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UNITED STATES DISTRICT COURT  
DISTRICT OF NEW JERSEY

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UNITED STATES OF AMERICA	:	CRIMINAL COMPLAINT
	:	
v.	:	
	:	Mag. No.: 11-3536 (MF)
GARRETT BAUER,	:	
a/k/a "Mr. G," and	:	
MATTHEW KLUGER	:	

I, Michael J. Doyle, being duly sworn, state the following is true and correct to the best of my knowledge and belief. In or about the specified dates, in the District of New Jersey and elsewhere, the defendants GARRETT BAUER and MATTHEW KLUGER (as specified by count) did:

SEE ATTACHMENT A

I further state that I am a Special Agent with the Federal Bureau of Investigation, and that this complaint is based on the following facts:

SEE ATTACHMENT B

continued on the attached pages and made a part hereof.



Michael J. Doyle, Special Agent  
Federal Bureau of Investigation

Sworn to before me and subscribed in my presence,  
on April 5, 2011 at Newark, New Jersey



HONORABLE MARK FALK  
UNITED STATES MAGISTRATE JUDGE

## **ATTACHMENT A**

### **COUNT 1**

#### **(Conspiracy to Commit Securities Fraud – Insider Trading)**

From in or about 1994 through in or about March 2011, in the District of New Jersey and elsewhere, defendants

GARRETT BAUER  
and  
MATTHEW KLUGER

did knowingly and willfully combine, conspire, confederate and agree with each other, CC-1, and others to commit offenses against the United States, namely, securities fraud, by using and employing by the direct and indirect use of the means and instrumentalities of interstate commerce and the mails, in connection with the purchase and sale of securities, manipulative and deceptive devices, including the purchases and sales of securities of issuers on the basis of material nonpublic information about those securities and issuers, in breach of a duty of trust and confidence that was owed directly, indirectly, and derivatively, to the issuers of those securities, the shareholders of those issuers, and to other persons who are the source of the material nonpublic information, contrary to Title 15, United States Code, Sections 78j(b) and 78ff, and Title 17, Code of Federal Regulations, Sections 240.10b-5 and 240.10b5-2.

#### **Overt Acts**

In furtherance of the conspiracy and to effect the illegal object thereof, the following overt acts, among others, were committed in the District of New Jersey and elsewhere:

1. In or about April 2009, defendant MATTHEW KLUGER accessed confidential, material nonpublic information from Wilson Sonsini Goodrich & Rosati PC's ("Wilson Sonsini") computer system regarding Oracle Corporation's proposed acquisition of Sun Microsystems, Inc. and shared that information with Coconspirator #1 ("CC-1") so defendant GARRETT BAUER could purchase Sun Microsystems stock, on behalf of himself, defendant MATTHEW KLUGER and CC-1.
2. Between on or about April 17, 2009 and on or about April 20, 2009, defendant GARRETT BAUER caused the purchase of approximately 4,489,375 shares of Sun Microsystems stock.
3. In or about August 2009, defendant MATTHEW KLUGER accessed confidential, material nonpublic information from Wilson Sonsini's computer system regarding Adobe Systems, Inc.'s proposed acquisition of Omniture, Inc. and shared that information with CC-1 so defendant GARRETT BAUER could purchase Omniture stock.

4. Between on or about August 24, 2009 and on or about September 9, 2009, defendant GARRETT BAUER caused the purchase of approximately 1,280,307 shares of Omniture stock.

In violation of Title 18, United States Code, Section 371.

