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11 UNITED STATES DISTRICT COURT
12 CENTRAL DISTRICT OF CALIFORNIA

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98- 1724

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14 SECURITIES AND EXCHANGE COMMISSION, :

Civ. Action No.
98- _____ ()

15 Plaintiff, :

COMPLAINT

16 - v. - :

17 ROGER H. LICHT, STEVEN L. WESTON, :
18 ROBERT P. KORDA, WILLIAM J. BARISOFF, :
LYNN WESTON, SEYMOUR J. MELNIK, :
19 ANDREW K. LICHT, D. MARK SANDELSON, :
and RONALD B. SCHILLING, :
20 Defendants :

21
22 Plaintiff Securities and Exchange Commission (the
23 "Commission") alleges for its Complaint that:
24

25 JURISDICTION

26 1. The Commission brings this action pursuant to the
27 authority conferred upon it by Sections 21(d) and 21(e) of the
28

1 Exchange Act [15 U.S.C. §§ 78u(d) and 78u(e)] permanently to
2 restrain and enjoin defendants from engaging in the acts,
3 practices, and transactions herein alleged, and for other relief.

4 2. This Court has jurisdiction over this action pursuant to
5 Sections 21(d) and (e) and Section 27 of the Exchange Act [15
6 U.S.C. §§ 78u(d) and (e) and 78aa].

7 3. Unless restrained and enjoined by this Court, the
8 defendants will continue to engage in acts, practices, and
9 transactions as set forth herein, and in acts, practices, and
10 transactions of similar purport and object.

11
12 SUMMARY

13 4. This case involves a pattern of insider trading over a
14 fourteen-month period involving a group of close friends, family
15 members and other associates of Defendant Roger H. Licht
16 ("Licht"). Licht is an attorney who served as a director of two
17 of the three public companies whose stock was the subject of the
18 insider trades. Licht's brother-in-law, Steven L. Weston
19 ("Weston"), served as president of the third public company. The
20 three public companies involved are Leisure Concepts, Inc.
21 ("LCI"), Medco Containment Services, Inc. ("Medco"), and Synetic,
22 Inc. ("Synetic").

23 5. On three occasions between March 1993 and May 1994,
24 Licht and Weston traded and dispensed tips of material, non-
25 public information relating to the companies for which they
26 worked in breach of their fiduciary duties to those companies and
27 their shareholders. Licht was a director of Medco and Synetic;

1 Weston was the president of LCI. After receiving the inside
2 information, Licht, on one occasion, and various of his co-
3 defendants, on three separate occasions, traded while in
4 possession of material, non-public information. Some of the
5 defendants, in turn, tipped other defendants in the "friends and
6 family" circle, and others, who also traded. The illegal trades
7 took place just before important public announcements regarding
8 which Licht (as to Medco and Synetic) and Weston (as to LCI) had
9 material, non-public information, and generally followed
10 extensive contact between and among the circle of friends and
11 family. Together the group realized illegal profits totaling
12 more than \$200,000 on the three sets of trades.

13 6. The group's insider trading in Synetic triggered a
14 National Association of Securities Dealers investigation of the
15 unusual trading in Synetic. After Licht learned about the
16 investigation, he and certain of the other defendants devised a
17 cover-up scheme involving the use of a misleading exculpatory
18 explanation for their trading.

19 7. By engaging in this conduct, the defendants violated
20 Section 10(b) of the Securities Exchange Act of 1934 ("Exchange
21 Act") [15 U.S.C. § 78j(b)] and Rule 10b-5 thereunder [17 C.F.R. §
22 240.10b-5], and are likely to commit such violations in the
23 future unless the Court enjoins them from doing so.

24

25

THE DEFENDANTS

26 8. Roger Licht, 44, an attorney, the friend and brother-
27 in-law of Defendant Steven Weston, lives in Bel Air, California.

28

1 Licht has served as a director of Synetic since 1989. From 1991
2 through November 18, 1993, he also served as a director of Medco,
3 which during this period owned approximately 58% of Synetic's
4 outstanding shares.

5 9. Steven L. Weston, 40, friend and brother-in-law of
6 Roger Licht, lives in Pacific Palisades, California. At all
7 relevant times, Weston served as president of LCI.

8 10. Robert P. Korda, 43, friend and client of Roger Licht,
9 lives in Los Angeles, California. From April 1988 through May
10 1994, Roger Licht had the authority to place orders in one of
11 Korda's securities accounts.

