

Approved: Steve Lee  
STEVE LEE  
Assistant United States Attorney

Before: HONORABLE HENRY B. PITMAN  
United States Magistrate Judge  
Southern District of New York

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UNITED STATES OF AMERICA : SEALED COMPLAINT  
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- v. - : Violations of 18 U.S.C.  
: §§ 2, 371; 15 U.S.C. §§  
DAVID RILEY, and : 78j(b), 78ff; 17 C.F.R.  
MATTHEW TEEPLE, : § 240.10b-5  
:
  
Defendants. : COUNTY OF OFFENSE:  
: NEW YORK  
:
  
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JOSEPH NG, being duly sworn, deposes and says that he is a Special Agent with the Federal Bureau of Investigation ("FBI") and charges as follows:

COUNT ONE  
(Conspiracy to Commit Securities Fraud)

1. From in or about 2005 through in or about June 2009, in the Southern District of New York and elsewhere, DAVID RILEY and MATTHEW TEEPLE, the defendants, and others known and unknown, 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, Section 240.10b-5.

2. It was a part and object of the conspiracy that DAVID RILEY and MATTHEW TEEPLE, the defendants, and others known and unknown, willfully and knowingly, directly and indirectly, by the use of the 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, Section 240.10b-5.

#### Overt Acts

3. In furtherance of the conspiracy and to effect the illegal object thereof, DAVID RILEY and MATTHEW TEEPLE, the defendants, and their co-conspirators committed the following overt acts, among others, in the Southern District of New York and elsewhere:

a. On July 16, 2008, at approximately 8:02 a.m., RILEY placed a telephone call to TEEPLE.

b. On July 16, 2008, at approximately 9:48 a.m., TEEPLE placed a telephone call to an analyst of an investment adviser for multiple hedge funds ("Investment Adviser A") for which TEEPLE also worked as an analyst.

c. On July 16, 2008, at approximately 9:50 a.m., Investment Adviser A, through its prime broker in New York, New York, purchased securities of Foundry Networks, Inc. ("Foundry").

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

#### COUNTS TWO THROUGH FOUR (Securities Fraud)

4. From in or about April 2008 through in or about June 2009, in the Southern District of New York and elsewhere, DAVID RILEY and MATTHEW TEEPLE, the defendants, willfully and knowingly, directly and indirectly, by use of the means and instrumentalities of interstate commerce, and of 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, on the basis of material, non-public information ("MNPI" or "Inside Information") that RILEY disclosed to TEEPLE, in violation of RILEY's fiduciary and other duties of trust and confidence owed to Foundry, TEEPLE caused the securities transactions listed below to be executed in certain accounts affiliated with Investment Adviser A.

Count	Date	Transaction
2	April 3, 4, 9, 2008	Sold short over approximately 15,000 Foundry call options, and sold short over approximately 1,800,000 shares of Foundry
3	July 16-21, 2008	Purchased approximately 3,245,380 shares of Foundry
4	October 16, 2008	Sold over approximately 1,100,000 shares of Foundry

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

The bases for my knowledge and the foregoing charges are, in part, as follows:

5. I have been a Special Agent with the FBI for approximately three years. I am currently assigned to a squad responsible for investigating violations of the federal securities laws and related offenses. I have participated in investigations of such offenses, and I have made and participated in making arrests of individuals for participating in such offenses.

6. The information contained in this Complaint is based upon my personal knowledge, as well as information obtained during this investigation, directly or indirectly, from other sources, including, but not limited to: (a) business records and other documents provided by various entities; (b) publicly available documents; (c) analyses of court-authorized pen register records, cell-site data, and telephone toll records; (d) conversations with, and reports of interviews with, cooperating witnesses and other individuals; (e) conversations with FBI agents and my review of reports prepared by other FBI agents; and (f) conversations with representatives from the United States Securities and Exchange Commission ("SEC") and my review of documents prepared by representatives of the SEC. Because this

Complaint is being submitted for the limited purpose of establishing probable cause, it does not include all the facts that I have learned during the course of my investigation. Where the contents of documents and the actions and statements of and conversations with others are reported herein, they are reported in substance and in part. Where figures, calculations, and dates are set forth herein, they are approximate, unless stated otherwise.