**COUNTS 2 Through 12**  
**(Securities Fraud – Insider Trading)**

On or about the dates set forth below, in the District of New Jersey and elsewhere, defendants

GARRETT BAUER  
and  
MATTHEW KLUGER

by use of the means and instrumentalities of interstate commerce, the mails, and facilities of national securities exchanges, directly and indirectly, knowingly and willfully used manipulative and deceptive devices and contrivances in contravention of Title 17, Code of Federal Regulations, Section 240.10b-5 (Rule “10b-5”) in connection with the purchases and sales of securities by (a) employing devices, schemes, and artifices to defraud members of the investing public; (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 a course of business which operated and would operate as a fraud and deceit upon persons, in that they executed and caused the execution of the securities transactions listed below based upon the material, nonpublic information defendant MATTHEW KLUGER obtained through his employment as an attorney in Wilson Sonsini’s Mergers & Acquisitions department and elsewhere:

COUNT	DEFENDANT(S)	APPROX. DATES	SECURITIES TRANSACTION
2	GARRETT BAUER MATTHEW KLUGER	4/12/2006- 4/28/2006	Purchases of approximately 477,600 shares of ADIC stock
3	GARRETT BAUER MATTHEW KLUGER	5/2/2007- 5/10/2007	Purchases of approximately 407,150 shares of Acxiom stock
4	GARRETT BAUER MATTHEW KLUGER	5/22/2007- 5/31/2007	Purchases of approximately 400,000 shares of Palm stock
5	GARRETT BAUER MATTHEW KLUGER	9/26/2007- 9/27/2007	Purchases of approximately 1,646,113 shares of 3Com stock
6	GARRETT BAUER MATTHEW KLUGER	10/18/2007- 10/25/2007	Purchases of approximately 598,102 shares of Visual Sciences stock
7	GARRETT BAUER MATTHEW KLUGER	2/25/2008- 3/27/2008	Purchases of approximately 513,532 shares of Ansoft stock
8	GARRETT BAUER MATTHEW KLUGER	4/17/2009- 4/20/2009	Purchases of approximately 4,489,375 shares of Sun Microsystems stock
9	GARRETT BAUER MATTHEW KLUGER	8/24/2009- 09/09/2009	Purchases of approximately 1,280,307 shares of Omniture stock
10	MATTHEW KLUGER	10/8/2009- 11/5/2009	Purchases of approximately 90,000 shares of 3Com stock
11	MATTHEW KLUGER	7/28/2010- 8/17/2010	Purchases of approximately 32,000 shares of McAfee stock
12	GARRETT BAUER MATTHEW KLUGER	01/24/2011- 02/17/2011	Purchases of approximately 1,461,056 shares of Zoran stock

In violation of Title 15, United States Code, Sections 78j(b) and 78ff(a) and Title 17, Code of Federal Regulations, Section 240.10b-5.

**COUNT 13**  
**(Conspiracy to Commit Money Laundering)**

From in or about March 2006 through in or about March 2011, in the District of New Jersey and elsewhere, defendants

GARRETT BAUER  
and  
MATTHEW KLUGER

knowing that the property involved in the financial transactions represented the proceeds of some form of unlawful activity, and knowing that the transactions were designed in whole or in part to conceal and disguise the nature, the location, the source, the ownership, and the control of the proceeds of specified unlawful activity, conspired with each other, with CC-1, and with others to conduct and attempt to conduct financial transactions that in fact involved the proceeds of specified unlawful activity, namely securities fraud in violation of Title 15, United States Code, Sections 78j(b) and 78ff(a), and Title 17, Code of Federal Regulations, Section 240.10b-5 and 240.10b5-2, contrary to Title 18, United States Code, Section 1956(a)(1)(B)(i).

In violation of Title 18, United States Code, Section 1956(h).

**COUNTS 14 Through 17**  
**(Obstruction of Justice)**

On or about the dates set forth below, in the District of New Jersey and elsewhere, defendants

GARRETT BAUER  
and  
MATTHEW KLUGER

did corruptly obstruct, influence, and impede, and attempt to obstruct, influence, and impede, an official proceeding, namely, investigations of insider trading in the securities identified herein by the grand jury, the United States Attorney's Office, and the FBI and IRS, by engaging in the conduct described below:

COUNT	DEFENDANT	APPROX. DATE	OBSTRUCTIVE CONDUCT
14	GARRETT BAUER	March 13, 2011	After learning that the FBI and IRS were investigating his insider trading scheme, destroying the prepaid cellular phone that defendant GARRETT BAUER used in furtherance of the insider trading scheme.
15	GARRETT BAUER	March 18, 2011	Instructing CC-1 to burn the approximately \$175,000 in cash which defendant GARRETT BAUER had provided to CC-1 in or about March 2011 as a portion of the proceeds from the Zoran stock transaction as part of the insider trading scheme.
16	MATTHEW KLUGER	March 2011	After learning, on or about March 13, 2011, that the FBI and IRS were investigating his insider trading scheme, destroying a computer, iPhone, and prepaid cellular phone that defendant MATTHEW KLUGER used in furtherance of the insider trading scheme.
17	MATTHEW KLUGER	March 17, 2011	Instructing CC-1 to destroy the prepaid cellular phone that CC-1 used to call defendant MATTHEW KLUGER at home to discuss the federal criminal investigation of the insider trading scheme.

In violation of Title 18, United States Code, Section 1512(c)(2) and Section 2.

## **ATTACHMENT B**

I, Michael J. Doyle, have been a Special Agent of the Federal Bureau of Investigation ("FBI") for approximately 14 years, and I have been personally involved in the investigation of this matter. The information contained in this Complaint is based upon my personal knowledge, as well as information obtained from other sources, including: (a) statements made or reported by various witnesses with knowledge of relevant facts; (b) my review of publicly available information relating to the companies and individuals referenced herein; (c) information provided to law enforcement by the U.S. Securities and Exchange Commission ("SEC") and the Financial Industry Regulatory Authority ("FINRA"); and (d) documents, including bank records, brokerage records, business records, phone records, and other information obtained from various entities. Because this Complaint is being submitted for the limited purpose of establishing probable cause, it does not include every fact that I have learned during the course of the investigation. Where the content of documents and the actions, statements, and conversations of others are reported herein, they are reported in substance and in part, except where otherwise indicated. Where figures, calculations, dates and times are reported herein, they are approximate.

### **INTRODUCTION**

1. As set forth in more detail below, there is probable cause to believe that defendant GARRETT BAUER ("BAUER"), defendant MATTHEW KLUGER ("KLUGER"), Coconspirator #1 ("CC-1"), and others conspired to engage in a long-term insider trading scheme where they invested more than \$109 million, and netted more than \$32 million in illicit profits.

2. KLUGER was a corporate attorney who, between 1994 and 2011, worked at various times at three of the largest and most prominent mergers and acquisitions law firms in the country. While at those firms, KLUGER regularly stole and disclosed to CC-1 material, nonpublic information ("Inside Information") regarding anticipated corporate mergers and acquisitions on which his law firms were working. Early in the scheme, KLUGER disclosed information relating to deals on which he personally worked. As the scheme developed, and in an effort to avoid law enforcement detection, KLUGER was careful to steal and disclose information about deals on which he did not personally work, but which he learned about by searching his law firm's computer system. Once KLUGER gave the Inside Information to CC-1, CC-1 then passed the information to BAUER, a professional trader, with instructions regarding how many shares he should purchase for KLUGER and CC-1. BAUER, in turn, then purchased shares for himself, KLUGER, and CC-1 in his trading accounts and quickly sold those shares once the transaction was publicly announced. When BAUER obtained the illicit profits from selling the shares, he gave CC-1 (directly) and KLUGER (through CC-1) their portions of the proceeds in cash – often tens or hundreds of thousands of dollars at a time – that BAUER withdrew from ATM machines.

3. In an effort to prevent their insider trading scheme from being detected, in recent years BAUER, KLUGER and CC-1 used pay phones and prepaid cellular phones that they referred to as "throwaway phones" to discuss their illicit scheme and transactions. Also to avoid

detection, BAUER, KLUGER, and CC-1 regularly purchased a new prepaid cellular phone for each of their insider trading deals and disposed of the previous one. When, in or about March 2011, BAUER, KLUGER, and CC-1 became aware that law enforcement had an ongoing criminal investigation into their activities, all three individuals destroyed various pieces of evidence relating to their scheme, including computers, an iPhone and their prepaid cellular phones, and engaged in other obstructive conduct.

4. Among the coconspirators' uses of their illicit proceeds, defendant BAUER purchased two luxury homes, including an approximately \$6.65 million condominium in Manhattan, New York, and an approximately \$875,000 home in Boca Raton, Florida.