12 11. William J. Barisoff, 54, friend and former client of
13 Roger Licht, resides in Long Beach, California. At all relevant
14 times, he worked as a jockey's agent. Between December 1992 and
15 May 1994, Roger Licht had the authority to place orders in
16 Barisoff's securities account.

17 12. Lynn Weston, 44, who resides in Pacific Palisades,
18 California, is the wife of Steven Weston, the sister-in-law of
19 Roger Licht, and a friend of Seymour Melnik.

20 13. Seymour J. Melnik, 58, physician who resides in
21 Whittier, California, is a friend of Weston's wife, Lynn Weston,
22 and Roger Licht's wife, Mary Lou Licht (Lynn and Mary Lou are
23 sisters). Melnik is also a former co-worker and business partner
24 of Lynn Weston, and a former mortgage-banking client of Mary Lou
25 Licht.

26 14. Andrew K. Licht, 40, who resides in Los Angeles,
27 California, is Roger Licht's younger brother. Roger Licht had
28

1 the legal power to act in one of Andrew Licht's securities
2 accounts.

3 15. D. Mark Sandelson, 42, who resides in Los Angeles,
4 California, is a friend and client of Roger Licht, and a friend
5 of Andrew Licht.

6 16. Ronald B. Schilling, 57, who resides in Los Altos
7 Hills, California, is Andrew Licht's father-in-law.

8
9 OTHER PERSONS AND ENTITIES

10 17. Leisure Concepts, Inc. ("LCI"), now a subsidiary of 4
11 Kids Productions, Inc., was at all relevant times a New York
12 corporation headquartered in New York City, with other offices in
13 Los Angeles and London. LCI's common stock was registered with
14 the Commission pursuant to Section 12(g) of the Exchange Act, and
15 was traded on NASDAQ. No market existed for LCI option
16 contracts. As of March 22, 1993, the aggregate market value of
17 LCI voting stock held by non-affiliates was \$15.5 million. LCI
18 owned, and licensed for merchandising and entertainment purposes,
19 the exclusive marketing rights to a number of trademarks,
20 copyrighted characters and personalities. At all relevant times,
21 Steven L. Weston served as president of LCI.

22 18. Medco Containment Services, Inc. ("Medco"), a wholly
23 owned subsidiary of Merck & Co. since November 1993, is a
24 Delaware corporation headquartered in Montvale, New Jersey.
25 Prior to its acquisition by Merck & Co. ("Merck") for
26 approximately \$6 billion, Medco's common stock was registered
27 with the Commission pursuant to Section 12(g) of the Exchange
28

1 Act, and was traded on NASDAQ. Medco option contracts traded on
2 the Pacific Stock Exchange. At the time of its acquisition by
3 Merck, Medco was the leading mail order marketer of prescription
4 drugs in the United States. At all relevant times, Roger Licht
5 served as a director of Medco.

6 19. Synetic, Inc. ("Synetic"), is a Delaware corporation
7 headquartered in Montvale, New Jersey. As of November 1993,
8 Medco held a 58% interest in Synetic. By virtue of its
9 acquisition of Medco, Merck assumed Medco's 58% interest in
10 Synetic until a stock buyback by Synetic in May 1994. Synetic
11 stock is traded on NASDAQ. No market exists for Synetic option
12 contracts. As of October 22, 1993, the aggregate market value of
13 Synetic voting stock held by non-affiliates was \$71.3 million.
14 Synetic is engaged in two principal business activities: plastics
15 technologies and healthcare communications. At all relevant
16 times, Roger Licht served as a director of Synetic..

17
18 **FIRST CLAIM**

19
20 **Licht and Weston Violated Exchange Act Section 10(b) and Rule**
21 **10b-5 in Connection With Licht's and Korda's**
Purchase of LCI stock in March 1993

22 20. Paragraphs 1 through 19 are realleged and incorporated
23 herein by reference.

24 21. By March 16, 1993, Weston was informed that a respected
25 Wall Street brokerage firm (Gerard Klauer Mattison Inc.) ("GKM")
26 planned to initiate positive analyst coverage of LCI with a buy
27 recommendation. Weston was also instructed that this information
28

1 was confidential. At the time, there was no published analyst
2 coverage of LCI; nor had there been such coverage for some time.

