

least December 2006.

5. Between in or about early 2002 and in or about December 2002, Erik Franklin, a co-conspirator not named as a defendant herein, worked at Chelsey as an analyst.

UBS's Ratings of Equity Securities

6. At all relevant times, as part of its business as a full-service securities brokerage firm, UBS employed analysts to research the performance of various public companies. Based on its analysts' research, UBS issued ratings of particular public companies' securities. Between at least in or about December 2001 and in or about January 2003, UBS's equities ratings system included five ratings (strong buy, buy, hold, reduce, and sell). Between in or about January 2003 and at least in or about December 2006, UBS's equities ratings system included three recommendations (buy, neutral, and reduce).

7. Over time, UBS would upgrade or downgrade its analysts' securities recommendations based on changing information and updated research results. Within UBS, changes in UBS analysts' securities recommendations were reviewed by the IRC before being released to the public. At all relevant times, Mitchel Guttenberg was a member of the IRC. Accordingly, UBS entrusted Guttenberg with nonpublic information regarding upcoming upgrades and downgrades in UBS analysts' securities recommendations.

8. At all relevant times, investors, including

institutional investors and professional money managers, regularly relied on UBS analysts' ratings of public companies' securities. As a result, changes in UBS analysts' recommendations regarding a particular company's securities were material to investors and often had a direct effect on the trading price of that company's stock.

UBS's Policy Regarding Dissemination of Research

9. At all relevant times, UBS maintained written policies prohibiting the premature dissemination of pending UBS research, including pending upgrades and downgrades in UBS analysts' securities recommendations. For example, UBS's Equity Research Manual provided in part as follows:

The distribution of pending research, whether verbally or otherwise, to persons outside the Research Department prior to its issuance by the Research Department is prohibited by firm policy, and may subject the Firm to civil as well as regulatory liability.

Knowledge of a pending recommendation or change in opinion or estimates is considered to be 'market-sensitive information.' Pending initial recommendations, price target, estimate or opinion changes, and decisions to issue research reports or comments may not be disclosed by any means to anyone, either inside or outside of the Firm, until the information has been appropriately disseminated.

* * *

It is a direct violation of UBS policy for any employee to selectively disseminate information regarding pending research reports and ratings and/or earnings estimates to clients or to other employees who do not need to know this

information. Penalties may include public sanctions, dismissal and civil monetary liabilities as well as criminal charges, which could include jail sentences if insider trading took place as well as barring individuals and firms from the capital markets.

The Insider Trading Scheme

10. From in or about mid-2002 up to and including in or about December 2002, DAVID SLAINE, the defendant, and Erik Franklin, participated in a scheme to defraud by executing securities transactions based on material, nonpublic information regarding upcoming upgrades and downgrades in UBS analysts' securities recommendations (the "UBS Inside Information"). Franklin obtained the UBS Inside Information from Guttenberg, who provided it to Franklin in violation of (a) the duties of trust and confidence owed by Guttenberg to UBS, and (b) UBS's written policies regarding the use and safekeeping of confidential information. SLAINE and Franklin used the UBS Inside Information to execute profitable securities transactions for Chelsey. In exchange for the UBS Inside Information, Franklin paid Guttenberg hundreds of thousands of dollars.

11. In or about late 2001, Guttenberg told Franklin that UBS provided Guttenberg with information regarding upcoming upgrades and downgrades in UBS analysts' securities recommendations before the information was released to the public. Franklin and Guttenberg agreed that Guttenberg would provide the UBS Inside Information to Franklin, so that Franklin

could execute profitable securities trades. Franklin and Guttenberg agreed that they would share the proceeds of Franklin's profitable securities trades based on the UBS Inside Information.

12. Between in or about December 2001 and in or about July 2006, Guttenberg repeatedly provided Franklin with the UBS Inside Information.

13. Between in or about mid-2002 and in or about December 2002, DAVID SLAINE, the defendant, and Franklin executed securities transactions based on the UBS Inside Information on behalf of Chelsey. In addition, SLAINE used the UBS Inside Information to execute profitable securities transactions in his personal brokerage account.

14. DAVID SLAINE, the defendant, and Franklin used the UBS Inside Information in the following manner: When Guttenberg communicated to Franklin that UBS was about to announce an upgrade in its recommendation for a company's stock, SLAINE and Franklin would purchase the stock for Chelsey or their own accounts. After UBS publicly announced its upgrade, the price of the stock would generally increase. SLAINE and Franklin would then sell the stock, earning a profit. Similarly, when Franklin learned from Guttenberg that UBS was about to announce a downgrade in its recommendation for a company's stock, SLAINE and Franklin would sell the stock short. After UBS publicly

announced its downgrade, the price of the stock would generally fall. SLAINE and Franklin would then purchase the stock that they had sold short, earning a profit.

15. For example, on or about November 21, 2002, Guttenberg communicated to Franklin that UBS was going to downgrade its rating on the stock of Nvidia Corp. ("Nvidia"). Franklin conveyed this UBS Inside Information to DAVID SLAINE, the defendant. Then, on or about November 21, 2002, SLAINE caused Chelsey to sell short approximately 200,000 shares of Nvidia stock. In addition, on or about November 21, 2002, SLAINE sold short approximately 75,000 shares of Nvidia stock in his personal brokerage account. On or about November 22, 2002, UBS publicly announced that it was downgrading its rating on Nvidia from "hold" to "reduce." Following the UBS announcement, on or about November 22, 2002, SLAINE caused Chelsey to cover its short position, resulting in a profit of at least approximately \$69,000. In addition, SLAINE covered the short position in his personal brokerage account, resulting in a profit of at least approximately \$33,000.

