

**UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF TEXAS  
HOUSTON DIVISION**

---

SECURITIES AND EXCHANGE §  
COMMISSION, §  
§  
Plaintiff, §  
§  
vs. §  
§  
JAMES BALCHAN, §  
§  
Defendant. §

---

CIVIL ACTION NO.: 4:13-cv-298

**COMPLAINT**

Plaintiff Securities and Exchange Commission (the “Commission”) alleges:

**SUMMARY OF THE ACTION**

1. This case involves insider trading in the securities of National Semiconductor Corporation (“National Semiconductor”), a semiconductor manufacturer based in Santa Clara, California, that announced its acquisition by Texas Instruments in April 2011. A few days before the announcement, defendant James Balchan learned about the then-secret acquisition from his wife, a partner at a large law firm, while discussing weekend plans scheduled with National Semiconductor’s general counsel. Balchan then misappropriated this information for his own benefit by immediately purchasing 3,000 National Semiconductor shares. After the announcement, National Semiconductor’s stock price jumped over 75 percent, thereby yielding Balchan more than \$29,000 in illicit profits from his National Semiconductor trades.

2. By misappropriating material nonpublic information from his wife and trading on the basis of confidential information he learned from her, defendant James Balchan violated 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. Accordingly, the Commission seeks a court order requiring defendant Balchan to disgorge his ill-gotten gains plus prejudgment interest;

imposing civil monetary penalties; and enjoining him from future violations of these provisions of the federal securities laws.

### **JURISDICTION AND VENUE**

3. The Commission brings this action pursuant to Sections 21(d), 21(e), and 21A of the Exchange Act [15 U.S.C. §§ 78u(d), 78u(e), and 78u-1(c)].

4. This Court has jurisdiction over this action pursuant to Sections 21(e), 21A and 27 of the Exchange Act [15 U.S.C. §§ 78u(e), 78u-1 and 78aa].

5. Defendant, directly or indirectly, made use of the means or instrumentalities of interstate commerce, or of the mails, or of the facilities of a national securities exchange in connection with the transactions, acts, practices and courses of business alleged herein.

6. Venue in this District is proper pursuant to Section 27 of the Exchange Act [15 U.S.C. § 78aa] because defendant James Balchan resides within the Southern District of Texas, and the acts and transactions constituting the violations alleged in the Complaint occurred within the Southern District of Texas.

7. Intradistrict assignment to the Houston Division is proper because a substantial portion of the events that give rise to the claims occurred in Houston, Texas.

### **DEFENDANT AND OTHER ENTITIES**

8. James W. Balchan, age 48, resides in Houston, Texas. Balchan is an IT specialist at a public company. At all relevant times, Balchan was not employed by National Semiconductor.

9. National Semiconductor was a Delaware corporation headquartered in Santa Clara, California. Prior to April 2011, National Semiconductor was registered with the Commission pursuant to Section 12(g) of the Exchange Act and quoted on NASDAQ under the ticker "NSM." In September 2011, Texas Instruments, a Texas corporation, successfully completed its acquisition of National Semiconductor.

**FACTUAL ALLEGATIONS**

10. Balchan and his wife live and work in Houston, Texas. At all relevant times, Balchan's wife was a litigation partner based in the Houston office of a large law firm.

11. In early March 2011, a law partner at Balchan's wife's office ("Partner A") began organizing an informal client "wine and dine" weekend in honor of National Semiconductor's general counsel. Partner A, who was close to Balchan's wife and socially acquainted with Balchan, invited both to several of the scheduled weekend events. Partner A also told Balchan and his wife that National Semiconductor's general counsel would be in attendance.

12. On or about March 29, 2011, Partner A called National Semiconductor's general counsel. During the call, the general counsel informed Partner A that he was working on National Semiconductor's imminent acquisition and sought the law firm's advice in dealing with certain regulatory issues arising from the deal. The general counsel also advised Partner A that, in light of the acquisition, he would need to cancel the upcoming client weekend, which had been scheduled for April 2-3, 2011. Both understood the call to be an attorney-client privileged communication in light of their prior legal engagements and the general counsel's request for regulatory advice.

13. Immediately after the call, Partner A advised Balchan's wife that National Semiconductor's general counsel had cancelled the client weekend because of the imminent acquisition. Balchan's wife then shared this information with Balchan in confidence later that night.

14. The next morning, Balchan misappropriated the information he learned about the then-secret acquisition from his wife and purchased 2,000 National Semiconductor shares. A few days later, Balchan purchased another 1,000 National Semiconductor shares.

15. After the close of market on April 4, 2011, Texas Instruments issued a press release announcing its acquisition of National Semiconductor for \$25 per share, which represented a premium of 76 percent over its then-trading price of approximately \$14 per share. The next day, National Semiconductor's stock price rose more than 75 percent, closing at \$24.06 per share. As a result, Balchan realized more than \$29,000 in illicit profits from his National Semiconductor trades.

16. Each of Balchan's National Semiconductor trades was based on inside information misappropriated from his wife in violation of duties of trust and confidence owed to her. Balchan was aware that his wife, as a law firm partner, owed a duty of trust or confidence to her law firm and its clients.

17. Balchan knew, or was reckless in not knowing, that the information he misappropriated from his wife regarding National Semiconductor's acquisition was material and nonpublic.

18. Balchan knew, or was reckless in not knowing, that he had a duty to refrain from trading on material nonpublic information.

### **CLAIM FOR RELIEF**

*Violations of Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)]  
and Rule 10b-5 [17 C.F.R. § 240.10b-5] Thereunder*

19. Paragraphs 1 through 18 are re-alleged and incorporated herein by reference.

20. Defendant Balchan, with scienter, directly or indirectly:

a. employed devices, schemes, or artifices to defraud;

- b. made untrue statements of material facts 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; and
- c. engaged in acts, practices, or courses of business which operated or would operate as a fraud or deceit upon other persons, including purchasers and sellers of securities;

in connection with the purchase or sale of securities, by the use of means or instrumentalities of interstate commerce, of the mails, or the facilities of a national securities exchange.

21. By reason of the foregoing, defendant Balchan violated, and unless restrained and enjoined will continue to 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].

**PRAYER FOR RELIEF**

WHEREFORE, the Commission respectfully requests that this Court:

**I.**

Permanently enjoin defendant James Balchan from directly or indirectly violating Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 [17 C.F.R. § 240.10b-5] thereunder;

**II.**

Order defendant James Balchan to disgorge ill-gotten gains derived from the unlawful trading alleged herein, plus prejudgment interest;

**IV.**

Order defendant James Balchan to pay a civil monetary penalty pursuant to Section 21A of the Exchange Act [15 U.S.C. § 78u-1]; and;

V.

Grant such other relief as this Court may deem just and appropriate.

Dated: February 6, 2013

Respectfully submitted,

/s/ Toby M. Galloway

Toby M. Galloway

Attorney-in-Charge

Texas Bar No. 00790733

S.D. Bar No. 18947

Securities and Exchange Commission

Burnett Plaza, Suite 1900

801 Cherry Street, Unit 18

Fort Worth, Texas 76102-6882

Telephone: (817)978-6447

Facsimile: (817)978-4927

[gallowayt@sec.gov](mailto:gallowayt@sec.gov)

Of Counsel:

Marc J. Fagel

Michael S. Dicke

Jina L. Choi

Jennifer J. Lee

Securities and Exchange Commission

44 Montgomery Street, Suite 2800

San Francisco, California 94104

Telephone: (415)705-2500

Facsimile: (415)705-2501