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UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK



SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

-against-

ADAM SMITH,

Defendant.

ECF CASE

COMPLAINT

Plaintiff Securities and Exchange Commission ("Commission") for its Complaint against defendant Adam Smith ("Smith"), alleges as follows:

SUMMARY

1. This case involves insider trading by Smith, a former portfolio manager at New York-based hedge fund investment adviser Galleon Management, LP ("Galleon"). Smith traded in the securities of ATI Technologies Inc. ("ATI"), based on material nonpublic information concerning the acquisition of ATI by Advanced Micro Devices Inc. ("AMD") that was announced in July 2006. Prior to the announcement, Smith learned of the acquisition from an investment banker (the "Investment Bank Source"), who had received such information while serving as an employee of an investment bank that was advising one of the parties to the acquisition.

NATURE OF THE PROCEEDINGS AND RELIEF SOUGHT

2. The Commission brings this action pursuant to the authority conferred upon it by Section 21(d) of the Securities Exchange Act of 1934 (“Exchange Act”) [15 U.S.C. § 78u(d)]. The Commission seeks a permanent injunction against Smith enjoining him from engaging in the transactions, acts, practices, and courses of business alleged in this Complaint, disgorgement of all profits realized or losses avoided from the unlawful insider trading activity set forth herein together with prejudgment interest thereon, and civil penalties pursuant to Section 21(d)(3) of the Exchange Act [15 U.S.C. § 78u(d)(3)]. The Commission also brings this action pursuant to Section 21A of the Exchange Act [15 U.S.C. § 78u-1] for civil penalties against Smith under the Insider Trading and Securities Fraud Enforcement Act of 1988, and for such other relief as 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

3. This Court has jurisdiction over this action pursuant to Sections 21(d), 21(e), and 27 of the Exchange Act [15 U.S.C. §§ 78u(d), 78u(e), and 78aa].

4. Venue lies in this Court pursuant to 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 herein occurred within the Southern District of New York. For example, Smith worked at Galleon’s New York, New York offices during the time of the insider trading alleged herein.

DEFENDANT

5. **Smith**, age 38, resides in New York, New York. Upon graduating from Harvard Business School in 1999, Smith began his career at a full-service, global,

financial services firm as an investment banker. From 2002 until 2009, Smith was employed by Galleon, serving as an analyst from 2002 until 2006, when he became the portfolio manager with respect to the Galleon Emerging Technology Funds (f/k/a Galleon Communications Funds), hedge funds advised by Galleon.

RELEVANT INDIVIDUALS AND ENTITIES

6. **Galleon**, a Delaware limited partnership founded in 1997 by Raj Rajaratnam (“Rajaratnam”), is a hedge fund investment adviser based in New York, New York. As of March 2009, Galleon had over \$2.6 billion under management. In the wake of the October 16, 2009, insider trading arrest of Rajaratnam, Galleon began the process of liquidating itself and the hedge funds it advised. During the relevant period, Galleon served as the investment adviser for several hedge funds, including the Galleon Emerging Technology Funds managed by Smith.

7. **AMD** is a Delaware corporation headquartered in Sunnyvale, California. AMD is a global semiconductor company offering microprocessor, embedded processor, chipset and graphics products. AMD’s securities are registered with the Commission pursuant to Section 12(b) of the Exchange Act and its stock trades on the New York Stock Exchange (“NYSE”) under the symbol “AMD.”

8. **ATI** was a Canadian corporation headquartered in Markham, Ontario. Before it was acquired by AMD in a transaction made public in late July 2006, and completed in October of that year, ATI was engaged in the design and manufacture of computer graphics and PC platform technologies. Prior to its acquisition, ATI traded on the Toronto Stock Exchange under the symbol “ATY,” and on the NASDAQ under the symbol “ATYT.”

FACTS

9. By in or around March 2006, AMD had settled on ATI as an acquisition target and had begun confidential negotiations with ATI concerning a potential acquisition.

10. The "Investment Bank Source" worked at an investment bank engaged to advise one of the parties with respect to the AMD/ATI deal. As a result of his position at the investment bank, the Investment Bank Source had access to material nonpublic information concerning the deal.

11. In or around March of 2006, Rajaratnam began to build a large position in ATI in certain Galleon funds that Rajaratnam managed, and Smith subsequently developed an understanding that Rajaratnam had built this large position. In or around May of 2006, Smith, then a portfolio manager at Galleon, reached out to the Investment Bank Source, whom Smith had known for many years, in an attempt to ascertain whether there were any developments concerning ATI.

12. Eager to enhance his professional reputation and goodwill with Galleon, an influential hedge fund that could provide the Investment Bank Source with profitable business and potential employment opportunities, the Investment Bank Source, in or around May of 2006, told Smith that ATI was about to be acquired by AMD.

13. Smith caused certain Galleon funds that he managed to trade on the basis of the material nonpublic information he received from the Investment Bank Source. Upon receipt of the information, Smith substantially increased the size of an existing ATI long position that the Galleon funds he managed had in place.

14. On July 24, 2006, AMD publicly announced that it had entered into a \$5.4 billion transaction to acquire ATI. ATI's stock price increased significantly based on the news of the transaction.

15. The Galleon funds Smith managed made trading profits of over \$1.3 million as a result of Smith's trading in ATI based on the inside information he learned from the Investment Bank Source.

CLAIMS FOR RELIEF

CLAIM I

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

16. The Commission realleges and incorporates by reference paragraphs 1 through 15, as though fully set forth herein.

17. The information concerning the AMD/ATI acquisition that Smith received from the Investment Bank Source was material and nonpublic. In addition, the information was considered confidential by the companies that were the ultimate source of the information, and each of these companies had policies protecting confidential information.

18. The Investment Bank Source learned during the course of his employment the material nonpublic information he conveyed, and he knew, recklessly disregarded, or should have known, that he, directly, indirectly or derivatively, owed a fiduciary duty, or obligation arising from a similar relationship of trust and confidence, to keep the information confidential.

19. The Investment Bank Source tipped material, nonpublic information to Smith with the expectation of receiving a benefit.

20. In connection with the purchase or sale of securities, Smith knew, recklessly disregarded, or should have known, that the material non-public information he received from the Investment Bank Source was disclosed or misappropriated in breach of a fiduciary duty, or similar relationship of trust and confidence.

21. Smith is liable for the trading in ATI occurring in the Galleon funds managed – directly or indirectly – by him because he effectuated the trades on behalf of the funds, controlled the funds and/or unlawfully tipped the inside information to the funds.

22. By virtue of the foregoing, Smith, 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.

23. By virtue of the foregoing, Smith, 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].

RELIEF SOUGHT

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

I.

Permanently restraining and enjoining Smith, his officers, agents, servants, employees, and attorneys, and those persons in active concert or participation with him who receive actual notice of the injunction by personal service or otherwise, and each of them, 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.

Ordering Smith to disgorge, with prejudgment interest, all illicit trading profits and other ill-gotten gains received, and/or losses avoided, if any, as a result of the conduct alleged in this Complaint, including his own illicit trading profits, other ill-gotten gains, and/or losses avoided, if any, and the illicit trading profits, other ill-gotten gains, and/or losses avoided of his direct and downstream tippees;

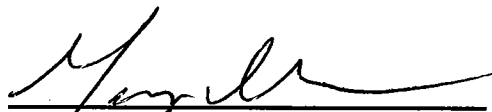
III.

Ordering Smith to pay civil monetary penalties pursuant to Section 21(d)(3) and/or Section 21A of the Exchange Act [15 U.S.C. §§ 78u(d)(3), 78u-1]; and

IV.

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

Dated: New York, New York
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