#### Relevant Entities

7. Based on my review of publicly available information, as well as information I have received from the SEC, I know the following:

a. At all times relevant to this Complaint, Foundry was a technology company specializing in networking hardware, headquartered in Santa Clara, California, and listed on the Nasdaq Stock Market (ticker symbol: FDRY). Furthermore, at all times relevant to this Complaint, Foundry's policies prohibited the unauthorized disclosure of Foundry's confidential information.

b. At all times relevant to this Complaint, Brocade Communications Systems, Inc. ("Brocade") was a technology company specializing in data and storage networking products, headquartered in San Jose, California, and listed on the Nasdaq Stock Market (ticker symbol: BRCD).

c. On July 21, 2008, after the market closed, Foundry and Brocade publicly announced that Brocade would acquire Foundry. According to the public announcement, and as explained more below, Brocade agreed to pay a combination of \$18.50 cash plus .0907 shares of Brocade stock for each share of Foundry stock.

d. At all times relevant to this Complaint, Investment Adviser A was an investment adviser for a family of hedge funds with its headquarters and principal place of business located in San Francisco, California. Investment Adviser A used a prime broker located in New York, New York, among other things, to trade shares of Foundry.

e. At all times relevant to this Complaint, Palm, Inc. ("Palm") was a smart phone and digital personal assistant manufacturer headquartered in Sunnyvale, California. In April 2010, Hewlett Packard announced that it would acquire Palm for approximately \$1.2 billion.

### Relevant Individuals

8. Based on my review of publicly available information and information I have received from the SEC, as well as interviews I and other FBI agents have conducted throughout this investigation, and reports of interviews that I have reviewed, I know the following:

a. At all times relevant to this Complaint, DAVID RILEY, the defendant, was a Vice-President and the Chief Information Officer ("CIO") at Foundry. In his capacity as the CIO, RILEY was responsible for, among other things, the management of all information systems and technology utilized by Foundry and controlled access to all electronic files and databases maintained by Foundry.

b. Starting around 2007, MATTHEW TEEPLE, the defendant, was employed as an analyst at Investment Adviser A. TEEPLE's responsibilities included researching publicly-traded companies (particularly in the semiconductor and networking industries) and providing this research to the Fund's analysts and portfolio managers. TEEPLE's compensation from Investment Adviser A included a salary and a performance-based bonus.

c. At all times relevant to this Complaint, John Johnson was an acquaintance of TEEPLE, and met him for the first time in or about 2003. Johnson had various professional contacts with TEEPLE since approximately 2005, when Johnson worked at a mutual fund (the "Mutual Fund"), and TEEPLE worked at a company that provided primary research for the Mutual Fund. After leaving this Mutual Fund, Johnson continued to have regular contact with TEEPLE.<sup>1</sup>

d. At all times relevant to this Complaint, Karl Motey was an acquaintance of TEEPLE. Motey founded a research consulting company and communicated with TEEPLE about various

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<sup>1</sup> In the course of this investigation, John Johnson entered a guilty plea pursuant to a cooperation agreement to charges of conspiracy and securities fraud. Johnson has been cooperating with the Government in the hope of receiving a reduced sentence. The information provided by Johnson has proven to be reliable and has been corroborated by, among other things, the statements of other cooperating witnesses, telephone records, trading documents, documents provided by Johnson, and other business records.

stocks.<sup>2</sup>

### Overview Of The Insider Trading Scheme

9. As set forth in more detail below, there is probable cause to believe that DAVID RILEY and MATTHEW TEEPLE, the defendants, conspired to engage in insider trading and engaged in insider trading. The means by which RILEY and TEEPLE conspired to effectuate the insider trading scheme included the following, among other things: (1) RILEY obtained Inside Information regarding Foundry through the course of his employment as CIO of Foundry; (2) RILEY, in breach of his fiduciary and other duties of trust and confidence to Foundry, provided this Inside Information to TEEPLE; and (3) TEEPLE caused others to execute securities transactions on the basis of the Inside Information RILEY provided, including in accounts managed by Investment Adviser A. These trades earned Investment Adviser A profits of over \$16 million and enabled Investment Adviser A to avoid losses in excess of \$11 million.

