

ORIGINAL
FILED

2009 APR 30 A 9:29

RICHARD W. WIEKING
CLERK U.S. DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA

1 MARC J. FAGEL (Cal. Bar No. 154425)
ROBERT TASHJIAN (Cal. Bar No. 191007)
2 tashjianr@sec.gov
3 LLOYD FARNHAM (Cal. Bar No. 202231)
farnhaml@sec.gov

4 Attorneys for Plaintiff
5 SECURITIES AND EXCHANGE COMMISSION
44 Montgomery Street, 26th Floor
6 San Francisco, California 94104
Telephone: (415) 705-2500
7 Facsimile: (415) 705-2501

E-filing

PJH

8
9 UNITED STATES DISTRICT COURT
10 NORTHERN DISTRICT OF CALIFORNIA
11

12 SECURITIES AND EXCHANGE COMMISSION,

Case No.

13 Plaintiff,

CV 09

1880

14 v.

COMPLAINT

15 MAHER F. KARA,
16 MICHAEL F. KARA,
EMILE Y. JILWAN,
17 ZAHY T. HADDAD,
18 BASSAM Y. SALMAN, and
KARIM I. BAYYOUK,

19 Defendants.
20

21 Plaintiff Securities and Exchange Commission (the "Commission") alleges:

22 **SUMMARY OF THE ACTION**

23 1. This action involves a long-running scheme to capitalize on inside information
24 misappropriated by a former employee of the Investment Banking Division of Citigroup Global
25 Markets, Inc. ("Citigroup"). From at least April 2004 until April 2007, Maher Kara, an
26 investment banker specializing in the healthcare industry, tipped his brother Michael Kara with
27 material nonpublic information about upcoming deals involving healthcare companies. Michael
28 Kara traded stock and options based on these tips, and passed tips on to his friends and family

1 members. Michael Kara made more than \$1.5 million from the scheme, and those he tipped
2 made more than \$4.5 million.

3 2. The participants in the scheme hit big payoffs on at least two occasions. In
4 February 2006, Maher Kara tipped Michael Kara about a plan to acquire drug-maker Andrx
5 Corporation. Michael Kara bought Andrx stock and options, spending more than \$150,000 on
6 these securities in the three weeks before the public announcement that Andrx would be
7 acquired. Following the March 13, 2006 announcement, these trades earned profits of nearly
8 \$400,000. Michael Kara also tipped his uncle, two friends, and Maher Kara's brother-in-law,
9 and trading by these tippees and others they tipped earned profits of \$750,000.

10 3. Second, in March 2007, Maher Kara tipped his brother about an upcoming
11 acquisition involving Biosite, Inc., a medical device company. Three days before the acquisition
12 was announced, Michael Kara began buying stock and options, spending more than \$150,000.
13 While amassing Biosite securities in his own accounts, Michael Kara also tipped friends and
14 family, and traded in other people's online brokerage accounts. The trades in Michael Kara's
15 own account resulted in profits of \$1.2 million, while his trades in other people's accounts made
16 profits of more than \$2.3 million. Other traders tipped by Michael Kara made profits of more
17 than \$1.3 million.

18 4. Maher Kara learned of the nonpublic information regarding the planned
19 acquisitions because investment bankers in his group were working on the deals, and he illegally
20 misappropriated the information in violation of Citigroup policy and the explicit promises he had
21 made to keep confidential any information he learned in the course of his employment. Michael
22 Kara was aware that the tips he received from Maher Kara were inside information Maher Kara
23 learned through his work at Citigroup. Michael Kara's tippees named as Defendants in this
24 action were aware of the scheme, and were aware that the information provided to them by
25 Michael Kara originated from Maher Kara.

26 **JURISDICTION AND VENUE**

27 5. The Commission brings this action pursuant to Sections 21(d), 21(e), and 21A of
28 the Securities Exchange Act of 1934 ("Exchange Act") [15 U.S.C. §§ 78u(d), 78u(e), and 78u-1].

1 against self-incrimination and refused to answer questions regarding the allegations in this
2 complaint.

3 13. **Zahi Haddad**, age 54, is a resident of Stockton, California. Haddad is the uncle
4 of Michael Kara and Maher Kara, and operates a car rental agency in Stockton.

5 14. **Bassam Salman**, age 49, is a resident of Orland Park, Illinois. Salman is the
6 brother of Maher Kara's wife. Salman is the general manager of a restaurant supply distribution
7 company and a business partner of Karim Bayyouk. In sworn testimony during the Commission
8 investigation Salman invoked his Fifth Amendment right against self-incrimination and refused
9 to answer questions regarding the allegations in this complaint.

10 15. **Karim Bayyouk**, age 44, is a resident of Livonia, Michigan. His wife and
11 Bassam Salman's wife are sisters. Bayyouk owns several restaurants in and around Detroit,
12 Michigan and is a business partner of Bassam Salman. In sworn testimony during the
13 Commission investigation Bayyouk invoked his Fifth Amendment right against self-
14 incrimination and refused to answer questions regarding the allegations in this complaint.

