

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

UNITED STATES SECURITIES AND EXCHANGE COMMISSION	:	
	:	
	:	
Plaintiff,	:	
	:	
vs.	:	Civil Action No. 18-cv-7129
	:	
LAUREN ZARSKY,	:	
	:	
Defendant.	:	
	:	
	:	

COMPLAINT

Plaintiff United States Securities and Exchange Commission (the “Commission”), for its Complaint against Defendant Lauren Zarsky alleges as follows:

SUMMARY

1. In June 2017, Lauren Zarsky engaged in illegal insider trading. On June 22, 2017, Christopher Collins, then a director of Innate Immunotherapeutics, Ltd. (“Innate”), learned highly confidential and material information about negative clinical trial results for a drug being developed by Innate. Christopher Collins tipped that information to his son, Cameron Collins, who, in turn, tipped his girlfriend (now fiancée), Lauren Zarsky. Based on this tip, Lauren Zarsky sold all of the Innate shares that she held before Innate publicly announced the negative trial results on the evening of June 26, 2017. The day after the announcement, the price of Innate shares dropped 92% to \$0.0351 from the previous day’s close of \$0.45. By selling her Innate shares before the announcement of the negative drug trial results, Lauren Zarsky avoided losses of \$19,440.

2. By engaging in the conduct described in this Complaint, Lauren Zarsky violated, and unless restrained and enjoined will violate again, 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 and Section 17(a)(1) of the Securities Act of 1933 (“Securities Act”) [*15 U.S.C. § 77q(a)(1)*].

NATURE OF PROCEEDING AND RELIEF SOUGHT

3. The Commission brings this action against Lauren Zarsky pursuant to Section 21A of the Exchange Act [*15 U.S.C. § 78u-1*] and Section 20(b) of the Securities Act [*15 U.S.C. § 77t(b)*] to enjoin the transactions, acts, practices, and courses of business alleged in this Complaint and to seek orders of disgorgement, along with prejudgment interest, civil penalties, and such further relief that the Court may deem appropriate.

JURISDICTION AND VENUE

4. This Court has jurisdiction over this action pursuant to Sections 20(b) and 22(a) of the Securities Act [*15 U.S.C. §§ 77t(b) and 77v(a)*], and Sections 21(d), 21(e), 21A, and 27 of the Exchange Act [*15 U.S.C. §§ 78u(d), 78u(e), 78u-1, and 78aa*].

5. Venue in this district is proper under Section 22(a) of the Securities Act [*15 U.S.C. § 77v(a)*], and Section 27 of the Exchange Act [*15 U.S.C. § 78aa*]. Certain of the sales of securities and acts, practices, transactions, and courses of business constituting the violations alleged in this Complaint occurred within the Southern District of New York, and were effected, directly or indirectly, by making use of the means, instruments or instrumentalities of transportation or communication in interstate commerce, or of the mails, or the facilities of national securities exchanges.

DEFENDANT

6. **Defendant Lauren Zarsky**, age 25, is a resident of Asbury Park, New Jersey. Lauren Zarsky is the fiancée of Cameron Collins. At the time of the relevant trading, she and Cameron Collins were not yet engaged to be married but had been romantically involved for several years and were sharing a residence. She is a Certified Public Accountant.

RELEVANT ENTITY

7. **Innate Immunotherapeutics, Ltd. (“Innate”)** is a biotechnology company headquartered in Sydney, Australia that developed a drug, MIS416, intended to treat multiple sclerosis. At that time, the company’s securities publicly traded in the United States as a penny stock on the OTC Pink market under the ticker symbol INNMF and also traded on the Australian Stock Exchange (the “ASX”).

FACTS

8. As of June 22, 2017, and throughout the period relevant to this complaint, Christopher Collins was a member of Innate’s board of directors and thus owed a duty to Innate’s shareholders to safeguard material nonpublic information that belonged to the company.

9. In 2014, Innate began a clinical trial to test the efficacy of MIS416. In April 2017, Innate announced that the last patient had completed the clinical portion of the trial and that the final results would be available in August or September of 2017. Innate further noted that it might receive and release the high-level, preliminary conclusions, referred to as the “top-line” results, sooner.

10. Lauren Zarsky invested in Innate for the first time on June 20, 2017, buying 40,464 shares in a brokerage account that she opened the previous day.