3 22. By March 19, 1993, Weston had learned that LCI's soon
4 to be released annual earnings (for the year ended December 31,
5 1992) would be favorable. At the time, it was LCI's practice to
6 have its annual earnings figure virtually pinpointed by the first
7 or second week of March. Also at that time, Weston regularly
8 inquired of LCI's Chief Financial Officer ("CFO"), regarding
9 LCI's confidential earnings figures prior to LCI's public
10 earnings announcements; this was information which the CFO had,
11 and shared with Weston every time Weston asked. By virtue of his
12 position as President of LCI, Weston learned material, non-public
13 information concerning LCI's 1992 annual earnings by March 19,
14 1993.

15 23. Between March 16 and 19, 1993, Weston and Licht were in
16 close and frequent communication. For example, on March 17,
17 Licht called Weston three times from his car phone; Weston called
18 Licht twice from his car phone. On March 18, Weston and Licht
19 had a scheduled lunch meeting, concluding after the close of the
20 market. On March 19, Licht called Weston at least once, and
21 Weston called Licht at least three times.

22 24. During one or more of the contacts identified in
23 paragraph 23 above, or in other contacts between Licht and Weston
24 during this period, Weston communicated, directly or indirectly,
25 material, non-public information to Licht concerning the imminent
26 initiation of favorable analyst coverage of LCI and LCI's soon-
27
28

1 to-be-released annual earnings. In so doing, Weston breached his
2 fiduciary duties to LCI.

3 25. On March 19, 1993, while in possession of the material,
4 non-public information communicated to him by Weston, and
5 knowing, or having reason to know, or recklessly disregarding the
6 fact that Weston had communicated such information to him in
7 breach of Weston's duties to LCI, Licht purchased 5,000 shares of
8 LCI in his own account. Licht also purchased 2,500 additional
9 shares through his friend Robert Korda's account, and recommended
10 the purchase of LCI to Korda, who bought 4,500 shares for
11 himself.

12 26. In tipping Korda to purchase LCI on March 19, Licht
13 gave Korda two reasons for his advice, both of which were rooted
14 in the material, non-public information that had been tipped to
15 Licht by Weston in breach of Weston's duties to LCI: that a
16 brokerage firm would be recommending LCI, and that LCI's upcoming
17 earnings announcement would be favorable.

18 27. On March 23, 1993, GKM issued the buy recommendation
19 for LCI stock. On that day, LCI's stock price, which had closed
20 at \$6 7/8 on March 22, increased to a high of \$8 per share,
21 before closing at \$7 1/2. The trading volume, exceeding 130,000
22 shares, was nearly three times LCI's then-average daily trading
23 volume.

24 28. On the morning of March 25, 1993, LCI announced record
25 earnings for the year ended December 31, 1992. Following the
26 earnings announcement that day, LCI's share price climbed to a
27
28

1 high of \$9 on volume exceeding 160,000 shares, almost four times
2 LCI's then-average daily trading volume.

3 29. On March 25, 1993, following LCI's record earnings
4 announcement, Defendant Korda sold the 7,000 LCI shares that had
5 been purchased in his account, which included the 2,500 shares he
6 had purchased for Licht. Korda and Licht realized profits
7 totaling \$12,244 on this sale. In addition, the 5,000 LCI shares
8 purchased in Licht's account increased in value by \$11,187.

9 30. On March 29, 1993, Korda wrote a \$2,707.21 check to
10 Licht, representing Licht's and Korda's calculation of Licht's
11 after-tax share of the profits on the 2,500 LCI shares that Licht
12 purchased through Korda's account.

13 31. By reason of the foregoing, defendants Weston and Licht
14 violated Exchange Act Section 10(b) and Rule 10b-5 thereunder.

15
16 **SECOND CLAIM**

17 **Licht, Barisoff, Weston, Korda, Andrew Licht,
18 Sandelson, Lynn Weston and Melnik Violated Exchange Act Section
19 10(b) and Rule 10b-5 in Connection With Purchases in Barisoff's,
Weston's, Korda's, Sandelson's and Melnik's Accounts
of Medco stock and options in July 1993**

20 32. Paragraphs 1 through 19 are realleged and incorporated
21 herein by reference.