15 **OTHER RELEVANT PERSONS**

16 16. **Joseph N. Azar**, age 49, is a resident of Pleasanton, California.

17 17. **Nasser N. Mardini**, age 52, is a resident of Stockton, California.

18 **RELEVANT ACQUISITION TARGETS**

19 18. **Biosite, Inc.** ("Biosite") was a Delaware corporation with its principal place of
20 business in San Diego, California. During the relevant time period, Biosite common stock was
21 listed on the NASDAQ Global Market. Prior to its acquisition in 2007, Biosite developed and
22 sold diagnostic medical tests.

23 19. **Andrx Corporation** ("Andrx") was a Delaware corporation with its principal
24 place of business in Davie, Florida. During the relevant time period, Andrx common stock was
25 listed on the NASDAQ National Market System. Prior to its acquisition in 2006, Andrx was a
26 pharmaceutical company specializing in generic drugs.

FACTUAL ALLEGATIONS

A. Maher Kara's access to nonpublic information

20. Maher Kara was employed by Citigroup as an investment banker from 1998 to April 2007. Starting in 2002, Maher Kara began specializing in healthcare companies, and in 2004 relocated from California to Citigroup's headquarters in New York City. In 2005, Maher Kara was promoted to the title of Director in the Healthcare Group of Citigroup's Investment Banking Division. Maher Kara and other investment bankers in the Healthcare Group worked on a variety of engagements for companies in healthcare-related industries, including advising companies in possible mergers and acquisitions, assisting companies with raising funds through loans, debt offerings, and stock sales, and advising companies negotiating deals to license pharmaceutical products and other technology.

21. Maher Kara learned about confidential upcoming transactions and other confidential information regarding Citigroup's clients through his position in the Healthcare Group, including discussions with his colleagues in the group, formal and informal exchanges of information between investment bankers in the group, and directly advising Citigroup clients.

22. In order to perform their job duties effectively, employees within the Healthcare Group collaborated and shared information regarding their client relationships and pending projects on behalf of clients or potential clients. To the extent necessary to represent their clients, managers in the Healthcare Group encouraged confidential discussion within the group to share ideas, utilize collective experience and industry knowledge, and to prevent potential conflicts of interest, redundant efforts, or contradictory efforts within the group.

23. During the relevant time period, senior bankers within the Healthcare Group, including Maher Kara, discussed pending projects and other aspects of their work at a biweekly meeting. Citigroup bankers discussing their work within the group knew that each person in the group was subject to confidentiality obligations that would prevent the misuse or further dissemination of the information.

24. As an employee of Citigroup with access to confidential information, Maher Kara knew that he was subject to restrictions regarding confidential information he obtained in the

1 course of his employment. All Citigroup employees with access to confidential information
2 received training on the confidentiality restrictions, both when beginning employment and at
3 regular intervals. Maher Kara was also subject to Citigroup policies that prohibited him from
4 trading in securities issued by any healthcare company.

5 25. These policies placed a duty on Maher Kara to maintain the confidentiality of any
6 information he obtained in the course of his employment. For example, Citigroup policies state
7 that Citigroup employees who have received confidential information from any source are
8 “strictly prohibited from using or disseminating that information except as necessary to perform
9 . . . legitimate job responsibilities.” Citigroup policies also prohibit the use of material,
10 nonpublic information regarding any security issued by a publicly traded company, including
11 prohibiting “conveying such information to anyone.”

12 **B. Trading in the securities of Andrx Corporation**

13 **1. Maher Kara learns that Andrx is a takeover target**

14 26. In December 2005, an international drug company engaged Citigroup’s
15 Investment Banking Division to advise the company in negotiations to acquire Andrx
16 Corporation, a pharmaceutical company based in Florida. The drug company’s planned
17 acquisition of Andrx and its engagement of Citigroup was confidential and not publicly
18 disclosed.

19 27. Maher Kara was aware that Citigroup’s client was actively seeking to acquire
20 Andrx based on his work in the Citigroup Investment Banking Healthcare Group, including
21 communications with other Citigroup employees, conversations with his colleagues in the group,
22 discussions at meetings, and the close working relationship he had with investment bankers and
23 other employees in the group. Starting on December 29, 2005, Maher Kara was included on
24 e-mail messages regarding the engagement and was aware of the planned deal. On January 11,
25 2006, Maher Kara received an e-mail describing the Citigroup client’s “imminent bid for
26 Andrx.” On January 12, 2006, a Citigroup banker sent an e-mail to Maher Kara and other
27 bankers in the Healthcare Group instructing that they use confidential “code names” for the
28

1 proposed deal, describing the Citigroup client's financing needs, and anticipating that the
2 Citigroup client would acquire Andrx in a tender offer.

