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UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

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| SECURITIES AND EXCHANGE COMMISSION, | : | |
| | : | |
| Plaintiff, | : | |
| | : | |
| v. | : | Civil Action No. |
| | : | 06-CV-15274 |
| GRAND LOGISTIC, S.A. and | : | |
| EVGENY GASHICHEV, | : | |
| | : | |
| Defendants. | : | |

COMPLAINT

Plaintiff Securities and Exchange Commission (the “Commission”) alleges as follows:

SUMMARY

1. This matter involves an ongoing fraudulent scheme conducted by defendant Evgeny Gashichev, a citizen of Russia believed to be currently residing there, and his company, defendant Grand Logistic, S.A., a foreign entity incorporated in Belize and located in Estonia. The defendants are conducting a high-tech version of a “pump and dump” manipulation scheme, in which they artificially inflate the market price of securities, using

buy orders they fraudulently place through the online brokerage accounts of their unwitting victims, after purchasing the same securities more cheaply for their own account.

2. Between August 28, 2006 and October 13, 2006, Gashichev and Grand Logistic made approximately \$353,609 in unlawful profits by conducting at least 25 separate manipulations, involving the securities of at least 21 companies.
3. To effect his “pump and dump” manipulations, Gashichev purchased shares of small, thinly-traded companies, with low share prices, through his online trading account (the “Grand Logistic account”). Often within minutes of the purchase, Gashichev used electronically stolen usernames and passwords to gain unauthorized Internet access to one or more online brokerage accounts (the “intruded accounts”) for the sole purpose of pumping up the price of the stock he had just purchased at lower prices.
4. Gashichev also used electronic means to hide his identity, and mask the means by which he intruded into the accounts.
5. Without the knowledge or consent of the victimized accountholders, and using the victim’s own funds, Gashichev placed orders through these intruded accounts to purchase large blocks of the same stock at artificially inflated prices -- often many times the volume of his initial purchases. These purchases through the intruded accounts created buying pressure and the false appearance of legitimate trading activity, which caused the price of the targeted stock to greatly increase.
6. Once the price had increased, Gashichev then sold, at a profit, the shares he had earlier purchased in the Grand Logistic account. The share prices of the manipulated stocks invariably fell sharply, and the victims suffered losses in their accounts. In most cases, the

“pump” and “dump” usually took place on the same day, occasionally extending over two days. This pattern of trading repeated itself, time and again.

7. The investigation into this matter is ongoing and it is believed and, therefore, averred that Gashichev and Grand Logistic have engaged, and may currently be engaging, in conduct substantially similar to that described herein, in connection with other online brokerage accounts and innocent accountholders.

8. By knowingly or recklessly engaging in the conduct described in this Complaint, defendants Gashichev and Grand Logistic violated, and unless restrained and enjoined by this Court will continue to violate, Section 10(b) of the Securities Exchange Act of 1934 (“Exchange Act”) [15 U.S.C. § 78j(b)], and Rule 10b-5 [17 C.F.R. § 240.10b-5], thereunder.

9. The Commission brings this action seeking to preliminarily and permanently enjoin the defendants from engaging in the wrongful conduct alleged herein. The Commission also seeks a final judgment ordering the defendants to disgorge any ill-gotten gains and to pay prejudgment interest thereon, and ordering the defendants to pay civil money penalties.

JURISDICTION AND VENUE

10. The Commission brings this action pursuant to Sections 21(d) and (e) of the Exchange Act [15 U.S.C. §§ 78u(d) and (e)], to enjoin such acts, practices, and courses of business; obtain disgorgement and civil penalties; and for other appropriate relief.

11. This Court has jurisdiction over this action pursuant to Section 27 of the Exchange Act [15 U.S.C. § 78aa].

12. Certain of the acts, practices, and courses of business constituting the violations alleged herein occurred within the Southern District of New York and elsewhere, and were

effected, directly or indirectly, by making use of the means and instrumentalities of interstate commerce, or the mails, or the facilities of a national securities exchange.

DEFENDANTS

13. Evgeny Gashichev, age 41, carries a Russian passport and is believed to currently reside in St. Petersburg, Russia. During the period from August 28, 2006 until on or about October 13, 2006, Gashichev divided his time between Russia and Tallinn, Estonia.

Gashichev is the sole director and shareholder of defendant Grand Logistic.

14. Grand Logistic, S.A., an entity incorporated in Belize in May 2006, maintains its address in Tallinn, Estonia. Grand Logistic is wholly-owned by Gashichev. The nature of Grand Logistic's business is not clear.

FACTS

Background

15. Lohmus Haavel & Viisemann ("LHV"), is an investment bank headquartered in Tallinn, Estonia, which, among other things, provides online brokerage services to customers primarily located in Estonia and Eastern Europe, and acts as an introducing broker for customers who want to engage in securities trading in the U.S. markets.

