

**UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK**

**SECURITIES AND EXCHANGE
COMMISSION,**

Plaintiff,

v.

AL-RAYA INVESTMENT COMPANY

and

**WALEED KHALID AL-BRAIKAN
As Representative of the Heirs of HAZEM
KHALID AL-BRAIKAN,**

Defendants,

and

**KIPCO ASSET MANAGEMENT
COMPANY (KAMCO),**

Relief Defendant.

No. 1:09-CV-6533 (NRB)

ECF Case

AMENDED COMPLAINT

Plaintiff Securities and Exchange Commission (the “SEC” or “Commission”), for its Amended Complaint alleges as follows:

SUMMARY OF THE ACTION

1. This case involves a series of highly profitable and suspicious purchases of the securities of two U.S. companies traded on the New York Stock Exchange shortly before false information was disseminated into the U.S. securities markets about purported offers to acquire those companies at large premiums to the prevailing share price. In July 2009, Hazem Al-Braikan

(“Al-Braikan”), a resident of Kuwait, drafted and issued a bogus press release which claimed that a private investment group in Saudi Arabia planned to acquire Harman International Industries, Inc. (“Harman International”) through a tender offer at \$49.50 a share. At that time, Harman International’s common stock was trading at about \$25 per share. In a wave of pre-market trading, the share price of Harman International’s stock reached the mid- \$30’s. After Harman International repudiated the announcement, the share price dropped, closing the day at \$20.86. Earlier, in April 2009, Al-Braikan disseminated a story to the media that a consortium of United Arab Emirates companies and a Kuwaiti firm were offering to acquire Textron for \$21 per share, when the company’s stock had closed the previous day at \$9.11. A Kuwaiti newspaper published the story. In actuality, no such offer existed.

2. Al-Braikan profited from amassing large positions in the securities of Harman International and Textron shortly before the dissemination of the false information concerning imminent acquisition offers and then selling those positions at prices inflated by the false information. Furthermore, the company which Al-Braikan directed, Defendant Al-Raya Investment Company (“Al-Raya”), profited as a result of trading in Harman International which Al-Braikan did on its behalf. Other people, for whom Al-Braikan traded in Harman International and Textron and/or traded in those securities at Al-Braikan’s suggestion and encouragement, profited as well. Al-Braikan directed much of the aforementioned trading in individual client brokerage accounts held at Relief Defendant KIPCO Asset Management Company (“KAMCO”) over which Al-Braikan had trading authority. As a result of Al-Braikan’s activities, he realized profits of approximately \$1.7 million, Al-Raya’s profits were approximately \$1.1 million and the profits of others were approximately \$3.4 million.

JURISDICTION AND VENUE

3. This Court has jurisdiction over this matter pursuant to Sections 21(d)(1), 21(e), 21A, and 27 of the Securities Exchange Act of 1934 (“Exchange Act”) [15 U.S.C. §§ 78u(d)(1), (e), 78u-1, and 78aa]. The defendants, directly or indirectly, singly or in concert with others, made use of the means or instruments of transportation and communication in interstate commerce, or of the mails, or of the facilities of a national securities exchange in connection with the acts, transactions, and practices alleged in this Complaint.

4. Venue in this district is proper pursuant to Section 27 of the Exchange Act [15 U.S.C. § 78aa] because certain substantial events, acts or transactions giving rise to the violations alleged in this Complaint occurred within this judicial district.

DEFENDANTS

5. **Waleed Khalid Al-Braikan, as Representative of the Heirs of Hazem Khalid Al-Braikan (a/k/a the Estate of Hazem Khalid Al-Braikan) (the “Estate”)** is an heir, and the brother of the late Hazem Khalid Al-Braikan. The Estate inherited Al-Braikan’s assets upon his death on July 26, 2009. Included in those assets are certain profits from the fraudulent activities alleged herein. Pursuant to an Order of this Court, the Estate was substituted in as a defendant for Al-Braikan on October 30, 2009.