3 28. Citigroup bankers participated in conducting due diligence of the target company,
4 preparing a fairness opinion on the offering price and other deal terms, and obtaining financing
5 to fund the acquisition. On February 7, 2006, Citigroup's client sent a letter to Andrx formally
6 proposing the acquisition. By February 24, 2007, Citigroup's client had taken the following
7 steps toward an acquisition of Andrx, including (1) engaging legal and financial advisors; (2)
8 negotiating with Andrx management and board of directors regarding an offer price; (3) making
9 a formal written offer to acquire Andrx; and (4) securing financing commitments for the
10 proposed acquisition.

11 29. On Sunday, March 12, 2006, the Andrx board of directors voted to reject the
12 acquisition offer made by Citigroup's client, instead accepting a competing acquisition offer
13 from Watson Pharmaceuticals, Inc. The agreement between Andrx and Watson Pharmaceuticals
14 was publicly announced on Monday, March 13, 2006. After the acquisition was announced,
15 Andrx stock closed on March 13 at \$23.73 per share, an increase of 10 percent from the \$21.59
16 closing price on Friday, March 10.

17 2. Maher Kara tips his brother, who trades and tips others

18 30. On or before February 24, 2006, Maher Kara misappropriated material nonpublic
19 information, in breach of his duty of confidentiality to Citigroup, by tipping his brother Michael
20 Kara about the planned Andrx acquisition. Maher Kara tipped Michael Kara to confer a benefit
21 on himself or to provide a gift to his brother.

22 31. On February 24, 2006, Michael Kara made his first trades in Andrx securities, and
23 that day spent \$92,735 purchasing short-term call options. A call option is a security, traded on
24 national options exchanges, that gives the holder the right to purchase shares of stock of a
25 company at a set price, or strike price, on the date the option expires. The value of a call option
26 varies based on the price of the underlying stock price, and increases if the stock price rises
27 above the strike price. From February 24 to March 10, Michael Kara spent a total of \$150,675
28 purchasing Andrx call options. He also purchased 735 shares of Andrx stock at a cost of

1 \$14,722. His trading resulted in illegal profits of \$396,315 after the public announcement of the
2 acquisition of Andrx.

3 32. Michael Kara also tipped friends and family about the plan to acquire Andrx to
4 confer a benefit on himself or to provide a gift to his friends and family.

5 33. On February 24, 2006, the same day he purchased Andrx call options in his own
6 account, Michael Kara tipped his friend Emile Jilwan with material nonpublic information
7 regarding Andrx. Jilwan began acquiring Andrx call options, his first Andrx trades. From
8 February 24 through March 10, 2006, Jilwan spent \$157,629 to purchase short-term Andrx call
9 options. Jilwan's Andrx trading resulted in illegal profits of \$386,010 after the public
10 announcement of the acquisition of Andrx.

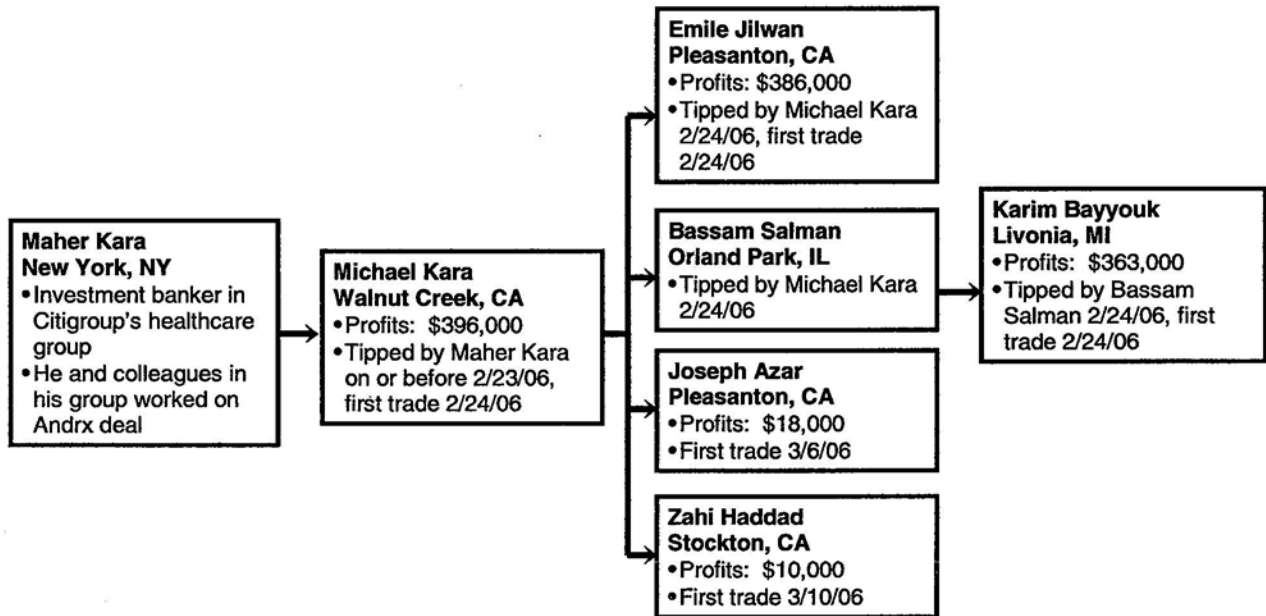
11 34. On February 24, 2006, Michael Kara tipped Bassam Salman with material
12 nonpublic information regarding Andrx. The same day, Salman tipped his business partner and
13 wife's brother-in-law, Karim Bayyounk, to confer a benefit on himself or to provide a gift to
14 Bayyounk. On February 24, 2006, Bayyounk made his first trades in Andrx securities. From
15 February 24, 2006 to March 10, 2006, Bayyounk spent \$322,292 purchasing Andrx call options
16 while in the possession of material nonpublic information regarding Andrx. Bayyounk's trading
17 resulted in illegal profits of \$363,418 after the public announcement regarding Andrx.