22
23 **Background of the Transaction**

24 33. On July 12 and 13, 1993, the *Wall Street Journal*
25 reported rumors of a possible merger between Medco and Merck &
26 Co. ("Merck"), a major pharmaceutical company. In the wake of
27 these articles, Medco's stock price climbed \$1 3/8 on July 13, to
28

1 close at \$30 1/8 on heavy volume. On July 13, Medco issued a
2 press release, which it filed that day with the Commission as a
3 Form 8-K, responding to the articles. The release downplayed the
4 likelihood of a merger. On July 14, 1993, the *Wall Street*
5 *Journal* reported on Medco's press release, and cited several
6 analysts following Medco who predicted that no merger would take
7 place. Medco's stock price retreated in heavy trading on the day
8 this article appeared, to close at \$29 5/8. Between July 14 and
9 July 28, 1993, the date of the merger announcement, there was
10 scant if any mention of a Medco merger in the financial or other
11 press, and Medco's stock price did not exceed the level it
12 reached on July 13.

13 34. By virtue of his position as director of Medco, and as
14 a member of the Compensation Committee of Medco's board, Licht
15 came to be involved in the highly confidential merger talks and
16 related communications. Beginning as early as July 13, 1993, in
17 the course of his communications with Medco, Licht received
18 material, non-public information concerning the progress of those
19 talks between Medco and Merck. Licht learned additional
20 material, non-public information thereafter as high-level
21 negotiations continued. On July 13, 1993, Medco sent a copy of
22 its press release responding to the *Wall Street Journal* articles
23 to Licht and the other Medco directors, with the admonition, "If
24 you receive any third party or press inquiries regarding this
25 matter, you should not comment."

26 35. On July 15, 1993, Licht participated in a
27 teleconference of Medco's directors in which he was informed (1)
28

1 that talks with Merck were taking place, (2) that when the
2 negotiations reached a point where the board needed to meet in
3 person, the board members would be notified and in the meantime
4 should be on alert for travel to New York, and (3) that
5 everything discussed during the teleconference must be kept in
6 the strictest confidence.

7 36. On July 17, 1993, Licht placed an 11-minute call to
8 Medco Chairman Martin J. Wygod, a central participant in the
9 talks with Merck.

10 37. By July 20, 1993, at the latest, Licht was aware that
11 confidential merger talks between Medco and Merck would commence
12 later that week in New York.

13 38. On July 21, 1993, Medco issued a "NOTICE OF BOARD
14 MEETING" to Licht and its other directors. The notice identified a
15 board meeting to be held in New York on July 23, 1993, and attached
16 information on Merck, which the notice described as "a company that
17 Medco is currently in discussions with." The notice added: "As
18 you were previously informed, please hold the subject of this
19 meeting in strictest confidence and do not discuss these matters
20 with any third parties."

21 Licht Tips Barisoff, Who Purchases Medco Stock

22 39. By July 22, 1993, in breach of his duties to Medco,
23 Licht communicated, directly or indirectly, material, non-public
24 information concerning the merger talks to his friend and client,
25 William J. Barisoff. Such communication occurred either in
26 person or during one or more of the several telephone contacts
27 between Licht and Barisoff between July 15 and 22, 1993,
28

1 including a call from Licht's office to Barisoff's home within
2 minutes before Barisoff's trading on July 22, 1993. While in
3 possession of this material, non-public information, and knowing,
4 or having reason to know, or recklessly disregarding the fact
5 that such information had been communicated to him in breach of
6 Licht's duties to Medco, Barisoff, who had never before purchased
7 Medco or any other pharmaceutical stock, sold his entire stake in
8 another company to buy Medco, and then dipped into a savings
9 account to purchase additional Medco shares. In this way,
10 Barisoff purchased a total of 420 shares in Medco on July 22 and
11 23, 1993. After the merger was announced on July 28th,
12 Barisoff's shares of Medco increased in value by over \$3,000.

13
14 Licht Tips Weston, Who Buys Medco Options

15 40. By July 23, 1993, in breach of his duties to Medco,
16 Licht communicated, directly or indirectly, material, non-public
17 information concerning the Medco-Merck merger talks to Weston.
18 On that date, while in possession of material, non-public
19 information, and knowing, or having reason to know, or recklessly
20 disregarding the fact that such information had been communicated
21 to him in breach of Licht's duties to Medco, Weston purchased 75
22 Medco call option contracts (which would allow him to profit from
23 upward price movements in Medco's stock at less cost than if he
24 had bought stock). Weston ultimately made a profit in excess of
25 Nineteen Thousand (\$19,000) dollars upon selling these options
26 after the July 28 public announcement of the Medco-Merck merger.