11. On the evening of June 22, 2017, Christopher Collins and other members of

Innate's board of directors were informed that the top-line results of the clinical trial of MIS416 were negative. This information was material and nonpublic.

12. Shortly thereafter, Christopher Collins reached his son Cameron Collins on the telephone, and the two spoke for several minutes. During this call, Christopher Collins tipped Cameron Collins with material nonpublic information about the negative drug trial results. At the time of the phone call with his father, Cameron Collins was with Lauren Zarsky at the home they shared. Cameron Collins tipped Lauren Zarsky with the material nonpublic information he received from his father. A few moments later, Lauren Zarsky logged into the brokerage account in which she held the Innate shares she had bought two days before.

13. Shortly after the U.S. OTC market opening the following day, June 23, 2017, Lauren Zarsky sold all 40,464 of her Innate shares on the basis of the material nonpublic information she received from Cameron Collins.

14. On the evening of June 26, 2017, Innate publicly announced the negative results of the MIS416 clinical trials. The next day, Innate's share price on the U.S. OTC market dropped 92%, closing at \$0.0351 as compared to the previous day's close of \$0.45.

15. By selling her Innate shares before the company announced the negative results of the MIS416 clinical trials, Lauren Zarsky avoided losses of \$19,440.

16. Lauren Zarsky was aware that Cameron Collin's father, Christopher Collins, was an Innate insider and thus had access to material nonpublic information about the company. Lauren Zarsky knew or was reckless in not knowing that the information that Cameron Collins tipped to her about Innate's negative trial results was material and nonpublic. When Lauren Zarsky sold her Innate shares based on this information, she knew, should have known, was reckless in not knowing, or consciously avoided knowing that the information had been

conveyed in breach of a fiduciary duty or similar obligation arising from a relationship of trust or confidence in exchange for a personal benefit.

FIRST CLAIM FOR RELIEF

Violations of Exchange Act Section 10(b) and Rule 10b-5 Thereunder

17. The Commission re-alleges and incorporates by reference each and every allegation in paragraphs 1 through 16, inclusive, as if fully set forth herein.

18. Defendant Lauren Zarsky, with scienter, by use of the means or instrumentalities of interstate commerce or of the mails, in connection with the purchase or sale of securities, directly or indirectly:

(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/or

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

By reason of the actions alleged herein, Defendant Lauren Zarsky violated Section 10(b) of the Exchange Act [*15 U.S.C. § 78j(b)*] and Rule 10b-5 thereunder [*17 C.F.R. § 240.10b-5*] and unless restrained and enjoined will continue to do so.

SECOND CLAIM FOR RELIEF

Violations of Section 17(a)(1)

19. The Commission re-alleges and incorporates by reference each and every allegation in paragraphs 1 through 16, inclusive, as if fully set forth herein.

20. Defendant Lauren Zarsky, by use of the means or instrumentalities of interstate commerce or of the mails, in the offer or sale of securities, directly or indirectly, with scienter, employed devices, schemes, or artifices to defraud.

21. By reason of the actions alleged herein, Defendant Lauren Zarsky violated Section 17(a)(1) of the Securities Act [*15 U.S.C. § 77q(a)(1)*] and unless restrained and enjoined will continue to do so.

PRAYER FOR RELIEF

WHEREFORE, the Commission respectfully requests that the Court enter a Final Judgment:

I.

Finding that Defendant Lauren Zarsky violated the provisions of the federal securities laws as alleged herein;

II.

Permanently restraining and enjoining Defendant Lauren Zarsky from, directly or indirectly, engaging in conduct in violation of Section 10(b) of the Exchange Act [*15 U.S.C. § 78j(b)*] and Rule 10b-5 thereunder [*17 C.F.R. § 240.10b-5*], and Section 17(a)(1) of the Securities Act [*15 U.S.C. § 77q(a)(1)*];

III.

Ordering Defendant Lauren Zarsky to disgorge, with prejudgment interest, all illicit trading profits, avoided losses, or other ill-gotten gains that she received as a result of the actions alleged herein;

IV.

Ordering Defendant Lauren Zarsky to pay civil penalties pursuant to Section 21A of the

Exchange Act [15 U.S.C. § 78u-1]; and

V.

Granting such other and further relief as this Court may deem just, equitable, or necessary.

Dated: August 8, 2018

Respectfully submitted,

S/ Robert A. Cohen
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Joseph G. Sansone
Cheryl L. Crumpton*
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*Application for admission *pro hac vice*
forthcoming

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