16. As part of its online brokerage services, LHV maintains an omnibus brokerage account with numerous underlying sub-accounts in its name at Interactive Brokers, LLC, a United States online broker-dealer registered with the Commission. The Grand Logistic account is one of over 200 sub-accounts held in the name of LHV at Interactive Brokers. The sub-accounts enable LHV and its customers to trade securities in the U.S. markets.

17. LHV provides its customers with usernames and passwords to access the respective sub-accounts they have been assigned, through a trading platform on LHV's website, which

links directly to the Interactive Brokers online trading system. However, the only name visible on the account is LHV. Interactive Brokers does not know the identities of the LHV customers that use the sub-accounts or the beneficial owners of those sub-accounts.

The Pump and Dump Account Intrusion Scheme

18. At all times relevant to the conduct described in this Complaint, defendant Grand Logistic acted by and through defendant Gashichev.

19. On August 22, 2006, Gashichev opened a brokerage account at LHV in the name of Grand Logistic, which enabled him to trade securities in the United States, through LHV, at Interactive Brokers.

20. Between August 28, 2006 and October 13, 2006, a period of seven weeks, Gashichev, through the Grand Logistic account, engaged in at least 25 manipulative instances of trading, involving the securities of 21 different companies that trade on either the Over-the-Counter Bulletin Board or the NASDAQ Capital Market. An “instance of trading” means a series of trades in which Gashichev accumulated a position in a stock, and then sold the entire position, either later that day or the following day.

21. In a traditional “pump and dump” scheme, the fraudster touts a company’s stock (typically small, thinly-traded companies) through false and misleading statements to the marketplace, perhaps through the Internet or a boiler room operation, to create a buying frenzy which will “pump” up the price, so he can then sell the shares he already owns.

22. Gashichev used a modern variation on the scheme. Instead of sending false and misleading statements to the marketplace, he was more direct. He intruded into victims’ online brokerage accounts and, by causing the intruded accounts to place large purchase orders with the innocent accountholders’ own funds, created the buying frenzy himself.

23. Gashichev's scheme generally worked as follows:
- a) Gashichev chose a particular thinly-traded "penny" stock ("targeted stock") which, in each case, traded below \$1.50 per share.
 - b) In many instances, Gashichev began by intruding into the victims' accounts shortly before commencing the fraudulent trading on a given day, and could then see all relevant account information, including cash or equities available to be used to fund his unauthorized "pump" purchases.
 - c) In every instance, he had to intrude into a victim's account in order to make any purchases in that account.
 - d) The trading would begin when Gashichev, through the Grand Logistic account, placed limit orders to purchase anywhere from 6,000 to 71,000 shares of the targeted stock at its then current trading price, which was often near that day's opening price.
 - e) Almost immediately after his Grand Logistic purchases, Gashichev, using electronically stolen usernames and passwords, then intruded into one or more innocent third party accounts at E*Trade Securities LLC, TD Ameritrade, Inc., Scottrade, or other online broker-dealers, and without the knowledge, authorization or consent of the unwitting accountholder, liquidated existing positions to generate purchasing power.
 - f) Gashichev then caused the intruded accounts to enter aggressive limit orders to purchase the targeted stock, at increasingly higher prices, and volume, in order to move the stock price. These were high volume purchases, many times the amount purchased in the Grand Logistic account. These aggressive limit

orders signaled to the market a willingness to pay even higher prices for the securities than the current market prices.

g) The purchase orders in the intruded accounts caused the targeted stock price to increase and Gashichev used the funds in the intruded account to complete the purchases.

h) As the market price escalated, or after the price was fully and fraudulently inflated, Gashichev sold all of the targeted stock he had earlier purchased in the Grand Logistic account for a substantial profit, ranging from 4 to 158 percent, on the initial Grand Logistic investment.

i) By the end of the trading day, the stock price typically fell. The intruded account was either left holding the shares that were purchased or Gashichev sold those shares after the completion of the pump, at much lower prices, always resulting in a loss to the intruded accountholder.

24. In most cases, the “pump” and “dump” usually took place on the same day, occasionally extending over two days.

25. Gashichev initially funded the Grand Logistic account with \$30,000, and, in approximately seven weeks, realized \$353,609 in profits from his fraudulent scheme.

Catalytica Energy Systems, Inc.

26. Gashichev’s trading in Catalytica Energy Systems, Inc. (“CESI”) on October 9, 2006, is representative of the fraudulent scheme, and is summarized as follows:

a) The average daily volume for CESI for the 30 trading days before October 9, 2006, a Monday, was 13,027 shares, and the closing price of CESI on Friday, October 6, 2006, was \$1.30 per share, on volume of 5,500 shares.