1
2 Licht Tips Korda, Who Buys Medco Stock

3 41. By July 26, 1993, in breach of his duties to Medco,
4 Licht also communicated, directly or indirectly, material, non-
5 public information concerning the Medco-Merck talks to Korda. On
6 that date, while in possession of this material, non-public
7 information, and knowing, or having reason to know, or recklessly
8 disregarding the fact that such information had been communicated
9 to him in breach of Licht's duties to Medco, Korda purchased a
10 total of 4,000 shares of Medco stock, through two different
11 accounts at two different brokerage firms, including an account
12 over which Licht had trading authority. When the Medco-Merck
13 merger was announced two days later, the value of Korda's newly
14 purchased shares in Medco increased by more than \$28,000.

15
16 Licht Tips Andrew Licht and Sandelson, Who Buy Medco Options

17 42. By July 27, 1993, in breach of his duties to Medco,
18 Licht also communicated, directly or indirectly, material, non-
19 public information concerning the Medco-Merck talks to his
20 brother Andrew Licht. By that date, while in possession of the
21 material, non-public information communicated to him by Licht,
22 and knowing, or having reason to know, or recklessly disregarding
23 the fact that such information had been communicated to him in
24 breach of Licht's duties to Medco, Andrew Licht communicated that
25 information to Defendant Mark Sandelson, who purchased, either in
26 conjunction with Andrew Licht or otherwise, 210 Medco call
27 options in Sandelson's account. These call options included a
28

1 200-option purchase which alone represented a substantial
2 majority of the total of 253 Medco call options of that series
3 purchased that day. The circumstances presently known to the
4 Commission include the following: Licht arrived in New York for
5 the confidential Medco-Merck merger talks late on Thursday, July
6 22, 1993. From New York, Licht called his brother Andrew,
7 including a call to Andrew at home on Saturday, July 24. The
8 following Monday, July 26, Mark Sandelson called Andrew Licht
9 late in the day, after the close of trading. The next morning,
10 July 27, at 7:16 a.m. (PDT), Sandelson bought 10 Medco "in the
11 money" call options. Less than an hour later, at 8:50 a.m. (PDT),
12 Sandelson had another conversation (sixteen minutes in length)
13 with Andrew Licht. Within seconds after that discussion,
14 Sandelson telephoned his broker and ordered 200 "out of the
15 money" Medco call options.

16 43. Thus, by July 27, 1993, in breach of his duties to
17 Medco, Licht had also communicated, directly or indirectly,
18 including through his brother Andrew Licht, material, non-public
19 information concerning the Medco-Merck talks to Sandelson. By
20 that date, while in possession of material, non-public
21 information communicated to him directly or indirectly by Licht,
22 and knowing, or having reason to know, or recklessly disregarding
23 the fact that such information had been communicated to him in
24 breach of Licht's duties to Medco, Sandelson, either in
25 conjunction with Andrew Licht or otherwise, purchased the
26 aforementioned 210 Medco call options in Sandelson's account.

27
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1 Following the merger announcement the very next day, Sandelson
2 sold these options, realizing profits in excess of \$63,000.

3
4 Lynn Weston Tips Melnik, Who Buys Medco Stock

5 44. By July 27, 1993, Steven Weston passed to his then-
6 fiancée, Lynn Weston, material, non-public information concerning
7 the Medco-Merck talks that Licht had communicated to Weston. By
8 that date, while in possession of such material, non-public
9 information, and knowing, or having reason to know, or recklessly
10 disregarding the fact that such information had been communicated
11 to her fiancé in breach of Licht's duties to Medco, Lynn Weston
12 passed such information to her friend Seymour J. Melnik. On July
13 27, 1993, while in possession of the material, non-public
14 information conveyed to him by Lynn Weston, and knowing, or
15 having reason to know, or recklessly disregarding the fact that
16 such information had been communicated to her fiancé in breach of
17 Licht's duties to Medco, Melnik purchased 1,500 shares of Medco
18 stock. After the merger announcement on the following morning of
19 July 28, 1993, Melnik's Medco shares increased in value by
20 \$8,437.

21 45. As previously noted, on the morning of July 28, 1993,
22 Merck announced a \$6 billion merger with Medco. On that date,
23 Medco's stock price increased \$6 1/2 per share to a high of \$36
24 1/4 on extremely heavy volume. The total illegal profits
25 deriving from the Medco stock and options held by the "friends
26 and family" of Licht, all of whom had purchased their shares or
27 options within the four trading days immediately before the
28

1 merger announcement -- Barisoff (July 22 and 23), Weston (July
2 23), Korda (July 26) Sandelson (July 27), and Melnik (July 27)--
3 was \$122,623.

