



*United States Attorney
Southern District of New York*

FOR IMMEDIATE RELEASE
OCTOBER 16, 2009

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**MANHATTAN U.S. ATTORNEY CHARGES HEDGE FUND MANAGERS,
FORTUNE 500 EXECUTIVES, AND MANAGEMENT CONSULTING
DIRECTOR IN \$20 MILLION INSIDER TRADING CASE**

PREET BHARARA, the United States Attorney for the Southern District of New York, and JOSEPH DEMAREST, JR., Assistant Director-in-Charge of the New York Office of the Federal Bureau of Investigation ("FBI"), today announced charges against six individuals arising out of their alleged involvement in the largest hedge fund insider trading case in history. The defendants include: RAJ RAJARATNAM, the Managing Member of Galleon Management, LLC ("Galleon"), and a portfolio manager for Galleon Technology Offshore, Ltd.; DANIELLE CHIESI, an employee of New Castle Funds, LLC ("New Castle"), formerly the equity hedge fund group of Bear Stearns Asset Management, Inc.; MARK KURLAND, a top executive at New Castle; RAJIV GOEL, a Director in Strategic Investments at Intel Capital, the investment arm of Intel Corporation ("Intel"); ANIL KUMAR, a Director at McKinsey & Company, Inc. ("McKinsey"), a global management consulting firm; and ROBERT MOFFAT, Senior Vice President and Group Executive at International Business Machines Corporation ("IBM"). All are charged with participating in insider trading schemes that together netted more than \$20 million in illegal profits. This case represents the first time that court-authorized wiretaps have been used to target significant insider trading on Wall Street.

All of the defendants were arrested this morning by agents of the FBI. RAJARATNAM, KUMAR, and CHIESI were arrested

in New York, New York; KURLAND was arrested in Mt. Kisko, New York; and GOEL was arrested in San Jose, California. MOFFAT surrendered this morning to the FBI in White Plains, New York. RAJARATNAM, CHIESI, KURLAND, KUMAR, and MOFFAT will be presented in Manhattan federal court later today before United States Magistrate Judge DOUGLAS F. EATON. GOEL will be presented today in federal court in San Jose, California.

According to the two Complaints unsealed today in Manhattan federal court:

RAJARATNAM, KURLAND, CHIESI, and others repeatedly traded on material, nonpublic information given as tips by insiders and others at hedge funds, public companies, and investor relations firms -- including Intel, IBM, McKinsey, Moody's Investors Services Inc. ("Moody's"), Market Street Partners, Akamai Technologies, Inc. ("Akamai") and Polycom, Inc. ("Polycom"). As a result of their insider trading, RAJARATNAM, CHIESI, KURLAND and others earned millions of dollars of illegal profits for themselves and the hedge funds with which they were affiliated. One of the insiders, KUMAR, profited from investments in Galleon. GOEL, also an insider, received profitable trades in a personal account managed by RAJARATNAM.

Telephone conversations between RAJARATNAM and CHIESI, intercepted based on court-authorized wiretaps of phones, as well as consensually recorded conversations with an individual who subsequently became a cooperating government witness (the "CW"), revealed that RAJARATNAM, KURLAND, CHIESI and the CW routinely received inside information directly or indirectly from insiders and provided it to each other for the purpose of trading based on the information. The material, nonpublic information pertained to upcoming earnings forecasts, mergers, acquisitions, or other business combinations (the "Inside Information").

The Insider Trading Schemes
Charged In The Rajaratnam Complaint

RAJARATNAM engaged in overlapping schemes with the CW, KUMAR, GOEL, and CHIESI (identified in the Rajaratnam Complaint as "CC-1") to trade on the basis of Inside Information in several publicly traded companies. Specifically, these individuals engaged in insider trading in Polycom, Hilton Hotels Corp. ("Hilton"), Google Inc. ("Google"), Clearwire Corporation ("Clearwire"), Akamai, Advanced Micro Devices ("AMD"), and People Support, Inc. ("People Support").

From approximately January 2006 until around July 2007, RAJARATNAM and others engaged in schemes to trade on the basis of Inside Information pertaining to Polycom, Hilton, and Google. RAJARATNAM obtained Inside Information relating to these companies from the CW who, in turn, obtained this information from various inside sources. Those sources included an insider at Polycom, a source at Moody's who provided Inside Information pertaining to Hilton, and a source at Market Street Partners who provided Inside information pertaining to Google. Based on trading related to information about these entities, RAJARATNAM caused Galleon to earn a total profit of more than \$12.7 million. In exchange for the Inside Information RAJARATNAM received from the CW, RAJARATNAM provided the CW with Inside Information on a number of companies.

For example, the CW learned from a Moody's analyst, on July 2, 2007, that Hilton was going to be taken private. The CW then informed RAJARATNAM of this fact, telling him that it was a "sure thing." Based on this information, RAJARATNAM caused Galleon to purchase hundreds of thousands of shares of Hilton stock, reaping total profits of approximately \$4 million.