### DAVID RILEY's Access to Foundry Inside Information

10. From speaking to a high-ranking officer and employee at Brocade (the "Brocade Employee"), who previously supervised DAVID RILEY, the defendant, at Foundry at all times relevant to this Complaint, I have learned the following:

a. As CIO, RILEY supervised a team of employees at Foundry who were responsible for running financial reports, including monthly and quarterly financial reports, which formed the basis of quarterly announcements of earnings, revenue, profits, and/or other financial information. In this capacity, RILEY had access to Inside Information about Foundry.

b. RILEY learned of the planned acquisition of

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<sup>2</sup> On December 14, 2010, Karl Motey entered a guilty plea pursuant to a cooperation agreement to charges of conspiracy and securities fraud. Motey - who previously testified at two securities fraud trials - was sentenced by the Honorable Jed S. Rakoff principally to one year of probation, on February 4, 2013. A condition of Motey's probation is his continued cooperation with the Government. The information Motey has provided has proven to be reliable and has been corroborated by, among other things, the statements of other cooperating witnesses, telephone records, trading documents, documents provided by Motey, and other business records.

Foundry by Brocade at least as early as on or about July 1, 2008. In fact, RILEY was present at a meeting of upper level management and certain senior officers and staff that occurred on or about July 1, 2008, at which the CEO of Foundry discussed the acquisition of Foundry by Brocade. RILEY had significant responsibilities relating to due diligence in connection with this acquisition.

11. Based on my interviews with John Johnson, my review of reports of interviews with Johnson, and my review of business records, I know the following:

a. Between in or about 2005 and in or about 2007, MATTHEW TEEPLE, the defendant, worked at a company ("Company-1") that provided primary research and industry information to various clients, including the Mutual Fund (for which Johnson worked).

b. While at Company-1, TEEPLE provided Johnson with information on various companies in the technology sector, including Foundry. Certain of this information included confidential, non-public information about Foundry. Among other things, this information pertained to how certain sectors within Foundry were performing. In or about March 2007, TEEPLE advised Johnson that Foundry would be acquired. Ultimately, this did not happen; according to TEEPLE, this was because Foundry's Chief Executive Officer wanted too high of a price for Foundry.

c. TEEPLE described his source of information at Foundry as someone who was at a very high level inside the company, and indicated that his source sat in on meetings with upper level management.

DAVID RILEY Provided Inside Information to MATTHEW TEEPLE in Advance of Foundry's April 11, 2008 Announcement

12. Based on my review of publicly available information, I know that on April 11, 2008, Foundry publicly announced that it expected its quarterly financial reporting to fall short of Wall Street expectations (the "April 11, 2008 Announcement"). As explained in more detail below, I believe that DAVID RILEY, the defendant, provided MATTHEW TEEPLE, the defendant, with Inside Information in advance of this negative announcement, in breach of RILEY's fiduciary and other duties of trust and confidence owed to Foundry. TEEPLE then caused others to execute securities transactions on the basis of such Inside Information, which yielded profits to Investment Adviser A of approximately \$2.6 million.

13. Based on my review of phone and trading records, as well as publicly available information, I know the following:

a. On April 3, 2008, at approximately 8:03 a.m.<sup>3</sup>, DAVID RILEY, the defendant, placed a telephone call to MATTHEW TEEPLE, the defendant. This call lasted approximately one minute.

b. On April 3, 2008, at approximately 9:40 a.m., TEEPLE placed a telephone call to an analyst with Investment Adviser A (the "Investment Adviser A Analyst"), and had a conversation that lasted approximately 14 minutes.

c. The same day, April 3, 2008, at approximately 10:03 a.m. - less than a half hour after the call referenced in Paragraph 13(b) - Investment Adviser A began short selling call option contracts for Foundry. By the end of the trading day on April 4, 2008, Investment Adviser A had sold short more than 12,000 call option contracts. On April 9, 2008, Investment Adviser A sold short approximately 3,310 more call option contracts for Foundry.<sup>4</sup>

d. On April 3, 2008 and April 4, 2008 - after RILEY's conversation with TEEPLE and TEEPLE's conversation with the Investment Adviser A Analyst - Investment Adviser A sold short more than 1.8 million shares of Foundry at an average price of \$12.29.<sup>5</sup>

14. From April 3, 2008 - the date on which Investment Adviser A began short selling call option contracts in Foundry - until the April 11, 2008 Announcement referenced in Paragraph 12

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<sup>3</sup> All times set forth in this Complaint are in Pacific Time.

<sup>4</sup> Based on my training and experience, I know that a call option is an option to purchase a stock at a particular price within a specific time period. Selling call option contracts is consistent with a belief that the price of the underlying security will decrease.

