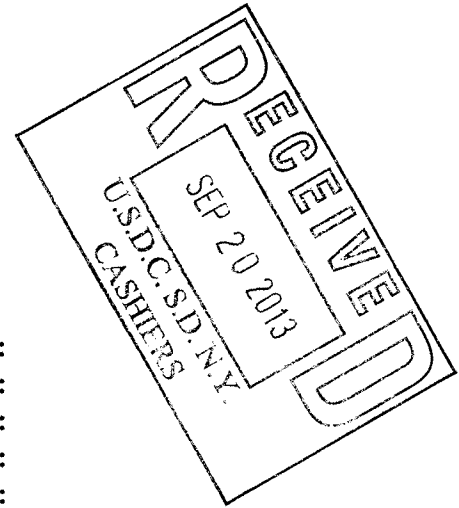


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Sanjay Wadhwa
Attorney for Plaintiff
SECURITIES AND EXCHANGE COMMISSION
New York Regional Office
3 World Financial Center, Suite 400
New York, NY 10281-1022
(212) 336-0181



UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

-against-

KIERAN TAYLOR,

Defendant.

COMPLAINT

ECF CASE

Plaintiff Securities and Exchange Commission ("Commission"), for its Complaint against defendant Kieran Taylor ("Taylor" or "Defendant"), alleges as follows:

SUMMARY

1. This matter concerns insider trading by Taylor, a former employee of Akamai Technologies, Inc. ("Akamai"), who traded Akamai stock based on material nonpublic information that he obtained during his employment at Akamai and also tipped the inside information to a close friend who worked at a hedge fund advisory firm.

2. In July 2008, Taylor, who was then employed at Akamai, learned that Akamai was planning to announce that the company was expecting to generate less revenue in 2008 than it had previously predicted to the public.

3. In advance of the announcement of this negative news, which was scheduled to take place in conjunction with Akamai's quarterly earnings announcement on July 30, 2008, Taylor sold Akamai stock that he held in his personal brokerage account. Taylor also tipped the confidential Akamai information to his close friend Danielle Chiesi ("Chiesi"), who was then a portfolio manager at the hedge fund advisory firm New Castle Funds LLC ("New Castle").

4. Upon receiving Taylor's tip, Chiesi caused New Castle hedge funds to sell short¹ Akamai securities and passed the tip to other hedge fund managers – including Raj Rajaratnam ("Rajaratnam") of Galleon Management LP ("Galleon Management") – who also established sizable short positions in Akamai securities. After Akamai announced its disappointing revenue projections (also known as "guidance") to the public on July 30, 2008, the company's stock price dropped by approximately 25 percent. As a result of his illegal sale of Akamai stock, Taylor avoided losses of approximately \$20,000. Taylor's direct and indirect hedge fund tippees generated approximately \$10 million worth of ill-gotten profits as a result of their illicit trading.

NATURE OF THE PROCEEDINGS AND RELIEF SOUGHT

5. The Commission brings this action pursuant to the authority conferred upon it by Section 20(b) of the Securities Act of 1933 ("Securities Act") [15 U.S.C. § 77t(b)] and Section 21(d) of the Securities Exchange Act of 1934 ("Exchange Act") [15 U.S.C. § 78u(d)]. The Commission seeks permanent injunctions against the Defendant,

¹ To "sell short" means to sell a security that one does not own, but rather has arranged to borrow from a third party, with the intention of purchasing (also called "covering") the security at a later date to deliver to the lender. A short seller stands to gain if the price of the security declines between the short sale and the purchase because the short seller has sold the security at a price that is greater than the purchase price.

enjoining him from engaging in the transactions, acts, practices, and courses of business alleged in this Complaint; disgorgement of ill-gotten gains, including profits and/or avoided losses, from the unlawful insider trading activity set forth in this Complaint, together with prejudgment interest; and a civil penalty pursuant to Section 21A of the Exchange Act [15 U.S.C. § 78u-1]. In addition, pursuant to Section 20(e) of the Securities Act [15 U.S.C. § 77t(e)] and Section 21(d)(2) of the Exchange Act [15 U.S.C. § 78u(d)(2)], the Commission seeks an order barring Taylor from acting as an officer or director of any issuer that has a class of securities registered pursuant to Section 12 of the Exchange Act [15 U.S.C. § 78l] or that is required to file reports pursuant to Section 15(d) of the Exchange Act [15 U.S.C. § 78o(d)]. Finally, the Commission seeks any other relief the Court may deem appropriate pursuant to Section 21(d)(5) of the Exchange Act [15 U.S.C. § 78u(d)(5)].

JURISDICTION AND VENUE

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

7. Venue lies in this Court 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), 21A, and 27 of the Exchange Act [15 U.S.C. §§ 78u(d), 78u-1, and 78aa]. Certain of the acts, practices, transactions, and courses of business alleged in this Complaint occurred within the Southern District of New York. For example, defendant Taylor conveyed material nonpublic information to Chiesi while Chiesi was present in New York, New York. In

addition, the illegal Akamai trades that Chiesi directed on behalf of New Castle hedge funds were placed by New Castle traders working in New York, New York.