6. **Al-Raya Investment Company (“Al-Raya”)** is an international asset management company that Al-Braikan formed in March 2008 in Kuwait. Al-Raya was established to make international investments that were compliant with Islamic law. During the relevant period, Al-Braikan was Al-Raya’s Chief Executive Officer and personally directed all securities trades for the company, making all decisions about the trades, without seeking advice or input from others in the office. Al-Raya had a brokerage account in its name with Citigroup (“the Citigroup Account”).

RELIEF DEFENDANT

7. **KIPCO Asset Management Company (“KAMCO”)** is a financial services, brokerage, and asset management company based in Kuwait, that provides clients with direct access to Middle East and North Africa and international capital markets. In 2009, Al-Braikan had two personal brokerage accounts at KAMCO and trading authority over a brokerage account held by a subsidiary of Al-Raya. Also in 2009, Al-Braikan possessed trading authority over the accounts of several other KAMCO clients (the “Client Accounts”). Some of the profits of Al-Braikan’s fraudulent activities are held by certain KAMCO clients in the Client Accounts. In order to recoup those profits from the Client Accounts, KAMCO is being named as a relief defendant.

RELATED PERSON

8. **Hazem Khalid Al-Braikan** was a resident of Kuwait and the CEO of Defendant Al-Raya and had trading authority over the company’s brokerage accounts. Along with his account at KAMCO, Al-Braikan also had a brokerage account in his name at the National Bank of Kuwait, which clears U.S. securities transactions through the Pershing Division of Donaldson, Lufkin & Jenrette (“the Pershing account”). On July 26, 2009, Al-Braikan died.

RELEVANT ENTITIES

9. **Harman International Industries, Inc. (“Harman International”)** is a Delaware corporation with its corporate headquarters in Stamford, Connecticut. Harman International develops, manufactures, and markets audio products and electronic systems for the automotive, consumer, and professional sectors. Among Harman International’s brand names are: JBL; Infinity; Harman/Kardon; Mark Levinson; and Becker. Its common stock is registered with the Commission pursuant to Section 12(b) of the Exchange Act, and it trades on the New York Stock

Exchange (“NYSE”) under the ticker symbol HAR. Options for Harman International shares trade on the Chicago Board Options Exchange.

10. **Textron Inc. (“Textron”)** is a Delaware Corporation with its principal executive offices in Providence, Rhode Island. Textron is a multi-industry company involved in, among other things, the development of helicopters and airplanes. Its common stock is registered with the Commission pursuant to Section 12(b) of the Exchange Act, and it trades on the NYSE under the ticker symbol TXT.

FACTUAL ALLEGATIONS

Allegations Regarding Textron

11. On April 9, 2009, before the opening of the securities markets in the United States, a report appeared in the Al-Watan Daily, a Kuwaiti newspaper, stating that a consortium of United Arab Emirates companies and a Kuwaiti firm were planning to offer to purchase Textron for \$21 per share. The previous day, Textron common stock had closed at \$9.11. Accordingly, the purported \$21 offering price represented a very substantial premium over the company’s prevailing share price.

12. After the appearance of the Al-Watan report, the share price of Textron common stock surged, closing at \$13.56, an increase of nearly 50% over the previous trading day’s closing price.

13. In the days prior to the Al-Watan report, Al-Braikan relayed rumors that another company was offering to purchase of Textron. He emailed media reports of the purported offer to various people. He contacted several media outlets about a “scoop” regarding an upcoming takeover of Textron by a Middle Eastern company. That information was false – no such deal existed.

14. Before the story about the purported offer for Textron appeared in Al-Watan, Al-Braikan began purchasing Textron stock. On or about April 2, 2009, Al-Braikan purchased 5,000 shares of Textron for Al-Raya in the Citigroup account at \$7.23. On April 7, 2009, in the same account, Al-Braikan purchased 10,000 shares of Textron at \$8.60 and 15,000 shares of Textron at \$8.99 for Al-Raya. On the same day, Al-Braikan purchased 84,000 shares of Textron at \$9.39 in the Client Accounts, and 25,000 in his personal account at KAMCO. The next day, on April 8, 2009, based on Al-Braikan's advice, another person purchased 27,700 shares of Textron in a separate brokerage account.