From approximately March 2008 until around October 2008, RAJARATNAM and GOEL engaged in insider trading schemes involving the stock of Clearwire. GOEL obtained Inside Information regarding investments in Clearwire made by his employer in Spring 2008, and provided it to RAJARATNAM in violation of duties of trust and confidence he owed to Intel. RAJARATNAM caused Galleon to trade on the basis of this Inside Information, earning a total profit of approximately \$579,000. In exchange for the Inside Information RAJARATNAM received from GOEL, RAJARATNAM placed profitable trades for the benefit of GOEL in a personal brokerage account maintained by GOEL at Charles Schwab.

From approximately July 2008 until around October 2008, RAJARATNAM, CHIESI, and others engaged in insider trading based on Inside Information pertaining to Akamai and AMD. For example, on July 24, 2008, CHIESI provided RAJARATNAM with non-public information pertaining to Akamai which is further described in the Chiesi Complaint.

From approximately August 2008 until around October 2008, RAJARATNAM, KUMAR, and others engaged in insider trading based on Inside Information pertaining to AMD. KUMAR obtained Inside Information regarding certain of McKinsey's clients, including AMD, and communicated it to RAJARATNAM in violation of duties of trust and confidence KUMAR owed to McKinsey and its

clients. For example, on August 15, 2008, KUMAR told RAJARATNAM that the parties to a deal involving AMD had "shaken hands," and that RAJARATNAM could "now just buy" AMD stock. RAJARATNAM then shared this information with CHIESI. On September 11, 2008, KUMAR told RAJARATNAM that the deal involving AMD was "gonna be October, first week." RAJARATNAM caused the Galleon Technology Funds to trade on the basis of this Inside Information, and KUMAR stood to benefit because he was a direct or indirect investor in one or more hedge funds affiliated with Galleon.

The Insider Trading Schemes
Charged In The Chiesi Complaint

KURLAND, MOFFAT, and CHIESI engaged in overlapping schemes to commit insider trading. Specifically, CHIESI obtained inside information from MOFFAT, RAJARATNAM, and an executive at Akamai on several publicly traded companies, including IBM, Sun Microsystems, AMD, and Akamai. CHIESI in turn shared that information with KURLAND, and both CHIESI and KURLAND then traded on that information in the accounts of their hedge fund, New Castle. In addition, CHIESI shared much of that inside information with RAJARATNAM and received inside information from RAJARATNAM in return.

For example, in July 2008, during a telephone call that was intercepted by the FBI, CHIESI told RAJARATNAM, after speaking to the Akamai executive, "Akamai.... I'm trading it tomorrow.... They're gonna guide down. I just got a call from my guy.... I was talking about the family and everything, and then he said people think it's gonna go to 25 [dollars per share]. They print on Wednesday." RAJARATNAM said, "you got a few more days. Friday, Monday...." CHIESI said, "Just keep shorting every day. We got a lot of days...."

In the following days, CHIESI caused New Castle to sell short shares of Akamai. On July 30, 2008, Akamai announced its quarterly earnings, providing guidance for the following quarter that was weaker than securities analysts' expectations. Later that day, during another telephone call intercepted by the FBI, RAJARATNAM thanked CHIESI for the information she had provided. On July 31, 2008, New Castle covered the short positions in Akamai stock and earned a profit of more than \$2.4 million.

During other calls intercepted by the FBI, KURLAND, and CHIESI also discussed CHIESI's sources of information at Akamai and IBM. For example, on September 2, 2008, CHIESI and KURLAND discussed whether to sell short more shares of Akamai stock. CHIESI asked, "Do you want me to call [the Akamai Executive] up?"

It's a pretty [expletive] scary thing to do." KURLAND replied, "Call him.... Let him talk." On October 10, 2008, during another intercepted call, the Akamai Executive said, "Danielle, I have a major present for you." CHIESI asked what he was talking about, and the Akamai Executive replied, "Information." CHIESI said, "Well that, that is a great present."

During other calls intercepted by the FBI, CHIESI obtained non-public information concerning AMD from MOFFAT and RAJARATNAM, and shared that information with KURLAND. For example, in August 2008, CHIESI and MOFFAT were discussing a confidential business transaction that AMD was then negotiating with investors from Abu Dhabi. MOFFAT had access to inside information concerning this deal because as part of the transaction, IBM would be granting a license to an entity to be spun off by AMD. Toward the end of the call, CHIESI asked about the timing of the deal involving AMD, and MOFFAT replied, "six to eight weeks from my meeting." When asked the chances that the deal would fall through, MOFFAT replied, "Zero..., I see no way that it doesn't get done." MOFFAT also said that IBM had "already signed" the agreement.

On August 27, 2008, CHIESI called a co-conspirator (the "CC") to provide information regarding the AMD reorganization. CHIESI said, "You just gotta trust me on this. Here's how scared I am about what I'm gonna tell you on AMD." The CC asked when the announcement would take place, and CHIESI replied, "September." CHIESI said, "I swear to you in front of God... You put me in jail if you talk." Later, CHIESI said, "I'm dead if this leaks. I really am... and my career is over. I'll be like Martha [expletive] Stewart."