4 46. By reason of the foregoing, defendants Licht, Barisoff,
5 Weston, Korda, Andrew Licht, Sandelson, Lynn Weston and Melnik
6 violated Exchange Act Section 10(b) and Rule 10b-5 thereunder.

7
8 **THIRD CLAIM**

9 **Licht, Schilling, Andrew Licht, Weston, Korda, and**
10 **Sandelson Violated Exchange Act Section 10(b) and Rule 10b-5 in**
11 **Connection With Schilling's, Weston's,**
12 **Korda's, Sandelson's and Weston's Tippees'**
13 **purchases of Synetic stock in May 1994**

14 47. Paragraphs 1 through 19 are realleged and incorporated
15 herein by reference.

16 **Background of the Transaction**

17 48. By virtue of its acquisition of Medco, Merck acquired
18 Medco's 58% ownership of Synetic stock. Following the Medco-
19 Merck merger, Medco and Synetic Chairman Wygod had become an
20 officer of Merck and, according to media reports, a leading
21 candidate for the chairmanship of Merck. On April 15, 1994,
22 however, Wygod sent a confidential memo to Merck, announcing his
23 decision to withdraw as a candidate for the Merck chairmanship.
24 That same day, Licht sold 7,000 shares of Merck stock in his own
25 account. After the close of trading on April 26, 1994, Merck
26 announced publicly that Wygod would not be a candidate for its
27 chairmanship.
28

1 49. Following the April 26 Merck announcement regarding
2 Wygod, the management of both Medco and Synetic began
3 confidentially reassessing their business relationship. This led
4 to an agreement to hold highly confidential discussions between
5 representatives of both companies in New York in the latter part
6 of May, 1994. On May 16, Synetic's board appointed Licht as
7 Chairman of Synetic's Special Committee of directors charged with
8 representing the company's interests in the upcoming confidential
9 talks with Merck. Over that and ensuing days, by virtue of his
10 service as a director of Synetic and as Chairman of its Special
11 Committee, Licht obtained material, non-public information
12 concerning the Synetic-Merck talks.

13
14 Licht Insider Trading Ring Springs Into Action

15 50. Beginning as early as May 17, 1994, the day following
16 his appointment to the Special Committee and the day he left for
17 New York for the Synetic-Merck talks, Licht's circle of insider
18 traders sprang into action again. First, on May 17, Licht made
19 an eight-minute phone call to his brother Andrew. That same
20 afternoon, Licht called Sandelson from a payphone on his way to
21 the airport. That same evening, before Licht's plane landed in
22 New York, Weston called Licht's New York hotel. Early the next
23 morning, May 18, Andrew Licht took part in a six-minute call with
24 his father-in-law, Ronald Schilling, who within twenty minutes
25 called his broker and bought 2,000 shares of Synetic. Later that
26 same day, May 18, after the close of the market, Weston placed an
27 order for 3,000 Synetic shares. On the evening of May 18, and
28

1 again the next morning, Licht called Korda from New York. As
2 more fully described below, Korda bought 10,000 shares of Synetic
3 over the next two days, May 19-20. Likewise, Sandelson bought
4 5,000 Synetic shares on May 20. Finally, on May 19 and 20, three
5 other individuals bought a total of 27,500 shares of Synetic
6 based, directly or indirectly, on Weston's recommendation.

7
8 Licht Tips Andrew Licht, Who Tips Schilling,
and Schilling Buys Synetic Stock

9 51. Thus, by May 18, 1994, Licht, in breach of his duties
10 to Synetic, communicated, directly or indirectly, material, non-
11 public information concerning the Synetic-Merck talks to his
12 brother, Andrew Licht. While in possession of this material,
13 non-public information, and knowing, or having reason to know, or
14 recklessly disregarding the fact that such information had been
15 communicated to him in breach of Licht's duties to Synetic,
16 Andrew Licht conveyed this information to his father-in-law,
17 Schilling. While in possession of this material, non-public
18 information, and knowing, or having reason to know, or recklessly
19 disregarding the fact that such information had been communicated
20 to him in breach of Licht's duties to Synetic, Schilling
21 purchased 2,000 shares of Synetic stock.