15. On April 9, 2009, after the appearance of the article in Al-Watan, Al-Braikan instructed the selling of all the shares in Textron he had accumulated for himself, Al-Raya and others. Al-Braikan realized a profit of \$66,007.50; Al-Raya, a profit of \$147,113.00; and KAMCO clients and other individuals, in total, a profit of \$387,391.25. Neither the KAMCO clients nor the person who purchased Textron on Al-Braikan's advice were aware that Al-Braikan was sharing false information about Textron.

Allegations Regarding Harman International

16. At or about 8:32 a.m. on Monday, July 20, 2009, an announcement was posted on an Internet news outlet in the United States. The announcement purportedly was made by Arabian Peninsula Group ("APG"). The announcement claimed that APG was a private investment group that managed wealth for "two prominent parties in the Kingdom of Saudi Arabia and the United Arab Emirates" and was planning to acquire Harman International in a public tender offer at \$49.50 a share as part of a joint bid with an unnamed "South Korean partner." Harman International's common stock had closed at \$25.18 per share on Friday, July 17, 2009.

17. The announcement was a fabrication created by Al-Braikan. On Saturday July 18, 2009 and Sunday July 19, 2009, using his computer at Al-Raya's offices, Al-Braikan crafted various drafts of the press release. In different drafts, he used different dollar amounts for the acquisition price and brackets for the insertion of further information. He scoured the internet for a graphic concerning an "APG" which he could use in his final product, settling upon the logo of a French auto components manufacturer.

18. Al-Braikan sent his final product to various news organizations, including the Associated Press, Dow Jones Newswire, Bloomberg, The Financial Times and Reuters, via electronic mail and facsimile. Neither the emails nor the facsimiles which Al-Braikan sent identified him as the sender. From late Sunday afternoon July 19, 2009 (Kuwait time) into Monday July 20, 2009, Al-Braikan made over seventy short telephone calls to various media outlets – including the Washington Post, the New York Times, AME Dubai, Bloomberg, Reuters and the Hartford Courant – in an attempt to advertise his false press release or receive information as to where he could send a copy. In at least some of these phone calls, Al-Braikan misidentified himself as a "fund manager" or simply called himself "Khalid."

19. Shortly after the appearance of this announcement, there was a surge in the trading volume and share price of Harman International common stock in pre-market trading. The share price reached the mid-\$30's.

20. At or about 9:23 a.m. on July 20, 2009, Harman International issued a statement to the effect that it had become aware of media reports suggesting that a tender offer had been made to acquire it. Harman International stated that it had not received any such communication and was not familiar with any of the parties claiming to make such a solicitation.

21. Soon after Harman International's repudiation of the tender offer announcement, the share price of its common stock sharply decreased. By the end of the trading day, the share price closed at \$20.86.

22. Defendant Al-Braikan engaged in an aggressive strategy of buying Harman International common stock and call options in the weeks before the false tender offer announcement in which he positioned himself, Al-Raya and others to reap large profits from increases in the share price of Harman International's common stock.

23. From July 10, 2009, through July 17, 2009, Al-Braikan purchased a total of 372,300 shares of Harman International for himself in the Pershing Account and his two accounts at KAMCO. Also, from July 7, 2009, through July 17, 2009, Al-Braikan purchased for himself three classes of Harman International call options, a total of 1,740 contracts, in his Pershing and Citigroup Accounts. Al-Braikan's gross purchases of Harman International shares and options were \$8,929,428.21.

24. From June 1, 2009, through July 13, 2009, Al-Braikan purchased a total of 287,000 shares of Harman International for Al-Raya in the Citigroup Account and in Al-Raya's accounts at KAMCO. Al-Raya's gross purchases of Harman International shares were \$6,200,864.09.

25. From June 10, 2009 through July 15, 2009, using his authority over the Client Accounts, Al-Braikan purchased for certain KAMCO clients, or KAMCO clients purchased on Al-Braikan's advice, a total of 372,000 shares Harman International common stock. Also, from July 7, 2009, through July 16, 2009, Al-Braikan purchased for various KAMCO clients three classes of Harman International call options, a total of 465 contracts, in the Client Accounts. At no time prior to the institution of this litigation were the KAMCO clients aware of Al-Braikan's plans and

actions related to fabricating the press release. The gross purchases of Harman International shares and options made by, or on behalf of, these KAMCO clients were \$7,602,655.73.