## **RELEVANT ENTITIES AND INDIVIDUALS**

5. At all times relevant to this Complaint unless otherwise indicated:

a. Defendant MATTHEW KLUGER, currently a resident of Oakton, Virginia and previously a resident of Oldwick, New Jersey, was a 1984 graduate of Cornell University and a 1995 honors graduate of New York University School of Law ("NYU"). Starting while in law school through on or about March 11, 2011, KLUGER worked as a summer associate and later an attorney at various law firms and a Fortune 500 corporation.

- i. 1994 - 1997 – Cravath, Swaine & Moore LLP ("Cravath"): From in or about 1994 to in or about 1997, KLUGER was first a summer associate and then later an associate in the corporate department at Cravath's New York office.
- ii. 1998 - 2001 – Skadden, Arps, Slate, Meagher & Flom LLP ("Skadden"): From in or about 1998 to in or about 2001, KLUGER worked as a corporate associate at Skadden's New York and Palo Alto, California offices.
- iii. 2001 - 2005 – From in or about 2001 to in or about 2004, KLUGER worked as an associate at another law firm and then from in or about 2004 until in or about late 2005, as an associate general counsel for a Fortune 500 automotive group.
- iv. December 2005 - March 2011 – Wilson Sonsini Goodrich & Rosati PC ("Wilson Sonsini" and, collectively with Cravath and Skadden, the "Law Firms"): From on or about December 5, 2005, to on or about March 11, 2011, KLUGER worked as a senior associate at Wilson Sonsini's Washington, D.C. office. KLUGER worked in the Mergers & Acquisitions department. He worked on a variety of high-profile merger and acquisition transactions representing public and private companies across a broad range of industries, as well as several leading investment



banks and private equity firms. KLUGER's salary when he started at Wilson Sonsini was approximately \$225,000. When he left the firm on or about March 11, 2011, his salary was approximately \$290,000.

As an attorney at the Law Firms, KLUGER had access to Inside Information concerning clients' potential sales and mergers, as well as other material, nonpublic information. KLUGER had a duty not to disclose Inside Information he learned through his position at the Law Firms, and not to use such information for his personal benefit or the benefit of others. While at Cravath, Skadden, and Wilson Sonsini, KLUGER repeatedly violated his fiduciary and other duties of trust and confidence to the firms and their clients by providing Inside Information to CC-1 and BAUER, and engaging in numerous securities transactions based on that Inside Information.

b. Defendant GARRETT BAUER, a resident of New York, New York, was a professional stock trader who has recently worked primarily at three separate proprietary trading firms: RBC Professional Trader Group from in or about April 2001 until in or about September 2008; JAG Trading LLC from in or about September 2008 through in or about December 2009; and Lighthouse Financial Group from in or about June 2009 through in or about August 2010. (BAUER was registered with both JAG Trading and Lighthouse Financial between in or about June 2009 and in or about December 2009.) From in or about October 1991 to in or about January 1994, BAUER worked at Weiss, Peck & Greer, a New York venture capital firm. Currently, BAUER primarily conducts his trading activity from his Upper East Side apartment, which, as described below, he purchased in or about August 2009 for approximately \$6.65 million.

c. Coconspirator 1 ("CC-1"), a resident of Long Beach, New York, was, at one time, a registered trader but primarily worked in the mortgage loan business. For a brief period in or about 1991, CC-1 worked at a real estate company in Manhattan with KLUGER. From in or about February 1992 to in or about March 1995, CC-1 worked at Weiss, Peck & Greer, the same venture capital firm where BAUER was working for a portion of that time. After separately meeting CC-1 through their respective jobs nearly twenty years ago, BAUER and KLUGER independently formed long-term, close personal friendships with CC-1.

d. The NASDAQ Stock Market ("NASDAQ") was the largest electronic equity securities trading market in the United States and the second-largest by market capitalization in the world. NASDAQ did not have a central trading floor. Instead it relied on computer servers to facilitate all trading activity. Since at least 2006, NASDAQ maintained computer servers in Carteret, New Jersey.