<sup>5</sup> Based on my training and experience, I know that short selling a stock is entering into a contract to sell a stock that one does not own. Short selling is consistent with a belief that the price of a stock will decrease, such that the seller will have the opportunity of buying back the stock at a price lower than for which it was sold.

above, the closing stock prices for Foundry stock dropped, from a high of \$12.41 on April 3, 2008 to a low of \$11.04 on April 11, 2008. As a result of its trades before the April 11, 2008 Announcement as set forth above, Investment Adviser A profited in the amount of approximately \$2.6 million.

DAVID RILEY Provided Inside Information to MATTHEW TEEPLE  
Concerning Brocade's Pending Acquisition of Foundry

15. According to business records and other documents provided by Brocade and Foundry and from interviewing the Brocade Employee, I know that by at least on or about July 1, 2008, DAVID RILEY, the defendant, was informed that Foundry was going to be acquired by Brocade (the "Foundry Acquisition Inside Information"). Brocade publicly announced this intended acquisition on July 21, 2008. As explained in more detail below, based on my review of phone records (including pen register and cell site data) and trading records, as well as interviews of John Johnson, Karl Motey, and others, I believe that RILEY provided TEEPLE with the Foundry Acquisition Inside Information before it was made public, in breach of RILEY's fiduciary and other duties of trust and confidence to Foundry, and that TEEPLE then caused others to execute securities transactions on the basis of such Inside Information.

David Riley Provided Foundry Acquisition Inside  
Information to Matthew Teeple, Who Provided It to  
Investment Adviser A

16. Based on my review of phone records, I know that DAVID RILEY and MATTHEW TEEPLE, the defendants, communicated by phone after RILEY learned about the Foundry Acquisition Inside Information, and before this information was publicly announced. My investigation has also revealed that MATTHEW TEEPLE, the defendant, shared the Foundry Acquisition Inside Information with the Investment Adviser A Analyst. In turn, Investment Adviser A traded on this information before it became public. Specifically, I have learned the following:

a. On July 16, 2008, at approximately 8:02 a.m., RILEY placed a telephone call to TEEPLE and had a conversation that lasted approximately 41 seconds.

b. On July 16, 2008, at approximately 9:48 a.m., TEEPLE placed a telephone call to the Investment Adviser A Analyst. The ensuing conversation lasted approximately 4 minutes. At approximately 9:50 a.m. - while TEEPLE and the Investment Adviser A Analyst were still on the telephone -

Investment Adviser A began purchasing shares in Foundry. From July 16 until the public announcement of the Foundry Acquisition Inside Information, Investment Adviser A purchased approximately 3,245,380 shares of Foundry. In addition, at approximately 9:56 a.m. on July 16, 2008, Investment Adviser A began buying call option contracts for Foundry and selling put option contracts for Foundry, which are trades that are consistent with believing that the share price of a stock will increase.

Matthew Teeple Provided the Foundry Acquisition Inside Information to John Johnson and Karl Motey

17. Based on my review of phone and trading records, I know that after speaking with DAVID RILEY, the defendant, MATTHEW TEEPLE, the defendant, contacted John Johnson by phone, who subsequently executed securities transactions in Foundry and Brocade:

a. On July 18, 2008, at approximately 8:50 a.m., John Johnson placed a telephone call to TEEPLE and had a conversation that lasted approximately 28 minutes. During this call, at approximately 9:10 a.m., Johnson began buying 3,900 shares of Foundry, in multiple accounts that were controlled by Johnson. At 9:26 a.m. the same day, Johnson purchased 325 Foundry call options, and sold short 1,200 shares of Brocade<sup>6</sup>.

b. Based on my conversations with Johnson, as well as my review of reports of interviews with him, I learned that before the Foundry Acquisition Inside Information was publicly announced, TEEPLE advised Johnson by telephone that Foundry was going to be acquired by Brocade. TEEPLE told Johnson the price at which Foundry was going to be acquired, as well as the timing of the acquisition, which, according to TEEPLE, was supposed to happen in a matter of days.

c. After the Foundry Acquisition Inside Information became public, TEEPLE contacted Johnson by phone and, according to Johnson, said words to the effect of, "How did you like that? Good?" in reference to the Foundry acquisition.

18. My investigation also has shown that MATTHEW

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<sup>6</sup> Based on my training and experience, I know that the latter trade that involved short selling is consistent with anticipating a decline in the acquiring company's share price, which often occurs following a public merger announcement (and which occurred in this case).

