris's merger negotiations. Either directly or indirectly, Deskovick gained, or expected to gain, a personal benefit by conveying material, nonpublic information to Individual A. Deskovick knew, or was reckless in not knowing, that her conduct constituted a breach of a fiduciary duty that she owed to First Morris and its shareholders.

33. Haig knew, or was reckless in not knowing, that a director, officer or other insider of First Morris was the source of the material, nonpublic information that Individual A conveyed to Haig regarding the potential sale of First Morris and First Morris's merger negotiations, and

Haig knew, or was reckless in not knowing, that such information was conveyed to Individual A in breach of a fiduciary duty that the source of the information owed.

34. Haig breached the fiduciary duty, or other duty arising out of a relationship of trust and confidence, that he had assumed from Deskovick, by purchasing First Morris securities in September 2006 while in possession of material, nonpublic information regarding the potential sale of First Morris and by conveying such information to Individual B, who then also purchased First Morris securities. Either directly or indirectly, Haig gained, or expected to gain, a personal benefit by conveying material, nonpublic information to Individual B. Haig knew, or was reckless in not knowing, that his conduct constituted a breach of a fiduciary duty to First Morris and its shareholders that he had assumed.

35. By reason of the foregoing, Deskovick and Haig, singly or in concert, directly or indirectly, violated, and unless enjoined will again violate, Section 10(b) of the Exchange Act, 15 U.S.C. § 78j(b), and Rule 10b-5 promulgated thereunder, 17 C.F.R. § 240.10b-5.

PRAYER FOR RELIEF

WHEREFORE, the Commission respectfully requests a Final Judgment:

A. Permanently enjoining Deskovick and Haig, their agents, servants, employees, and attorneys, and all persons in active concert or participation with them who receive actual notice of the injunction by personal service or otherwise, and each of them, from future violations of Section 10(b) of the Exchange Act, 15 U.S.C. § 78j(b), and Rule 10b-5 promulgated thereunder, 17 C.F.R. § 240.10b-5;

B. Ordering Haig to disgorge the ill-gotten gains derived from his and Individual B's purchases of First Morris securities in violation of Section 10(b) of the Exchange Act, 15 U.S.C.

§ 78j(b), and Rule 10b-5 promulgated thereunder, 17 C.F.R. § 240.10b-5, and to pay prejudgment interest thereon;

C. Ordering Deskovick and Haig to pay civil money penalties pursuant to Section 21A(a) of the Exchange Act, 15 U.S.C. § 78u-1(a);

D. Prohibiting Deskovick from acting as an officer or director of any issuer that has a class of securities registered pursuant to Section 12 of the Exchange Act, 15 U.S.C. § 78l, or that is required to file reports pursuant to Section 15(d) of the Exchange Act, 15 U.S.C. § 78o(d), for five (5) years, pursuant to Section 21(d)(2) of the Exchange Act, 15 U.S.C. § 78u(d)(2); and

E. Granting such other and further relief as the Court shall deem just and proper.

Dated: New York, New York
March 17, 2011

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Certification

Pursuant to Local Rule 11.2, I certify that the matter in controversy alleged in the foregoing Complaint is not the subject of any other action pending in any court, or of any pending arbitration or administrative proceeding.

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