e. Goldman Sachs Execution and Clearing, L.P. ("GSEC") was a subsidiary of Goldman Sachs Group, Inc. that provided a wide range of brokerage and investment services to its clients. Included among its services was electronic market making as a specialist on U.S. equities exchanges, which allows its clients to electronically buy and sell securities. Since at least 2006, GSEC maintained computer servers in Jersey City, New Jersey and all securities

trades made through GSEC were conducted through the New Jersey-based servers. Between in or about 2006 and 2011, BAUER maintained trading accounts at GSEC that he used to purchase shares based on Inside Information provided by KLUGER.

f. RBC Professional Trader Group ("RBC") was a proprietary trading firm with which Bauer was associated between in or about April 2001 and in or about September 2008. RBC provided trading accounts in which its traders, including BAUER, could buy and sell securities. RBC maintained its trading accounts at GSEC and all trades made in RBC's trading accounts were conducted through GSEC's computer servers in New Jersey.

### **THE INSIDER TRADING SCHEME**

#### **TRADING BASED ON INSIDE INFORMATION STOLEN FROM CRAVATH AND SKADDEN**

6. In or about the summer of 1994, KLUGER, who was then in law school at NYU and working as a summer associate at Cravath, contacted CC-1 and told him, in substance and in part, that "I've got something," meaning that he had access to Inside Information through his employment at the law firm. KLUGER explained that he could learn of merger activity before the information was public through his work at the firm. At KLUGER's request, CC-1 agreed to help find individuals willing to buy and sell stocks based on the Inside Information that KLUGER provided. CC-1 approached BAUER, a professional stock trader and CC-1's friend, who agreed to trade based on the Inside Information provided by KLUGER.

7. Beginning in or about the summer of 1994, KLUGER obtained and provided Inside Information to CC-1 (directly) and BAUER (through CC-1) so that they could trade ahead of significant corporate transactions. The general pattern of their conduct during this period was that KLUGER obtained Inside Information regarding certain planned merger and acquisition activities of public companies through his work on the corporate deals. KLUGER then provided the Inside Information to CC-1 as well as a specific number of shares of stock of the target company that he wanted to purchase. CC-1 then passed to BAUER the Inside Information along with the number of shares that both KLUGER and CC-1 wanted to purchase. BAUER then purchased in various trading accounts shares for KLUGER and CC-1, as well as what typically was a significantly larger amount of shares for himself. Shortly after the public announcement of the relevant corporate transaction, BAUER sold the shares that he had acquired, usually resulting in substantial profits for BAUER, KLUGER, and CC-1. To limit the chance of detection by law enforcement, and to conceal and disguise the source of the money, BAUER paid KLUGER and CC-1 their profits in cash which he obtained from numerous ATM withdrawals. BAUER regularly provided CC-1 with the cash for both CC-1 and KLUGER, and CC-1 then provided KLUGER's proceeds to him. Pursuant to the coconspirators' agreement, BAUER retained a portion of their collective profits to pay for tax liabilities he incurred for having the capital gain appear in his trading accounts.

8. Early in the scheme, BAUER and CC-1 traveled to Atlantic City, New Jersey to create an alibi for cash BAUER withdrew from his accounts and gave to CC-1 as CC-1's and KLUGER's proceeds of the insider trading scheme.

9. Between in or about 1994 and in or about 1999, KLUGER provided CC-1 and defendant BAUER with Inside Information related to a number of corporate transactions. Some of the deals for which KLUGER provided Inside Information and which BAUER, KLUGER and CC-1 traded ahead of were:

- a. Johnson & Johnson's 1994 acquisition of Neutrogena Corp.;
- b. IBM's 1995 acquisition of Lotus Development Corp.;
- c. IBM's 1996 acquisition of Tivoli Systems Inc.;
- d. Unilever's 1996 acquisition of Helene Curtis Industries, Inc.; and
- e. America Online Inc.'s 1999 acquisition of MovieFone, Inc.