26. During the period in which Al-Braikan was building his own position in Harman International, as well as that of Al-Raya and various KAMCO clients, he was actively encouraging others to purchase shares of Harman International. In so doing, Al-Braikan misrepresented to these potential investors that there was a pending “big deal,” which was near completion, in which entities located in the Middle East and South Korea were to purchase Harman International and/or there would soon be “good news” concerning Harman International. As a result, based on Al-Braikan’s misrepresentations, other people purchased a total of 186,700 shares of Harman International, the gross purchases of which were \$3,749,901.29.

27. On July 20, 2009, after the false announcement about a takeover of Harman International, Al-Braikan sold all the shares and options of Harman International he had acquired for himself, Al-Raya and others at prices substantially above those at which they had been purchased during June and earlier in July. Furthermore, KAMCO clients and others who had acquired Harman International equities at Al-Braikan’s direction and/or encouragement were able to sell their shares at a substantial profit. In total, Al-Braikan realized profits of \$1,610,466.28; Al-Raya, profits of \$1,062,594.59; and other individuals, in total, realized profits of \$2,954,730.65.

CAUSES OF ACTION

FIRST CLAIM – SECURITIES FRAUD (Violations of Exchange Act § 10(b) and Rule 10b-5 thereunder) (Against Defendants Al-Raya and the Estate)

28. The Commission re-alleges and incorporates by reference the allegations contained in paragraphs 1 through 27 above.

29. Through the activities described above, Al-Braikan engaged in a deceptive scheme by knowingly, or recklessly, disseminating false information about imminent offers to acquire the securities of Harman International and/or Textron and trading in those securities around the release of that false information.

30. Defendants Al-Raya and the Estate, through the actions of Hazem Al-Braikan, directly and indirectly, violated Section 10(b) of the Securities Exchange Act of 1934 [15 U.S.C. § 78j(b)] and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5] and amassed profits as a result of those actions.

SECOND CLAIM – UNJUST ENRICHMENT

(Against KAMCO as Relief Defendant)

31. The Commission re-alleges and incorporates by reference the allegations contained in paragraphs 1 through 30 above.

32. Clients of KAMCO profited from the actions of Hazem Al-Braikan by making profits from his fraudulent activities as alleged herein. On behalf of those clients, KAMCO holds accounts containing \$2,439,199.87 of profits resulting from Hazem Al-Braikan's fraudulent activities. KAMCO's clients obtained these funds under circumstances in which it is not just, equitable or conscionable for KAMCO's clients to retain the funds.

33. As a consequence of the foregoing, the KAMCO clients have been unjustly enriched and the profits held by KAMCO for its clients are subject to disgorgement.

PRAYER FOR RELIEF

WHEREFORE, the Commission respectfully requests that this Court enter a final judgment:

(i) Permanently enjoining Al-Raya and each of its agents, servants, employees and attorneys and those persons in active concert or participation with them, who receive actual notice

of the injunction by personal service or otherwise, including facsimile transmission or overnight delivery service, from engaging, directly or indirectly, in violations of Sections 10(b) the Securities Exchange Act of 1934 [15 U.S.C. §§ 78j(b)] and Rule 10b-5 thereunder [17 C.F.R. §§ 240.10b-5];

- (ii) Ordering Al-Raya to disgorge all ill-gotten gains, plus prejudgment interest thereon;
- (iii) Ordering Al-Raya to pay an appropriate civil monetary penalty pursuant to Section 21(d)(3) of the Exchange Act [15 U.S.C. § 78u(d)(3)];
- (iv) Ordering Estate of Al-Braikan to disgorge profits;
- (v) Ordering KAMCO to disgorge from its client accounts the amount by which its clients were unjustly enriched; and
- (vi) Awarding such other and further relief as the Court deems just and proper.

Dated: August 4, 2010

Respectfully submitted,

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CERTIFICATE OF SERVICE

I certify that a copy of the foregoing Amended Complaint was sent via e-mail and first class mail on August 4, 2010 to the following:

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