22
23 Licht Tips Weston; Weston Buys Synetic Stock
and Tips Others, Who Also Buy Synetic Stock

24 52. By the afternoon of May 18, 1994, Licht, in breach of
25 his duties to Synetic, also communicated, directly or indirectly,
26 material, non-public information concerning the Synetic-Merck
27 talks to his brother-in-law, Weston. While in possession of this
28

1 material, non-public information, and knowing, or having reason
2 to know, or recklessly disregarding the fact that such
3 information had been communicated to him in breach of Licht's
4 duties to Synetic, Weston (1) purchased 3,000 shares of Synetic
5 stock and (2) recommended the purchase of Synetic stock to two
6 friends who purchased a total of 26,000 Synetic shares on May 19
7 and 20. One of the friends, in turn, recommended Synetic to a
8 third friend, who purchased 1,500 Synetic shares over that same
9 period. Thus, together, the three friends whose trading started
10 with Weston's tipping bought a total of 27,500 Synetic shares on
11 May 19 and 20.

12 53. When placing his Synetic order on May 18, Weston
13 communicated to his broker material, non-public information that
14 Licht had communicated to Weston. Weston told his broker that
15 Weston's brother-in-law had been called to a special meeting in
16 New York, where it was expected one of two things would happen:
17 either Merck would buy all the remaining publicly held shares of
18 Synetic, or Synetic would buy back the Synetic stock held by
19 Merck.

20
21 Licht Tips Korda, and Korda Buys Synetic Stock

22 54. On May 19, Licht attended a meeting at a law office in
23 New York concerning the Synetic-Merck talks. At 9:51 a.m. (EDT),
24 from that law office, Licht called Korda in Los Angeles for a
25 conversation that lasted about five minutes. Immediately
26 following this conversation, Korda telephoned his broker and
27 purchased 5,000 shares of Synetic.

28

1 55. Thus, by May 19, 1994, Licht, in breach of his duties
2 to Synetic, communicated, directly or indirectly, material, non-
3 public information concerning the Synetic-Merck talks to his
4 friend Korda. While in possession of this material, non-public
5 information, and knowing, or having reason to know, or recklessly
6 disregarding the fact that such information had been communicated
7 to him in breach of Licht's duties to Synetic, Korda purchased
8 10,000 shares of Synetic stock, inclusive of the 5,000 share
9 purchase referenced in paragraph 54 above. Korda made these
10 purchases in three different accounts with two different
11 brokerage firms over a two-day period, including an account over
12 which Licht had trading authority.

13

14 Licht Tips Sandelson, and Sandelson Buys Synetic Stock

15 56. Likewise, by the morning of May 20, 1994, Licht, in
16 breach of his duties to Synetic, communicated, directly or
17 indirectly, material, non-public information concerning the
18 Synetic-Merck talks to his friend Sandelson. While in possession
19 of this material, non-public information, and knowing, or having
20 reason to know, or recklessly disregarding the fact that such
21 information had been communicated to him in breach of Licht's
22 duties to Synetic, Sandelson purchased 5,000 shares of Synetic
23 stock.

24 57. In sum, Andrew Licht, Schilling, Weston, Korda, and
25 Sandelson, while in possession of material, non-public
26 information that Licht had communicated to them, directly or
27 indirectly, and knowing, or having reason to know, or recklessly
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1 disregarding the fact that Licht had communicated such
2 information in breach of his duties to Synetic, purchased or
3 caused to be purchased, directly or indirectly, a total of
4 47,500 shares of Synetic stock.

5
6 Insider Traders Obtain Profits Totaling \$69,407

7 58. On Monday, May 23, 1994, Synetic announced that it was
8 negotiating with Merck for the buyback of Merck's stock in
9 Synetic. The next day, May 24, 1994, Merck and Synetic issued a
10 joint press release announcing that Synetic would effect a
11 buyback of all the Synetic shares held by Merck.

12 59. After the May 23, 1994, announcement, Schilling's
13 Synetic shares increased in value by \$6,500; Korda's Synetic
14 shares increased in value by \$23,301; and Sandelson's order to
15 sell all his Synetic shares -- an order he placed on May 20,
16 1994, in the absence of any public news -- was executed, yielding
17 a profit of \$6,250. For his part, Weston had already sold his
18 Synetic shares on Friday, May 20, in the absence of any public
19 news, and had realized profits of \$9,937. Two of Weston's three
20 direct and indirect tippees had also sold portions of their
21 Synetic positions on May 20. Weston's third tippee placed his
22 order to sell his entire Synetic stake before the May 23, 1994,
23 public announcement. The collective unlawful profits deriving
24 from the Synetic purchases by Weston's three tippees was \$23,419.
25 Overall, the total unlawful profits deriving from the Synetic
26 purchases by all the defendants and Weston's tippees was \$69,407.