#### TRADING TEMPORARILY HALTS

10. In or about 1999, BAUER, KLUGER, and CC-1 became increasingly concerned that their criminal activity would be detected. BAUER, KLUGER, and CC-1 therefore agreed to suspend their illicit trading activities for a period of time. Shortly thereafter, KLUGER left Skadden and did not have access to the same kind of information until he joined Wilson Sonsini in December 2005.

#### TRADING RESUMES SHORTLY AFTER KLUGER JOINS WILSON SONSINI

11. On or about December 5, 2005, the day KLUGER started at Wilson Sonsini, he was provided, and signed, the firm's written policy prohibiting insider trading. Among other things, Wilson Sonsini's insider trading policy stated that "[n]o employee shall engage in any transaction involving the securities of a company about which the employee has **Material, Non-Public Information** obtained through the Firm." (emphasis in original). Wilson Sonsini's insider trading policy further stated that "[n]o employee shall disclose ('tip') **Material Non-Public Information** to any other person (including family members) because such information may be used by such person to trade in the securities of companies to which such information relates, or such information may be passed on by such person to another who may trade. Such disclosure is also illegal under federal securities laws...." (emphasis in original). Wilson Sonsini's insider trading policy defined "material" information to be "any type of information that one should reasonably expect would have a significant effect on a company's stock price...or corporate organization." The Wilson Sonsini insider trading policy included a section at the end of the document titled "PENALTIES," typed in bold and all capital letters, that read:

**EMPLOYEES OF THE FIRM MAY BE SUBJECT TO CRIMINAL AND CIVIL LIABILITY FOR ENGAGING IN TRANSACTIONS IN THE SECURITIES OF COMPANIES ABOUT WHICH THE FIRM HAS MATERIAL, NON-PUBLIC INFORMATION (WHETHER OR NOT A CLIENT OF THE FIRM) AT A TIME WHEN SUCH INFORMATION IS KNOWN TO SUCH PERSON....**

12. Within four months after starting at Wilson Sonsini and signing its insider trading policy, KLUGER violated that policy, and his fiduciary and other duties of trust and confidence to Wilson Sonsini and its clients, by once again providing Inside Information to CC-1 and BAUER pursuant to their illicit scheme. Now more cautious, the coconspirators took extra precautions in an effort to avoid detection.

**EFFORTS TO CONCEAL THEIR SCHEME**

Wilson Sonsini's Document Management System

13. Rather than provide Inside Information on transactions on which he personally worked, KLUGER instead devised a way to exploit Wilson Sonsini's document management system to obtain Inside Information about other ongoing deals at the firm. Specifically, KLUGER searched Wilson Sonsini's document management system to identify documents relating to other ongoing corporate merger or acquisition transactions. Instead of actually opening documents, KLUGER viewed the titles of documents and other information that was available in the document management system. KLUGER did so in order to obtain Inside Information without creating a digital record that he had viewed the documents.

Throwaway Phones For Each Deal

14. KLUGER, BAUER, and CC-1 began communicating about the insider trading scheme through pay phones and prepaid cellular phones which they usually disposed of after each deal. When KLUGER had Inside Information about a subsequent deal, he contacted CC-1, usually by calling him from a pay phone, to tell CC-1 that KLUGER had obtained Inside Information about another proposed corporate transaction. Following the pay phone call, CC-1 and BAUER purchased new throwaway phones with cash so as not to create a record of their purchase. KLUGER then called CC-1 on the prepaid cellular phone and provided CC-1 with the Inside Information. CC-1, in turn, called BAUER and passed the Inside Information to him so that BAUER could execute trades based on the information for the coconspirators. On two transactions, CC-1, and not BAUER, purchased the stock in accounts that CC-1 maintained.