TEEPLE, the defendant, shared the Foundry Acquisition Inside Information with Karl Motey, prior to it becoming public. Based on my review of phone records, my review of reports of interviews of Motey, and my review of documents provided by Motey, I have learned the following:

a. On July 18, 2008, at approximately 10:04 a.m., Motey called TEEPLE and had a conversation that lasted approximately 27 minutes. Immediately after this call, at approximately 10:31 a.m., Motey called TEEPLE again and had a conversation that lasted another approximately 13 minutes.

b. On or about July 18, 2008, TEEPLE told Motey that Foundry might be acquired by Brocade, and provided Motey with the approximate price of the acquisition.

c. Motey kept a notebook in the ordinary course of his business, which he often used to memorialize conversations he had with various individuals, including TEEPLE. The Motey Notebook has an entry for "7/18" - the date of the telephone call referenced above - which entry refers to the "BRCD acquisition maybe - \$2.9B (~\$19/sh)." Motey has explained that this entry summarized a conversation he had with TEEPLE, in which TEEPLE indicated that the Foundry Acquisition may happen at \$2.9 billion, or about \$19.00 per share. As referenced in Paragraph 19, below, this information was accurate; it was substantially similar to the numbers Brocade ultimately provided in its July 21, 2008 announcement of the acquisition.

Public Announcement of the Foundry Acquisition by  
Brocade

19. Based on my review of publicly available information, I know that the Foundry Acquisition was publicly announced at the end of regular market trading on or about Monday, July 21, 2008. Specifically, Brocade announced that it had signed a definitive merger agreement to purchase Foundry for a combination of \$18.50 per share, plus 0.0907 shares of Brocade stock for each share of Foundry stock (an aggregate purchase price of approximately \$3 billion). This combination of cash and shares represented a total value of approximately \$19.25 per share, based upon the closing price of Brocade on July 18, 2008, the Friday before the announcement of the Foundry Acquisition. Brocade further announced that the acquisition was expected to close in the fourth quarter of 2008.

20. Based on my review of publicly available information, I know that on or about July 22, 2008, the price of

Foundry stock increased approximately 32 percent, compared to the previous day's closing price. Specifically, on July 21, 2008, the Foundry closing stock price was \$13.66, and on July 22, 2008, the Foundry closing stock price was \$18.08. Moreover, from July 16, 2008 - the day MATTHEW TEEPLE, the defendant, spoke on the telephone with DAVID RILEY, the defendant - to July 22, 2008, Foundry's closing stock price increased from \$12.49 to \$18.08.

21. Based on my review of trading records, I have learned that both Investment Adviser A and John Johnson profited enormously by trading on the Foundry Acquisition Inside Information. Specifically:

a. Investment Adviser A profited in the amount of approximately \$13.6 million. Investment Adviser A also avoided losses of approximately \$7.4 million that it would have incurred due to Investment Adviser A's prior short equity and options positions.

b. Johnson profited in excess of approximately \$136,000.

DAVID RILEY Provided Inside Information to MATTHEW TEEPLE in Advance of Foundry's October 2008 Announcements

22. As explained in more detail below, based on my review of phone records and trading records, I believe that DAVID RILEY, the defendant, provided MATTHEW TEEPLE, the defendant, with Inside Information relating to certain negative announcements that Foundry made in October 2008, in breach of RILEY's fiduciary and other duties of trust and confidence owed to Foundry, and that TEEPLE then caused others to execute securities transactions on the basis of such Inside Information. As set forth below, shortly after speaking with RILEY, TEEPLE communicated with the Investment Adviser A Analyst, and that Investment Adviser A placed trades in Foundry that were consistent with a belief that the price would decrease, prior to Foundry's negative announcements. These trades resulted in the avoidance of millions of dollars in losses.