18 35. On or before March 6, 2006, Michael Kara tipped his friend Joseph Azar with
19 material nonpublic information regarding Andrx. On March 6, 2006, Azar made his first
20 purchase of Andrx securities, purchasing 2,500 shares of Andrx stock, spending more than
21 \$123,000 on the trades. Azar's Andrx trading resulted in potential profits of \$18,473 after the
22 acquisition was publicly announced.

23 36. On or before March 9, 2006, Michael Kara tipped his uncle Zahi Haddad with
24 material nonpublic information regarding Andrx. Haddad purchased Andrx options based on a
25 recommendation from Michael Kara. On March 9, 2006, Haddad liquidated all other holdings in
26 his brokerage account and spent \$11,349 to purchase short-term Andrx call options. Haddad's
27 Andrx trading resulted in illegal profits of \$10,205 after the acquisition was publicly announced.
28

1 37. By trading in Andrx securities based on information he received from Maher
2 Kara, Michael Kara made illegal profits of \$396,315, while the friends and family he tipped
3 made illegal profits totaling \$778,106.

4 38. The following diagram summarizes the above allegations regarding trading in
5 Andrx stock and options:



6
7
8
9
10
11
12
13
14
15
16 39. At the time that each of the Defendants tipped others or purchased Andrx stock or
17 options, each Defendant was in possession of material nonpublic information regarding Andrx,
18 and each knew or was reckless in not knowing that the information had been disclosed in breach
19 of a duty of confidentiality. At the time that the Defendants tipped others or purchased Andrx
20 stock or options, each Defendant knew or had reason to know that the information they
21 possessed regarding Andrx was nonpublic, and knew or had reason to know the information was
22 acquired directly or indirectly from an offering company, the company to be acquired, or any
23 officer, director, partner, or employee or any other person acting on behalf of the offering
24 company or company to be acquired.

25 **C. Trading in the Securities of Biosite, Inc.**

26 **1. Maher Kara learns that Biosite is a takeover target**

27 40. On March 5, 2007, bankers from Citigroup's Investment Banking Healthcare
28 Group learned that one of its clients, Beckman Coulter Inc., a medical equipment company based

1 in Fullerton, California, was in advanced discussions with an acquisition target and would seek
2 financing for the acquisition from Citigroup. By Friday, March 9, 2007, Citigroup investment
3 bankers in the Healthcare Group knew that Beckman Coulter was negotiating to acquire Biosite,
4 Inc., a medical device company based in San Diego, California.

5 41. Over the next two weeks, lawyers and advisors for the companies negotiated the
6 terms of an agreement under which Beckman Coulter would acquire Biosite through a tender
7 offer. During this time, the negotiations between Beckman Coulter and Biosite regarding
8 Beckman's planned acquisition, and Citigroup's involvement with the financing of the planned
9 acquisition, were confidential and not publicly disclosed. Citigroup investment bankers analyzed
10 the deal and obtained the internal approval for Citigroup's commitment to Beckman Coulter for
11 financing of a portion of the funds necessary to complete the acquisition of Biosite. On
12 March 19, 2007, the pending Biosite deal was discussed at a biweekly Citigroup meeting held in
13 New York that all healthcare group employees, including Maher Kara, were expected to attend in
14 person or by telephone.

15 42. At least as of March 19, 2007, Beckman Coulter had taken the following steps
16 toward its planned acquisition of Biosite, including (1) entering into a confidentiality agreement;
17 (2) engaging legal and financial advisors; (3) negotiating with Biosite management and board of
18 directors regarding a tender offer price; and (4) securing financing commitments for the
19 proposed acquisition.