Structuring the Cash Proceeds

15. BAUER continued to pay KLUGER and CC-1 their portion of the illicit proceeds in cash. BAUER usually withdrew KLUGER's and CC-1's profits in cash by using multiple ATMs on consecutive days at a Citibank branch near his apartment in Manhattan. BAUER

withdrew the money from at least six different Citibank accounts he maintained (Citibank accounts ending in 3951, 8167, 3410, 6295, 1682, and 9472). Once BAUER withdrew the appropriate amount of cash, he met CC-1 and gave CC-1 the money. CC-1 then took his share of the proceeds and informed KLUGER that his cash was ready for pick-up. KLUGER regularly drove from his home in Virginia to Long Island, New York to meet CC-1 and obtain his share of the illicit profits. For the approximately eleven deals for which they reaped a profit based on Inside Information from Wilson Sonsini, BAUER provided CC-1 at least \$685,000 in cash for CC-1 and KLUGER to split. BAUER, KLUGER, and CC-1 engaged in these cash transactions, which they knew involved the proceeds of their insider trading scheme, in part to conceal and disguise the nature, location, source, ownership, and control of the proceeds of the scheme.

16. Once CC-1 and KLUGER obtained their share of the proceeds in cash, they engaged in a pattern of making multiple cash deposits into bank accounts they maintained in amounts under \$10,000 ("structuring") in an effort to keep the banks from reporting their deposits and law enforcement from detecting their scheme. CC-1, for example, maintained bank accounts at three different banks in furtherance of the scheme. CC-1 would often deposit cash BAUER gave him into two or three banks on the same day. When CC-1 deposited money at more than one bank on the same day, he regularly did so within minutes apart at nearby branches. In connection with the two deals identified below that CC-1, and not BAUER, traded based on Inside Information provided by KLUGER, CC-1 structured cash out of his accounts at various banks, primarily in \$9,000 increments, and provided that money to KLUGER. In total for the two deals, CC-1 provided KLUGER with approximately \$160,000 in cash.

17. In addition to structuring cash into and out of his bank accounts, CC-1 also maintained safe deposit boxes through the scheme and used those boxes to hide some of the illicit cash proceeds he received as part of the scheme.

## **ELEVEN INSIDER TRADING TRANSACTIONS**

18. In at least eleven separate transactions for which KLUGER provided Inside Information during the time period he worked at Wilson Sonsini, BAUER, KLUGER and CC-1 invested more than approximately \$109 million and made approximately \$32,226,923 in profits. These eleven transactions are summarized in the chart below (companies marked with an asterisk were represented by Wilson Sonsini).

TRANSACTION	SECURITIES PURCHASED	PURCHASER	DATES OF PURCHASES	DATE ANNOUNCED	ILLICIT PROFIT
Quantum Corp.* to purchase Advanced Digital Information Corp. (“ADIC”)	477,600 shares of ADIC stock	BAUER	04/12/2006-04/28/2006	05/02/2006	\$1,724,208
Silver Lake Partners and Value Act Capital to purchase Acxiom Corp.*	407,150 shares of Acxiom stock	BAUER	05/02/2007-05/10/2007	05/16/2006	\$1,680,987
Elevation Partners to invest \$325 million in Palm, Inc.*	400,000 shares of Palm stock	BAUER	05/22/2007-05/31/2007	06/04/2007	\$368,193
Affiliates of Bain Capital Partners, LLC to acquire 3Com Corp.*	1,646,113 shares of 3Com stock	BAUER	09/26/2007-09/27/2007	09/28/2007	\$2,433,947
Omniture Inc.* to acquire Visual Sciences, Inc.	598,102 shares of Visual Sciences stock	BAUER	10/18/2007-10/25/2007	10/25/2007	\$758,467
ANSYS, Inc. to acquire Ansoft Corp.*	513,532 shares of Ansoft stock	BAUER	02/25/2008-03/27/2008	03/31/2008	\$2,954,599
Oracle Corp. to acquire Sun Microsystems, Inc.*	4,489,375 shares of Sun Microsystems stock	BAUER	04/17/2009-04/20/2009	04/20/2009	\$11,356,145
Adobe Systems Inc. to acquire Omniture, Inc.*	1,280,307 shares of Omniture stock	BAUER	08/24/2009-09/09/2009	09/15/2009	\$8,299,690
Hewlett-Packard Company to acquire 3Com Corp.*	90,000 shares of 3Com stock	CC-1	10/08/2009-11/05/2009	11/11/2009	\$199,248
Intel Corp. to acquire McAfee, Inc.*	32,000 shares of McAfee stock	CC-1	07/28/2010-08/17/2010	08/19/2009	\$494,182
CSR PLC* to merge with Zoran Corp.	1,461,056 shares of Zoran stock	BAUER	01/24/2011-02/17/2011	02/21/2011	\$1,957,257