23. Based on my review of telephone records, including pen register records, and trading records, as well as my review of publicly available information, I know the following:

a. Prior to these announcements - on October 16, 2008, at approximately 8:02 a.m., MATTHEW TEEPLE, the defendant, placed a telephone call to DAVID RILEY, the defendant, and had a conversation that lasted approximately 22 seconds.

b. Shortly after this October 16, 2008 contact, TEEPLE had two telephone conversations with the Investment Adviser A Analyst. These telephone calls occurred at approximately 9:24 a.m. and 11:46 a.m., and lasted approximately 16 minutes and 9 minutes, respectively.

c. The same day - on October 16, 2008 - and starting at about fifteen minutes after the 11:46 a.m. conversation between TEEPLE and the Investment Adviser A Analyst, Investment Adviser A sold approximately 1,161,222 shares of Foundry, which is consistent with a negative outlook on the company.

d. On October 23, 2008, after the trading day closed, Foundry announced its third quarter financial results for 2008 (the "October 23, 2008 Announcement"). Among other things, Foundry announced that its net operating income was \$10 million less than it had been for the same quarter in 2007. The following morning, on October 24, 2008, Foundry's stock price declined. On October 24, 2008, Foundry announced that a shareholder vote to approve the Brocade acquisition (scheduled for that same day) would be delayed until October 29, 2008 (the "October 24, 2008 Announcement"). The reason for this delay was "recent developments related to the transaction."

e. After the October 23 and 24, 2008 Announcements, consistent with their negative nature, Foundry's stock price fell. While the price was \$17.04 at market close on October 23, 2008, the price fell to \$12.67 at the market close on October 24, 2008.

f. As a result of its trades that were executed on October 16, 2008, Investment Adviser A avoided at least approximately \$4.3 million in losses by selling Foundry stock.<sup>7</sup>

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<sup>7</sup> On October 22, 2008 - two days before Foundry announced that its shareholder vote on the acquisition was postponed - at approximately 9:59 a.m., MATTHEW TEEPLE, the defendant, called DAVID RILEY, the defendant, and had a conversation that lasted approximately 4 minutes. Immediately after this phone call with RILEY, TEEPLE called the Investment Adviser A Analyst. At approximately 11:10 a.m., TEEPLE called Karl Motey. Based on my review of reports of interviews with Motey, I have learned that TEEPLE told Motey, in sum and substance, that the Brocade-Foundry acquisition was going through. The Motey Notebook has an entry for "10-22," reflecting that TEEPLE had "internally heard" that the "BRCD deal" was "going through" and that "financing was available." On or about October 29, 2008, Brocade and Foundry

Statement by DAVID RILEY to FBI Agents About  
the Foundry Acquisition

24. On or about September 25, 2012, DAVID RILEY, the defendant, was questioned by FBI agents about his relationship and interactions with MATTHEW TEEPLE, the defendant. Among other things, RILEY stated the following:

a. RILEY has known TEEPLE since the two worked together at a company from 2001 to 2003. At that time, TEEPLE was in the sales department and RILEY was in the information technology department. RILEY knew that TEEPLE had later worked at a different company, and spoke with TEEPLE about potential start-ups in which RILEY might invest. RILEY also indicated that on occasion, TEEPLE visits him in San Jose, California.

b. RILEY knew about Brocade's planned acquisition of Foundry prior to it being publicly announced. RILEY further stated (initially) that no one asked him about it, and that he had not even told his own team at Foundry about it. RILEY also stated that he was not authorized by Foundry to speak with anyone outside the company about the Foundry Acquisition prior to it being made public.

c. Then, however, when asked about whether he discussed the Foundry Acquisition with TEEPLE, RILEY (subsequently) stated that he thought that TEEPLE asked if the Foundry Acquisition was going to go through, and RILEY might have said yes. RILEY then stated that he might have confirmed for TEEPLE that the deal was going through, but did not provide specifics on price and does not recall if he provided TEEPLE with information on timing for the deal. RILEY added that TEEPLE might have sent RILEY a text message shortly after the Foundry Acquisition was announced, and that TEEPLE might have said "thank you" in that message.

d. RILEY did not recall if he updated TEEPLE on the status of the Foundry Acquisition after July 2008, but confirmed that he had had conversations with TEEPLE during this timeframe.

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announced that they had reached an agreement in principle to revise the terms of the planned acquisition (in which Brocade lowered its bid to \$2.6 billion) and to proceed with the Foundry shareholder vote on November 7, 2008.