20 43. Maher Kara learned material nonpublic information about the secret acquisition
21 negotiations through Healthcare Group meetings, other meetings of investment bankers in the
22 Healthcare Group, conversations with his colleagues in the Healthcare Group who knew about
23 the pending acquisition, and through his close contact and working relationship with employees
24 within the Citigroup Investment Banking Healthcare Group.

25 44. On Sunday, March 25, 2007, Beckman Coulter announced that it had reached an
26 agreement with the management of Biosite to acquire the company through a tender offer at a
27 price of \$85 per share. The price of Biosite shares rose 51 percent from a \$55.45 closing price
28

1 on Friday, March 23 to close at \$83.80 per share on Monday, March 26, with the trading volume
2 on March 26 more than 38 times the trading volume on March 23.

3 **2. Maher Kara tips his brother, who trades and tips others**

4 45. Maher Kara misappropriated material nonpublic information, in breach of his
5 duty of confidentiality to Citigroup, by tipping his brother Michael Kara about the planned
6 Biosite acquisition. Maher Kara tipped Michael Kara to confer a benefit on himself or to provide
7 a gift to his brother.

8 46. On March 22, 2007, Maher Kara placed two telephone calls from his office
9 telephone, at 12:44 p.m. and 12:49 p.m. Pacific Time, to Michael Kara's mobile phone. Minutes
10 after the calls, Michael Kara placed an online order for 100 Biosite call option contracts that
11 expired the following month, his first trades in Biosite securities. On March 22 and 23, 2007,
12 while in possession of material nonpublic information regarding Biosite, Michael Kara spent
13 \$154,451 to purchase 1,615 shares of stock and 435 call option contracts in his own accounts, for
14 total illegal profits of \$1,239,711.

15 47. Michael Kara tipped friends and family about the plan to acquire Biosite.
16 Michael Kara provided the tips to receive a personal benefit or to confer a gift of the information
17 to his friends and family.

18 48. At 1:23 p.m. Pacific Time on March 22, Michael Kara attempted to call his friend
19 Joseph Azar. Michael Kara did not reach Azar, but they spoke later that afternoon. During the
20 conversation Michael Kara provided Azar with material nonpublic information about the plan to
21 acquire Biosite. On March 23, 2007, Azar purchased 3,700 shares of Biosite stock, spending
22 more than \$200,000 on the trades. Azar's Biosite trading resulted in potential profits of
23 \$108,525 after the acquisition was publicly announced.

24 49. At 1:24 p.m. Pacific Time on March 22, Michael Kara called Bassam Salman,
25 tipping him with material nonpublic information regarding Biosite. Salman called Karim
26 Bayyouk less than 30 minutes later, tipping him with material nonpublic information regarding
27 Biosite for a personal benefit or to confer a gift of the information. Beginning early the next
28 morning Bayyouk began purchasing Biosite call options, his first Biosite trades. Bayyouk spent

1 \$100,906 to purchase short-term call options while in the possession of material nonpublic
2 information regarding Biosite. Bayyouk made illegal profits of \$954,905 after the Biosite
3 acquisition was announced.

4 50. In addition to trading in his own account, Bayyouk tipped his brother with
5 material nonpublic information about the planned acquisition of Biosite. Bayyouk provided the
6 tip to receive a personal benefit or to confer a gift of the information to his brother. On
7 March 23, 2007, Bayyouk's brother spent \$5,018 purchasing short-term Biosite call options, and
8 these trades resulted in profits of \$72,550 after the acquisition was publicly announced.

9 51. At 3:32 p.m. Pacific Time on March 22, Michael Kara called his friend Nasser
10 Mardini. During the conversation Michael Kara provided Mardini with material nonpublic
11 information about the planned acquisition of Biosite. On March 23, Mardini directed a friend to
12 place call options trades for his benefit, encouraged his brother to purchase Biosite call options,
13 and traded in another friend's account. The illegal profits in these accounts totaled \$291,723.