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The Cover-up

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2 60. Overall, trading by the defendants and Weston's tippees
3 accounted for 57% of all Synetic trading on May 19, 1994, which
4 insider trading alone exceeded the average daily trading volume
5 in the stock of Synetic. Moreover, on May 20, trading by persons
6 connected to Licht and Weston constituted over three times the
7 average daily trading volume in Synetic stock. This trading
8 caused the trading volume in Synetic stock to soar, which, in
9 turn, given the absence of any public news, caused the National
10 Association of Securities Dealers ("NASD") to initiate an inquiry
11 and contact the company on the afternoon of May 20, 1994.

12 61. On Saturday, May 21, 1994, Licht, still in New York,
13 telephoned Sandelson, Weston and Korda. Prior to making these
14 calls, Licht knew that his friends had traded in Synetic and knew
15 of the NASD inquiry into the unusual Synetic trading volume
16 initiated the previous day. Out of these calls, a scheme was
17 devised among those defendants to provide a consistent defense to
18 the previous days' insider trading. Licht would claim that he
19 had been betrayed by his friends, who, without his knowledge and
20 without his furnishing them any information, used their
21 independently acquired knowledge of his whereabouts and what they
22 claimed was public knowledge of the Merck-Synetic relationship to
23 deduce that the time was right to buy Synetic. To protect their
24 story, Weston subsequently had to insist to his broker that he
25 (Weston) had not told the broker the material, non-public
26 information set forth in paragraph 53 above until after the May
27
28

1 23 and 24 public announcements concerning the Synetic-Merck
2 talks.

3 62. On June 3, 1994, the Commission contacted Synetic
4 concerning the trading activity that preceded the May 23
5 announcement seeking, among other things, a chronology of the
6 Synetic-Merck talks and a listing of who had material, non-public
7 information concerning those talks.

8 63. After conferring with several attorneys, Licht elected
9 to send a letter on his personal letterhead to the General
10 Counsel of Synetic who, in turn, caused the letter to be
11 forwarded to the Commission. The letter, dated June 10, 1994,
12 related an exculpatory version of events regarding the trading in
13 Synetic by Licht's friends that was intended to mislead both
14 Synetic and the Commission. Licht's letter is materially
15 misleading in several key respects, including: (1) it asserts
16 that Licht learned of his friends' Synetic trading only after
17 calling Weston for other reasons on May 21; (2) it asserts that
18 Licht's friends determined on their own that Licht was in New
19 York on Synetic business; and (3) it asserts that Licht's friends
20 purchased Synetic stock without possessing any material, non-
21 public information.

22 64. By reason of the foregoing, defendants Licht, Andrew
23 Licht, Schilling, Weston, Korda and Sandelson violated Exchange
24 Act Section 10(b) and Rule 10b-5 thereunder.

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1 PRAYER FOR RELIEF

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3 WHEREFORE, the Commission respectfully requests that this
4 Court:

5 I.

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

12
13 II.

14 order defendants to disgorge their illegal trading profits
15 as described herein and to pay prejudgment interest thereon;

16
17 III.

18 order defendants to pay civil penalties to the United States
19 of America under the Insider Trading and Securities Fraud
20 Enforcement Act of 1988 [15 U.S.C. § 78u-1];

21
22 IV.

23 enter an order, pursuant to Section 21(d)(2) of the Exchange
24 Act [15 U.S.C. § 78u(d)(2)], permanently prohibiting defendant
25 Licht from serving as an officer or director of any issuer that
26 has a class of securities registered with the Commission pursuant
27 to Section 12 of the Exchange Act [15 U.S.C. § 78l] or that is
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1 required to file reports with the Commission pursuant to Section
2 15(d) of the Exchange Act [15 U.S.C. § 78o(d)];

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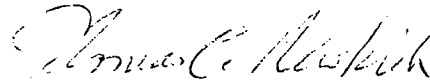
V.

5 grant such other relief as this Court may deem just and
6 appropriate.

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9 Respectfully submitted,

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Date: March 10, 1998

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