MATTHEW TEEPLE Provided Information on PALM  
to DAVID RILEY and Others

25. Based on my involvement in this investigation, my conversations with other agents who interviewed Karl Motey, and my review of consensually recorded telephone calls between Motey and MATTHEW TEEPLE, the defendant, I know that on June 15, 2009, Motey placed a consensually recorded telephone call to TEEPLE at the direction of the FBI. During the course of this recorded telephone call, I know that TEEPLE stated the following, among other things:

a. Referring to Investment Adviser A's holdings in Palm, Inc., a smart phone and digital personal assistant device manufacturer, Teeple stated "Palm was a big bet, huge bet. And I think we had like 12 million shares of Palm, that went from, you know, two to twelve bucks or something." TEEPLE went on to state that "Palm is, is gonna be a monster for a while . . . . not that it's gonna go straight up from these levels, but, I'll tell you what, that's one that you should definitely put on your list for your clients, (U/I), Karl. I mean, that, that thing [has] got so much leverage going in to next year."

b. TEEPLE further provided Motey with information about Palm's upcoming performance, noting that "they got two awesome phones coming out next year, too," which TEEPLE indicated were "in development." TEEPLE then outlined the microprocessors that would be used in the phones.

c. After Motey indicated that he would keep that stock on the "radar," TEEPLE responded "[y]eah, I would. We, we could chat about that when, uh, you know, when we hook up, I can, I can tell you more about what I have. I've got, I've got some really good contacts in there and, and I've been, been staying close to it." In response to Motey's question about where TEEPLE's contacts were, TEEPLE said "one guy is dev [development] and then, one guy is kind of a, senior marketing guy."

26. Based on my review of phone and trading records, as well as my review of the June 15, 2009 consensually recorded telephone call between Karl Motey and MATTHEW TEEPLE, the defendant, and other information contained herein, I believe that in exchange for Inside Information on Foundry, TEEPLE provided DAVID RILEY, the defendant, with tips on other stocks, including Palm. My review of phone and trading records, for example, has shown the following:

a. On June 24, 2008, at approximately 6:27 p.m. and 6:34 p.m., TEEPLE placed a telephone call to an individual ("Individual-1") with whom TEEPLE was in at least weekly contact for the prior year. Each call lasted approximately two minutes. The following day, June 25, 2008, at 7:18 a.m., Individual-1 purchased 3,000 shares of Palm.

b. On June 25, 2008, at approximately 9:56 a.m., TEEPLE placed a telephone call to RILEY, which lasted for approximately 20 minutes. While on the phone with TEEPLE, RILEY purchased approximately 300 shares of Palm in a personal trading account at approximately \$6.71 per share. According to trading records, RILEY did not trade in Palm before this trade at least as far back as approximately January 2007.

c. On June 26, 2008, Palm announced its earnings. While Palm reported a net loss on the quarter, the company also announced that smart phone sell-through (the percentage of units shipped to retailers that are actually sold) for the quarter reached a record high.

d. On or about August 28, 2008, RILEY sold all 300 shares of Palm he had purchased on June 25, 2008 at a price of approximately \$8.30 per share and profited in the amount of approximately \$477.

#### DAVID RILEY and MATTHEW TEEPLE's June 16, 2009 Meeting

27. In the June 15, 2009 consensually recorded telephone call between Karl Motey and MATTHEW TEEPLE, the defendant, described above in Paragraph 25, TEEPLE told Motey that "I'm actually meeting with, with my, my best guy from Foundry at ten o'clock [referring to the following day, June 16, 2009]."

28. Based on my review of cell site data, I know that the day after this June 15, 2009 conversation, on June 16, 2009, the cell phone used by MATTHEW TEEPLE, the defendant, and the cell phone used by DAVID RILEY, the defendant, placed telephone calls within approximately 16 minutes of each other, at 9:29 a.m. and 9:45 a.m. respectively, that indicated that these cell phones were located in the same sector of the same cell tower. This is consistent with TEEPLE's statement to Karl Motey on June 15, 2009 that the following day he was meeting with his "best guy from Foundry," which, based on my investigation, I believe to be RILEY.

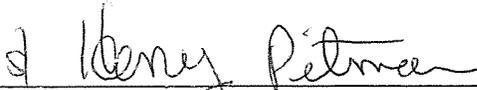
WHEREFORE, deponent prays that arrest warrants be issued for DAVID RILEY and MATTHEW TEEPLE, the defendants, and that they be imprisoned or bailed as the case may be.



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JOSEPH NG  
SPECIAL AGENT  
FEDERAL BUREAU OF INVESTIGATION

Sworn to before me this  
25TH day of March 2013



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HONORABLE HENRY B. PITMAN  
UNITED STATES MAGISTRATE JUDGE  
SOUTHERN DISTRICT OF NEW YORK