- b) On October 9, 2006, the opening price of CESI was \$1.30. On that date, between 11:36 a.m. ET and 12:44 p.m. ET, Gashichev, through the Grand Logistic account, placed limit orders for 22,500 shares of CESI at prices ranging from \$1.30 to \$1.45. Between 11:37 a.m. and 12:44 p.m., those orders were executed at share prices ranging from \$1.35 to \$1.46.
- c) Within minutes of these purchases, between 12:52 p.m. and 1:06 p.m., limit orders for 260,800 shares of CESI at prices ranging from \$1.65 to \$2.50 were placed in an account at TD Ameritrade, of which 256,200 shares were executed at prices ranging from \$1.51 to \$2.36 per share for a total purchase price of \$531,953.
- d) The owner of this account did not authorize or have knowledge of the purchase of these CESI shares in the account.
- e) Between 1:02 p.m. and 1:04 p.m., just as the final intruded account trades were being executed, Gashichev, through the Grand Logistic account, placed a limit order to sell all 22,500 shares of CESI at \$2.20 per share. This order was executed shortly thereafter at \$2.20 per share.
- f) The price of CESI reached an intra-day high of \$2.36 per share, matching the highest amount paid in the intruded account. By the end of the day, CESI's price had fallen to close at \$1.20 per share, below its opening price. Total volume for the day was 890,000 shares.
27. The Grand Logistic account paid a total of \$31,869 to purchase the shares of CESI, and received \$49,500 for their sale, resulting in a profit of \$17,631. The intruded account at TD Ameritrade was left holding the 256,200 shares that Gashichev illegally purchased.

28. On several occasions, Gashichev used more than one intruded account for a specific manipulation, and used as many as nine for one of the manipulations.

29. That Gashichev is manipulating the price of these securities through his account intrusions is particularly evident in his trading in the stock of NaturalNano, Inc.

Immediately after the Grand Logistic account finished liquidating its entire position in the security, Gashichev extended his fraudulent conduct and sold short 1,000 shares of the security. Then, within a half hour, the Grand Logistic account covered that short position at a lower price and earned a profit.

30. In fact, following the 1,000 share short sale by the Grand Logistic account, Gashichev intentionally manipulated the stock price downward through the placement of limit sell orders in an intruded account at purposely low prices; this quickly created downward pressure on the stock's price and enabled the Grand Logistic account to cover its short position at a much lower price for a quick profit. These intentionally low-priced sell transactions also resulted in a very quick, direct loss of \$14,180 for the victim's account.

31. There is no innocent explanation for the pattern and timing of Gashichev's trading, and the way in which they match up to trades in the intruded accounts. His trades on 25 occasions always win. The intruded accountholders always lose. The scheme to date has been very profitable, and there are many innocent victims. Although Gashichev's trading through the Grand Logistic account has been stopped, it is highly likely that the fraud continues.

32. In order to conduct his scheme, Gashichev electronically stole usernames and passwords to gain unauthorized access into the intruded accounts. Entry into the intruded

accounts on the day the unauthorized purchases occurred was accomplished through the online broker's secure website using the accountholder's unique username and password.

33. Gashichev also hid his identity, through various electronic means, by masking his Internet Protocol ("IP") address, when he logged into the Grand Logistic account and when he intruded into the victims' accounts. An IP address individually identifies a computer and can provide information about its geographic location.

34. The Grand Logistic account used three IP addresses, which traced back to locations in Moscow and St. Petersburg, Russia, and Amsterdam, Netherlands. The IP addresses Gashichev used to intrude into the accounts differed from these three IP addresses, as well as the IP addresses used by the legitimate accountholders.

CLAIM

Violations of Section 10(b) of the Exchange Act and Rule 10b-5 thereunder by Gashichev and Grand Logistic

35. The Commission realleges and incorporates by reference each and every allegation in paragraphs 1 through 34, inclusive, as if the same were fully set forth herein.

36. From at least August 22, 2006 and continuing through the present time, Gashichev and Grand Logistic, knowingly or recklessly, in connection with the purchase or sale of securities, directly or indirectly, by use of the means or instrumentality of interstate commerce or of the mails, or a facility of a national securities exchange:

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

(b) made untrue statements of material fact, or omitted to state

material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; and

(c) engaged in acts, practices, or courses of business which operated or would operate as a fraud or deceit upon any person in connection with the purchase or sale of any security.

37. By engaging in the foregoing conduct, Gashichev and Grand Logistic violated, and unless restrained and enjoined will continue to violate, 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.

WHEREFORE, the Commission respectfully requests that this Court:

I.

Permanently restrain and enjoin defendants Gashichev and Grand Logistic, and their agents, officers, servants, employees, attorneys, and those persons in active concert or participation with them, directly or indirectly, singly or in concert, 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], thereunder.

II.

Order defendants Gashichev and Grand Logistic to disgorge any and all ill-gotten gains, together with prejudgment interest, derived from the activities set forth in this Complaint, in accordance with a plan of disgorgement acceptable to the Court and to the Commission.

III.

Order defendants Gashichev and Grand Logistic to pay civil penalties pursuant to Section 21(d)(3) of the Exchange Act [15 U.S.C. § 78u(d)(3)], in an amount to be determined by the Court.

IV.

Grant such other and further relief as the Court may deem just and appropriate.

Respectfully submitted,

/s/_____

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