DEFENDANT

8. **Taylor**, age 45, resides in New York, New York. During the relevant period, Taylor was the Senior Director of Marketing for Akamai.

RELEVANT INDIVIDUALS AND ENTITIES

9. **Akamai** is a Delaware corporation headquartered in Cambridge, Massachusetts. Akamai provides services for facilitating the delivery of content and applications over the internet. Akamai's securities are registered with the Commission pursuant to Section 12(b) of the Exchange Act and its stock trades on the Nasdaq under the symbol "AKAM."

10. **Chiesi**, age 47, resides in New York, New York. During the relevant period, Chiesi was a consultant and portfolio manager at New Castle, which was at that time a registered investment adviser. During her employment at New Castle, Chiesi held Series 7 and 63 securities licenses.

11. **Rajaratnam**, age 56, is currently incarcerated at a federal prison facility in Ayer, Massachusetts. Rajaratnam was the founder and Managing General Partner of the registered investment adviser Galleon Management and served as the portfolio manager of several of the firm's hedge funds. At its height, Galleon Management, which is now defunct, claimed to manage assets with a total value of more than \$7 billion.

12. **Steven Fortuna ("Fortuna")**, age 49, resides in Westwood, Massachusetts. During the relevant period, Fortuna was a Managing Partner of S2

Capital Management, LP (“S2 Capital”) a now defunct hedge fund advisory firm that was located in Boston, Massachusetts.

FACTS

13. In the summer of 2008, Taylor was employed as the Senior Director of Marketing at Akamai. As a result of his employment, Taylor obtained nonpublic financial information about Akamai, including that the company was planning to lower its annual revenue projections for 2008 (also known as “guidance”) in conjunction with Akamai’s announcement of its second quarter 2008 financial results on July 30, 2008.

14. Taylor knew, or was reckless in not knowing, that Akamai considered the nonpublic information that Taylor obtained to be confidential. Taylor also knew, or was reckless in not knowing, that Akamai had policies and procedures in place prohibiting Akamai employees from (a) trading Akamai stock while in possession of material nonpublic information about the company, and (b) providing Akamai’s confidential information to family members, friends, or anyone outside the company.

15. On or about July 24 and July 25, 2008, while in possession of the nonpublic information concerning Akamai’s upcoming announcement of lower revenue projections, Taylor sold 2,500 shares of Akamai stock that he held in a personal brokerage account.

16. On the evening of July 24, 2008, Taylor and Chiesi, who were lifelong family friends, spoke via telephone and Taylor informed Chiesi of Akamai’s plans to lower its revenue guidance for 2008.

17. Shortly after the conclusion of her call with Taylor, Chiesi telephoned her friend Rajaratnam of Galleon Management and informed him that she had just spoken to

her Akamai source, and that her source had stated that Akamai was “going to guide down a lot” at the company’s upcoming quarterly earnings announcement. Chiesi further relayed to Rajaratnam that her Akamai source had informed her that other Akamai employees thought that this announcement would cause the price of Akamai stock, which was then trading at about \$32 per share, to drop to \$25 per share.² Chiesi advised Rajaratnam that he should “just keep shorting [Akamai stock] every day” in advance of the company’s quarterly earnings announcement on July 30, 2008.

18. The next day, July 25, 2008, Chiesi began selling short Akamai stock and buying Akamai put options on behalf of the New Castle hedge funds that she managed.³ Between July 25 and July 30, 2008, New Castle hedge funds sold short over 300,000 shares of Akamai stock and further augmented this short position by purchasing nearly 1,500 Akamai put options. During that same time period, Rajaratnam increased the Galleon Management hedge funds’ existing short position in Akamai stock from 300,000 to 875,000 shares.

19. On or about July 25, 2008, Chiesi also tipped another hedge fund manager friend, Fortuna of S2 Capital, regarding Akamai’s upcoming announcement of lower annual revenue projections for 2008. Shortly after Chiesi conveyed this tip and in the days leading up to Akamai’s quarterly earnings announcement, an S2 Capital hedge fund established a sizable short position in Akamai stock and purchased Akamai put

² This call was intercepted by the government pursuant to a wiretap procured by criminal investigators under Title III of the Omnibus Crime Control and Safe Street Act of 1968.

³ A put option is a financial contract that gives the buyer the right, but not the obligation, to sell shares of a specified quantity of a company’s stock at a specified price within a specified time period. Similar to a short sale, the purchaser of a put option stands to gain if the price of the stock declines.

options.

20. On July 30, 2008, after the close of regular market trading, Akamai announced its financial results for the second quarter of 2008, and as Taylor had tipped Chiesi, the company also lowered its revenue projections for 2008. Akamai, which had previously stated that it expected to generate revenues of between \$800 and \$825 million in 2008, reduced its annual revenue guidance to a range of \$785 to \$800 million.