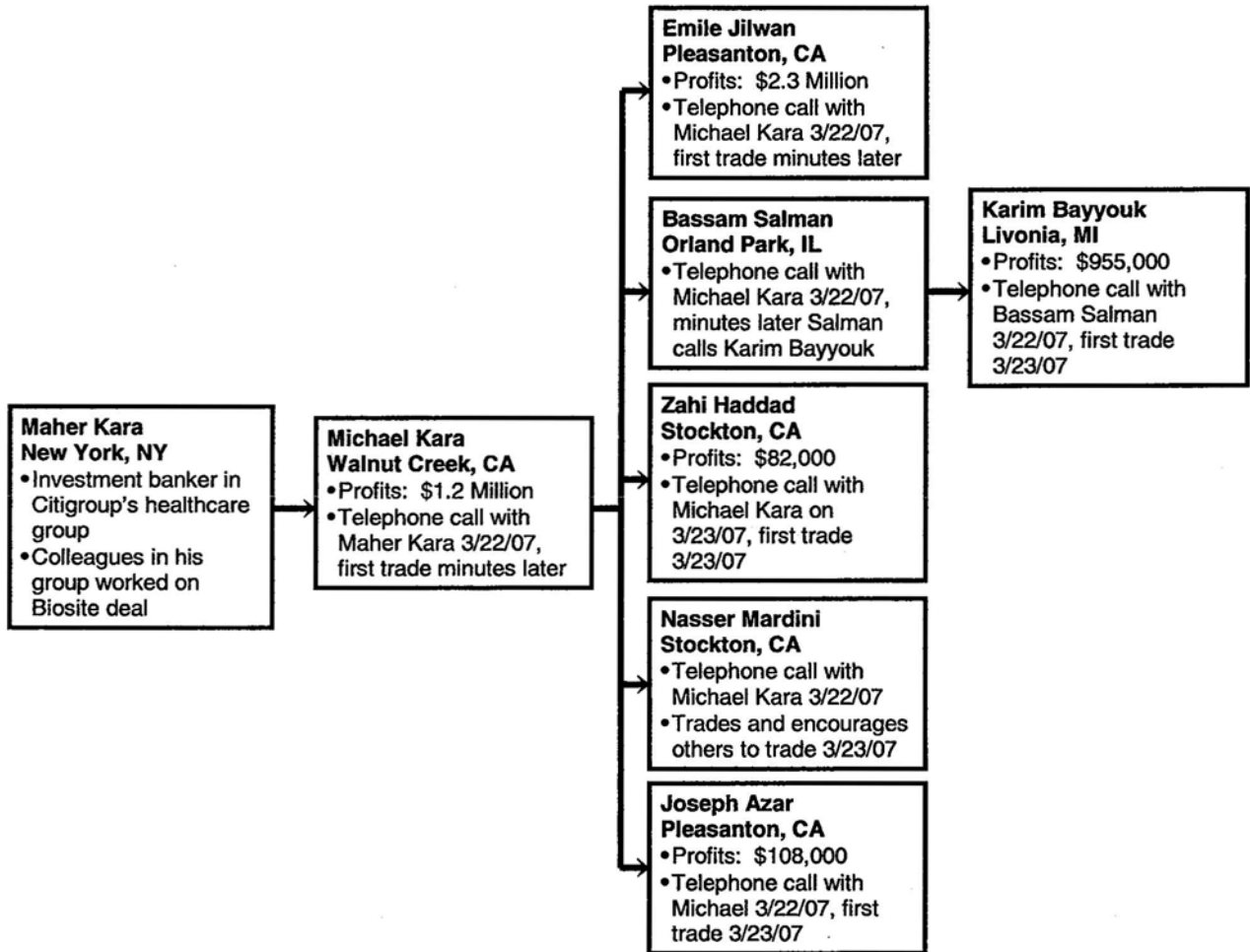
14 52. At 3:44 p.m. Pacific Time on March 22, Michael Kara and Emile Jilwan spoke by
15 telephone. Minutes later, Jilwan placed an order for Biosite call options, his first Biosite trades,
16 in a joint account held for the benefit of Jilwan and his wife. On March 22 and 23, Michael Kara
17 purchased Biosite stock and call options at a cost of \$303,603 in a different brokerage account
18 held solely in Jilwan's name but to which Michael Kara had access. After the public
19 announcement of Beckman Coulter's agreement to acquire Biosite, the trades made in Jilwan's
20 accounts resulted in illegal profits of more than \$2.3 million.

21 53. The following morning, March 23 at 8:26 a.m. Pacific Time, Michael Kara called
22 his uncle Zahi Haddad. Within 30 minutes after the call, Haddad wired \$2,100 into his
23 brokerage account, and later that day purchased Biosite call options, his first Biosite trades.
24 Haddad's trades resulted in illegal profits of \$81,725.

25 54. Also on March 23, Michael Kara placed two trades in an account held in the name
26 of a long-time friend of Michael Kara and his family. These trades resulted in illegal profits of
27 \$118,235 after the Biosite announcement.
28

1 55. By trading in Biosite securities based on information he received from Maher
 2 Kara, Michael Kara made illegal profits in his accounts of more than \$1.2 million, while his
 3 friends and family he tipped and their tippees made illegal profits totaling more than \$3.9
 4 million.

5 56. The following diagram summarizes the above allegations regarding trading in
 6 Biosite stock and options:



7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22 57. At the time that each of the Defendants tipped others or purchased Biosite stock
 23 or options, each Defendant was in possession of material nonpublic information regarding
 24 Biosite, and each knew or was reckless in not knowing that the information had been disclosed in
 25 breach of a duty of confidentiality. In addition, Jilwan knew or was reckless in not knowing that
 26 trades made by Michael Kara in his accounts were based on material nonpublic information
 27 obtained in breach of a duty of confidentiality. At the time that the Defendants tipped others or
 28 purchased Biosite stock or options, each Defendant knew or had reason to know that the

1 information they possessed regarding Biosite was nonpublic, and knew or had reason to know
2 the information was acquired directly or indirectly from an offering company, the company to be
3 acquired, or any officer, director, partner, or employee or any other person acting on behalf of
4 the offering company or company to be acquired.