Similarly, CHIESI obtained inside information from MOFFAT concerning IBM and Sun Microsystems and shared that information with KURLAND. New Castle subsequently traded on that information. For example, in early 2009, New Castle gained profits of approximately \$500,000 from trades in IBM securities and \$900,000 from trades in Sun Microsystems securities based on material non-public information.

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RAJ RAJARATNAM, 52, resides in New York, New York.

ANIL KUMAR, 51, resides in Santa Clara, California.

RAJIV GOEL, 51, resides in Los Altos, California.

DANIELLE CHIESI, 43, resides in New York, New York.

ROBERT MOFFAT, 53, resides in Ridgefield, Connecticut.

MARK KURLAND, 60, resides in New York, New York.

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Mr. BHARARA praised the work of the FBI and thanked the SEC for its assistance in the investigation. Mr. BHARARA also noted that the investigation is continuing.

United States Attorney BHARARA said: "Today, we take decisive action against fraud on Wall Street. This case should be a wake up call for Wall Street. It should be a wake up call for every hedge fund manager and every Wall Street trader and every corporate executive who is even thinking about engaging in insider trading. As the defendants in this case have now learned the hard way, they may have been privy to a lot of confidential corporate information, but there was one secret they did not know: we were listening. Today, tomorrow, next week, the week after, privileged Wall Street insiders who are considering breaking the law will have to ask themselves one important question: Is law enforcement listening?"

Assistant Director-in-Charge DEMAREST said: "Make no mistake -- the \$20 million dollars in illicit profits come at the expense of the average public investor. Where knowledgeable businessmen are unscrupulous and act without control, the result is unadulterated greed. The FBI's role in combating white collar crime is to ensure integrity in the marketplace, to protect the average investor, and by extension, the economy."

This case is being supervised by the Office's Securities and Commodities Fraud Task Force. Assistant United States Attorneys JOSH KLEIN and JONATHAN STREETER and Special Assistant United States Attorney ANDREW MICHAELSON are in charge of the prosecutions.

The charges contained in the Complaints are merely accusations, and the defendants are presumed innocent unless and until proven guilty.

09-335

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United States v. Raj Rajaratnam, et al. (09 Mag. 2306)

COUNT	CHARGE	DEFENDANT	MAXIMUM POTENTIAL PENALTIES
One	Conspiracy to Commit Securities Fraud	RAJ RAJARATNAM	5 years; \$250,000 or twice the gross gain or loss
Two	Conspiracy to Commit Securities Fraud	RAJ RAJARATNAM RAJIV GOEL	5 years; \$250,000 or twice the gross gain or loss
Three	Conspiracy to Commit Securities Fraud	RAJ RAJARATNAM	5 years; \$250,000 or twice the gross gain or loss
Four	Conspiracy to Commit Securities Fraud	RAJ RAJARATNAM ANIL KUMAR	5 years; \$250,000 or twice the gross gain or loss
Five	Securities Fraud	RAJ RAJARATNAM RAJIV GOEL	20 years; \$5 million or twice the gross gain or loss
Six	Securities Fraud	RAJ RAJARATNAM RAJIV GOEL	20 years; \$5 million or twice the gross gain or loss
Seven	Securities Fraud	RAJ RAJARATNAM	20 years; \$5 million or twice the gross gain or loss
Eight	Securities Fraud	RAJ RAJARATNAM	20 years; \$5 million or twice the gross gain or loss
Nine	Securities Fraud	RAJ RAJARATNAM	20 years; \$5 million or twice the gross gain or loss
Ten	Securities Fraud	RAJ RAJARATNAM ANIL KUMAR	20 years; \$5 million or twice the gross gain or loss
Eleven	Securities Fraud	RAJ RAJARATNAM ANIL KUMAR	20 years; \$5 million or twice the gross gain or loss

Twelve	Securities Fraud	RAJ RAJARATNAM ANIL KUMAR	20 years; \$5 million or twice the gross gain or loss
Thirteen	Securities Fraud	RAJ RAJARATNAM	20 years; \$5 million or twice the gross gain or loss

United States v. Danielle Chiesi, et al. (09 Mag. 2307)

COUNT	CHARGE	DEFENDANT	MAXIMUM POTENTIAL PENALTIES
One	Conspiracy to Commit Securities Fraud	DANIELLE CHIESI MARK KURLAND	5 years; \$250,000 or twice the gross gain or loss
Two	Conspiracy to Commit Securities Fraud	DANIELLE CHIESI ROBERT MOFFAT	5 years; \$250,000 or twice the gross gain or loss
Three	Conspiracy to Commit Securities Fraud	DANIELLE CHIESI	5 years; \$250,000 or twice the gross gain or loss
Four	Securities Fraud	DANIELLE CHIESI	20 years; \$5 million or twice the gross gain or loss
Five	Securities Fraud	DANIELLE CHIESI	20 years; \$5 million or twice the gross gain or loss
Six	Securities Fraud	DANIELLE CHIESI	20 years; \$5 million or twice the gross gain or loss