21. On July 31, 2008, the day after the announcement, the price of Akamai stock (which had traded at \$31.25 per share at the close of trading on July 30) dropped sharply, opening at \$25.06 per share and falling even further to \$23.34 per share by the close of regular market trading.

22. By selling 2,500 shares of Akamai stock in advance of the company lowering its annual revenue projections, Taylor avoided approximately \$20,000 in losses.

23. In the days following the announcement, the New Castle hedge funds on whose behalf Chiesi had sold short Akamai stock and bought Akamai put options, closed out these positions and reaped approximately \$2.4 million in ill-gotten gains.

24. In addition, in the days following the announcement, the Galleon and S2 hedge funds on whose behalf Rajaratnam and Fortuna sold short Akamai stock based on the tip from Chiesi covered their short positions and reaped approximately \$5.1 million and \$2.4 million in illicit profits, respectively.

CLAIMS FOR RELIEF

CLAIM I

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

25. The Commission realleges and incorporates by reference paragraphs 1 through 24, as though fully set forth herein.

26. The information concerning Akamai's reduction of its revenue guidance that Taylor traded while in possession of and provided to Chiesi was material and nonpublic. In addition, the information was considered confidential by Akamai, the company that was the source of the information, and Akamai had policies protecting confidential information.

27. Taylor learned the material nonpublic Akamai information that he traded while in the possession of, and provided to Chiesi, as a result of his employment at Akamai. Taylor knew, recklessly disregarded, or should have known that he owed a fiduciary duty, or obligation arising from a similar relationship of trust and confidence, to keep the information confidential, and to refrain from trading Akamai securities while in possession of such information.

28. Taylor breached his fiduciary duty, or obligation arising from a similar relationship of trust or confidence, to Akamai by selling shares of Akamai stock while in possession of material nonpublic information.

29. Taylor also tipped material nonpublic information to Chiesi in knowing or reckless breach of the fiduciary duty, or obligation arising from a relationship of trust and confidence, that Taylor owed Akamai, and did so with the expectation of receiving a benefit.

30. By virtue of the foregoing, Taylor, in connection with the purchase or sale

of securities, by the use of the means or instrumentalities of interstate commerce, or of the mails, or a facility of a national securities exchange, 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 the light of the circumstances under which they were made, not misleading; or (c) engaged in acts, practices or courses of business which operated or would have operated as a fraud or deceit upon persons.

31. By virtue of the foregoing, Taylor, directly or indirectly, violated, and, unless enjoined, will again violate, 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].

CLAIM II
Violations of Section 17(a) of the Securities Act

32. The Commission realleges and incorporates by reference paragraphs 1 through 31, as though fully set forth herein.

33. By virtue of the foregoing, Taylor, in the offer or sale of securities, by the use of means or instruments of transportation or communication in interstate commerce or by the use of the mails, directly or indirectly: (a) employed devices, schemes or artifices to defraud; (b) obtained money or property by means of an untrue statement of a material fact or omitted to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; and (c) engaged in transactions, practices or courses of business which operate or would operate as a fraud or deceit upon a purchaser.

34. By reason of the conduct described above, Taylor, directly or indirectly,

violated, and, unless enjoined, will again violate, Section 17(a) of the Securities Act [15 U.S.C. § 77q(a)].

RELIEF SOUGHT

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

I.

Permanently restraining and enjoining defendant Taylor from violating 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];

II.

Permanently restraining and enjoining defendant Taylor from violating Section 17(a) of the Securities Act [15 U.S.C. §§ 77q(a)];

III.

Ordering defendant Taylor to disgorge, with prejudgment interest, all ill-gotten gains, including profits and/or avoided losses, received as a result of the conduct alleged in this Complaint;

IV.

Ordering defendant Taylor to pay civil monetary penalties pursuant to Section 21A of the Exchange Act [15 U.S.C. § 78u-1];

V.


Barring defendant Taylor, pursuant to Section 20(e) of the Securities Act [15 U.S.C. § 77t(e)] and Section 21(d)(2) of the Exchange Act [15 U.S.C. § 78u(d)(2)], from acting as an officer or director of any issuer that has a class of securities registered

pursuant to Section 12 of the Exchange Act [15 U.S.C. § 781] or that is required to file reports pursuant to Section 15(d) of the Exchange Act [15 U.S.C. § 78o(d)]; and

VI.

Granting such other and further relief as this Court may deem just and proper.

Dated: New York, New York
September 20, 2013



Sanjay Wadhwa
Senior Associate Director
Attorney for Plaintiff
SECURITIES AND EXCHANGE
COMMISSION
New York Regional Office
3 World Financial Center, Suite 400
New York, New York 10281-1022
(212) 336-0181
WadhwaS@sec.gov

Of Counsel:

Joseph Sansone (SansoneJ@sec.gov)
John Henderson (HendersonJ@sec.gov)
Matthew J. Watkins (WatkinsMa@sec.gov)