5 **D. The Scheme to Profit from Illegal Trading**

6 58. Although the trading related to Andrx and Biosite securities was the most
7 profitable trading in the Defendants' insider trading scheme, these trades were part of a recurring
8 patterns of misappropriation and illegal trading on material nonpublic information. Using
9 information misappropriated from Citigroup, Michael Kara traded in companies with pending
10 projects or meetings involving Maher Kara's group within Citigroup at least 20 times from 2004
11 to 2007. In February 2007, Michael Kara wrote a check for \$250,000 to his brother Maher Kara
12 drawn on funds transferred from the brokerage account that held the proceeds of Michael Kara's
13 illegal trading.

14 59. Michael Kara, together with Emile Jilwan, engaged in an extensive pattern of
15 trading that closely tracked investment banking activities within the Healthcare Group at
16 Citigroup during a three-year period. Beginning in April 2004 or earlier, Michael Kara and
17 Jilwan traded in the securities of companies that were either parties to potential transactions
18 involving Citigroup's Investment Banking Healthcare Group or had interactions with Maher
19 Kara or other investment bankers in the group. In some cases Maher Kara's friends and
20 colleagues worked on transactions, and in other cases Maher Kara worked directly on possible
21 transactions or attended meetings with senior management of companies later traded by his
22 brother. The trading, timed with events and information known within Citigroup's Healthcare
23 Group, continued through at least April 2007.

24 60. One example of the trading related to the scheme to share nonpublic information
25 involved the stock of a pharmaceutical company based in Illinois ("Company A"). On
26 January 29, 2004, Citigroup was engaged to advise an international pharmaceutical company in a
27 potential acquisition of Company A. Company A's engagement of Citigroup and the potential
28 acquisition were confidential and not publicly disclosed. Citigroup continued to work on the

1 potential transaction through August 2004. Maher Kara was aware of the transaction at least by
2 April 6, 2004. Beginning on April 21, 2004, Michael Kara and Emile Jilwan purchased
3 Company A call options. Karim Bayyouk also purchased Company A call options beginning of
4 May 6, 2005. The contemplated acquisition did not take place, and the potential acquisition was
5 not publicly announced.

6 61. A second example of trading related to the scheme involved the stock of a
7 pharmaceutical company based in Pennsylvania ("Company B"). On June 13, 2005, Citigroup
8 investment bankers were engaged to advise Company B regarding its negotiations with another
9 public company seeking to acquire Company B. Company B's engagement of Citigroup and the
10 potential acquisition were confidential and not publicly disclosed. Maher Kara was on the team
11 of bankers advising Company B. Beginning on June 21, 2005, Michael Kara purchased
12 Company B call options. Bayyouk also purchased Company B call options beginning on June
13 21, 2005. The acquisition agreement was never finalized and the potential acquisition was not
14 publicly announced.

15 62. A third example of trading related to the scheme involved the stock of a
16 healthcare services company ("Company C"). Beginning on about January 23, 2006,
17 Company C retained Citigroup's Investment Banking Division as an advisor regarding a
18 potential hostile takeover bid the company expected to receive from a competing company.
19 Company C's engagement of Citigroup and the potential takeover bid were confidential and not
20 publicly disclosed. Maher Kara was aware of the engagement at least as of January 30, 2006.
21 On February 2, 2006, Michael Kara began purchasing Company C call options. The takeover
22 bid was not successful, and the potential acquisition was not publicly announced.

23 63. Throughout the course of the insider trading scheme, Michael Kara traded for his
24 own benefit and tipped other family members and friends with confidential information he
25 learned from Maher Kara. Zahi Haddad, Michael Kara's uncle, traded in the securities of at least
26 eight companies including Andrx and Biosite based on tips provided by Michael Kara from
27 January 2006 to March 2007. Haddad knew that Maher Kara worked on mergers and
28

1 acquisitions as an investment banker specializing in the healthcare industry and that his work
2 involved confidential information.

3 64. Bassam Salman also participated in the scheme, and received stock tips from
4 Michael Kara and passed these tips to Karim Bayyouk, his business partner and wife's brother-
5 in-law. Bayyouk traded in the securities of at least 14 companies including Andrx and Biosite
6 that correspond to Michael Kara's trades in the securities of those companies. Salman received a
7 portion of the proceeds of Bayyouk's illegal trades. Salman knew Maher Kara worked as an
8 investment banker for Citigroup and that he specialized in healthcare companies.

9 **FIRST CLAIM FOR RELIEF**

10 *Violations of Section 10(b) of the Exchange Act and Rule 10b-5 by All Defendants*

11 65. Paragraph nos. 1 through 64 are re-alleged and incorporated herein by reference.