The Conspiracy

16. From in or about mid-2002, up to and including in or about December 2002, in the Southern District of New York and elsewhere, DAVID SLAINE, the defendant, and others known and unknown, unlawfully, willfully, and knowingly did combine,

conspire, confederate, and agree together and with each other to commit an offense against the United States, to wit, securities fraud, in violation of Title 15, United States Code, Sections 78j(b) & 78ff, and Title 17, Code of Federal Regulations, Sections 240.10b-5 and 240.10b5-2.

Object of the Conspiracy

Securities Fraud

17. It was a part and an object of the conspiracy that DAVID SLAINE, the defendant, and others known and unknown, unlawfully, willfully and knowingly, directly and indirectly, by the use of means and instrumentalities of interstate commerce, and of the mails, and of facilities of national securities exchanges, would and did use and employ, in connection with the purchase and sale of securities, manipulative and deceptive devices and contrivances in violation of Title 17, Code of Federal Regulations, Section 240.10b-5 by: (a) employing devices, schemes and artifices to defraud; (b) making untrue statements of material fact and omitting 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) engaging in acts, practices and courses of business which operated and would operate as a fraud and deceit upon persons, all in violation of Title 15, United States Code, Sections 78j(b) and 78ff, and Title 17, Code of Federal Regulations, Sections

240.10b-5 and 240.10b5-2.

Means and Methods of the Conspiracy

18. Among the means and methods by which DAVID SLAINE, the defendant, and his co-conspirators would and did carry out the conspiracy were the following:

a. Franklin obtained from Guttenberg the UBS Inside Information.

b. SLAINE and Franklin used the UBS Inside Information to execute profitable securities trades.

Overt Acts

19. In furtherance of the conspiracy, and to effect the illegal object thereof, DAVID SLAINE, the defendant, and his co-conspirators committed the following overt acts, among others, in the Southern District of New York:

a. On or about November 21, 2002, in New York, New York, Franklin learned from Guttenberg that UBS was going to downgrade its rating on the stock of Nvidia.

b. On or about November 21, 2002, SLAINE and Franklin caused Chelsey to sell short approximately 200,000 shares of Nvidia stock.

c. On or about November 22, 2002, after UBS publicly announced that it was downgrading its rating on Nvidia

from "hold" to "reduce," SLAINE and Franklin caused Chelsey to purchase approximately 200,000 shares of Nvidia stock.

(Title 18, United States Code, Section 371.)

COUNT TWO

(Securities Fraud)

The United States Attorney further charges:

20. The allegations contained in paragraphs 1-15 and 18-19 of this Information are repeated and realleged as if fully set forth herein.

21. On or about November 21, 2002, in the Southern District of New York and elsewhere, DAVID SLAINE, the defendant, unlawfully, willfully and knowingly, directly and indirectly, by use of the means and instrumentalities of interstate commerce, the mails and the facilities of national securities exchanges, in connection with the purchase and sale of securities, did use and employ manipulative and deceptive devices and contrivances, in violation of Title 17, Code of Federal Regulations, Section 240.10b-5, by (a) employing devices, schemes and artifices to defraud; (b) making untrue statements of material facts and omitting 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) engaging in acts,

practices and courses of business which operated and would operate as a fraud and deceit upon persons, to wit, SLAINE sold short Nvidia stock based on material, nonpublic information.

(Title 15, United States Code, Sections 78j(b) & 78ff; Title 17, Code of Federal Regulations, Sections 240.10b-5 and 240.10b5-2; and Title 18, United States Code, Section 2).

FORFEITURE ALLEGATION FOR COUNTS ONE AND TWO

22. As the result of committing one or more of the offenses alleged in Counts One and Two (i.e., conspiracy to commit securities fraud, in violation of Title 18, United States Code, Section 371; and securities fraud, in violation of Title 15, United States Code, Sections 78j(b) & 78ff; Title 17, Code of Federal Regulations, Sections 240.10b-5 and 240.10b5-2; and Title 18, United States Code, Section 2), defendant DAVID SLAINE shall forfeit to the United States pursuant to 18 U.S.C. § 981(a)(1)(C) and 28 U.S.C. § 2461, all property, real and personal, that constitutes or is derived from proceeds traceable to the commission of the offense.

Substitute Asset Provision

23. If any of the above-described forfeitable property, as a result of any act or omission of the defendant:

(1) cannot be located upon the exercise of due diligence;

(2) has been transferred or sold to, or deposited with, a third person;


(3) has been placed beyond the jurisdiction of the Court;

(4) has been substantially diminished in value; or

(5) has been commingled with other property which cannot be subdivided without difficulty;

it is the intent of the United States, pursuant to 21 U.S.C. § 853(p), to seek forfeiture of any other property of said defendant up to the value of the above forfeitable property.

(Title 18, United States Code, Section 981; Title 28, United States Code, Section 2461; Title 18, United States Code, Sections 371, and 2; Title 15, United States Code, Sections 78j(b) and 78ff; and Title 17, Code of Federal Regulations, Sections 240.10b-5 and 240.10b5-2).



PREET BHARARA
United States Attorney

Form No. USA-33s-274 (Ed. 9-25-58)

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

UNITED STATES OF AMERICA

- v. -

DAVID SLAINE,

Defendant.

INFORMATION

09 Cr. ____

(Title 15, United States Code,
Sections 78j(b) and 78ff;
Title 17, Code of Federal Regulations,
Sections 240.10b-5, and 240.10b5-2, and
Title 18, United States Code, Sections 2
and 371.)

PREET BHARARA
United States Attorney.