12 66. Defendant Maher Kara misappropriated material nonpublic information he
13 learned in the course his employment with Citigroup to tip Defendant Michael Kara, in breach of
14 duties of confidentiality and trust that Maher Kara owed to Citigroup or Citigroup's clients.

15 67. Each Defendant, while in the possession of material nonpublic information
16 regarding Andrx, Biosite, and other companies, traded in the securities of those companies or
17 tipped others using material nonpublic information.

18 68. Each Defendant knew or was reckless in not knowing that the information he used
19 to tip others or that he possessed at the time of the trading was obtained through the breach of a
20 duty of confidentiality or trust.

21 69. Each Defendant that tipped others with material nonpublic information received a
22 benefit, either financial, reputational, or social, from the tips provided to others.

23 70. Each Defendant, with scienter, directly or indirectly (a) employed devices,
24 schemes, or artifices to defraud; (b) made untrue statements of material fact or omitted to state a
25 material fact necessary in order to make the statements made, in the light of the circumstances
26 under which they were made, not misleading; and (c) engaged in acts, practices, or courses of
27 business which operated or would operate as a fraud or deceit upon other persons, in connection
28

1 with the purchase or sale of securities, by the use of means or instrumentalities of interstate
2 commerce, of the mails, or the facilities of a national securities exchange.

3 71. Based on the above conduct and the factual allegations contained in this
4 Complaint, Defendants violated, and unless restrained and enjoined will continue to violate,
5 Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 thereunder [17 C.F.R.
6 § 240.10b-5].

7 SECOND CLAIM FOR RELIEF

8 *Violations of Section 14(e) of the Exchange Act and Rule 14e-3 by All Defendants*

9 72. Paragraph nos. 1 through 64 are re-alleged and incorporated herein by reference.

10 73. Each Defendant was in possession of material information relating to a tender
11 offer, which information he knew or had reason to know was nonpublic, which information he
12 knew or had reason to know had been acquired directly or indirectly from (1) the offering entity
13 or person; (2) the issuer of the securities to be sought by such tender offer; or (3) any officer,
14 director, partner, employee or any other person acting on behalf of the offering entity or person
15 or the issuer. While in possession of this material nonpublic information relating to a tender
16 offer, each Defendant purchased, sold, or caused to be purchased or sold, securities of the issuer
17 sought to be acquired in the proposed tender offer.

18 74. At the time of the purchase or sale of the securities of the issuer sought to be
19 acquired in the proposed tender offer, offering entities had taken a substantial step or steps to
20 commence a tender offer for the issuer.

21 75. Defendants Maher Kara, Michael Kara, Bassam Salman, and Karim Bayyounk
22 were in possession of material nonpublic information relating to a tender offer, which
23 information each knew or had reason to know had been acquired directly or indirectly from (1)
24 the offering entity or person its officers, directors, partners, employees or advisors; (2) the issuer
25 of the securities to be sought by such tender offer or its officers, directors, partners, employees or
26 advisors; or (3) anyone acting on behalf of the entities or people described in (1) or (2).

27 Defendants Maher Kara, Michael Kara, Bassam Salman, and Karim Bayyounk communicated
28 material nonpublic information relating to a tender offer under circumstances in which it was

1 reasonably foreseeable that such communications was likely to result in a violation of
2 Rule 14e-3.

3 76. Based on the above conduct and the factual allegations contained in this
4 Complaint, each Defendant violated, and unless restrained and enjoined will continue to violate,
5 Section 14(e) of the Exchange Act [15 U.S.C. § 78n(e)] and Rule 14e-3 thereunder [17 C.F.R.
6 § 240.14e-3].

7 **PRAYER FOR RELIEF**

8 WHEREFORE, the Commission respectfully requests that this Court:

9 I.

10 Permanently enjoin Defendants from directly or indirectly violating Sections 10(b) and
11 14(e) of the Exchange Act [15 U.S.C. §§ 78j(b) and 78n(e)], and Rules 10b-5 and 14e-3
12 thereunder [17 C.F.R. §§ 240.10b-5 and 240.14e-3].

13 II.

14 Order Defendants to disgorge the ill-gotten gains derived from their illegal trading and
15 tipping, plus prejudgment interest.

16 III.

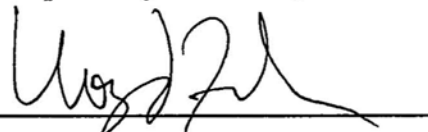
17 Order Defendants each to pay civil penalties pursuant to Section 21A of the Exchange
18 Act [15 U.S.C. § 78u-1]; and

19 IV.

20 Grant such other relief as this Court may deem just and appropriate.

21
22 Dated: April 30, 2009

Respectfully submitted,

23
24 

25 LLOYD FARNHAM
26 Attorney for Plaintiff
27 SECURITIES AND EXCHANGE COMMISSION
28