19. BAUER used a number of trading accounts to purchase the securities identified above, including TD Ameritrade account number ending in 1986 (the “TD Trading Account”)

and GSEC account number ending in 1209 (the "GSEC Account"). BAUER used the TD Trading Account to purchase a total of approximately 5,777,885 shares in seven of the transactions described above (Palm, 3Com, Visual Sciences, Ansoft, Sun Microsystems, Omniture, and Zoran) and the GSEC Account to purchase approximately 1,004,443 shares in the Zoran transaction.

20. Following the Zoran transaction, BAUER provided CC-1 with approximately \$175,000 in cash which was CC-1's and KLUGER's proceeds of the transaction. The money was packaged in numerous white, Citibank envelopes that are typically available at Citibank ATMs.

## **OBSTRUCTION OF JUSTICE AND PHONE CALLS**

21. On or about March 8, 2011, the FBI and IRS executed a search warrant at CC-1's home. During their search of CC-1's home, law enforcement agents confronted CC-1 about, among other things, suspicious trades in CC-1's and BAUER's accounts as well as CC-1's numerous instances of structuring cash into and out of CC-1's bank accounts. Thereafter, CC-1 had the following telephone conversations with BAUER and KLUGER regarding their scheme and the investigation.

### **KLUGER's Telephone Calls with CC-1**

#### ***March 17, 2011 Call***

22. On March 17, 2011, CC-1 used a prepaid cellular phone to call KLUGER's home phone and spoke to KLUGER.

*KLUGER Expressed Concern that Law Enforcement Could Tie Him to CC-1, Admitted He Was the Source of the Inside Information, and Described Obtaining Documents from the Wilson Sonsini Document System*

23. During the call, CC-1 informed KLUGER that when the FBI conducted the search of CC-1's home, they copied the contents of his personal telephone and CC-1 told KLUGER that CC-1 had KLUGER's name in the address book. The following discussion between KLUGER and CC-1 took place:

KLUGER: The bad news – the thing is, that if we get undone, it's gonna be that. That's what's going to do it because they're going to [sighs] without that, they have no way to connect the two of us together.

CC-1: Right.

KLUGER: And then if they start looking at me and look at my bank records and all that other stuff it could be, it could get ugly.

CC-1: What about the, the – my worry – well I actually didn't even worry about that. I didn't think that was going to be a problem but now that you are bringing that up,

I guess that – what about the information at the law firm? That's what I worry about. Like do you think –

KLUGER: What about what?

CC-1: Like when you did searches or I don't know how you did it.

KLUGER: I don't – if they had that, they [law enforcement] would've been here already don't you think?

CC-1: I know but let's say they start looking at you. Can't they – could they figure it out in any way that you did the searches?

KLUGER: I don't think so. I don't think so.

CC-1: You never opened up any files?

KLUGER: Never. Well once. Once – way, way, way, way back. But I was an M&A lawyer so for me to open one file on something accidentally, believe me that doesn't – it was a long, long time ago.

CC-1: Okay.

KLUGER: Like four years ago.

CC-1: Okay.

KLUGER: No, almost five years ago. And I, and I opened one thing. So it's like, and I opened lots of other things that had nothing to do with. I'm just saying it fit the pattern of my looking at documents of other things when I was looking for precedent or something. Not going to be a problem. That's not the issue. The issue is going to be if they get my name and they figure out that I was there. And then they look at my bank deposits because my bank deposits are going to be vaguely at the right time.

CC-1: As soon as I gave you the money you would put it in the bank?

KLUGER: Not as soon as but, you know.

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KLUGER: The question is, if they look at that, they're gonna, they're gonna know. But the question is, is that enough for them to go to a jury to get beyond a reasonable doubt with and I don't think so. I think without phone calls, they're not going to get anywhere. You're calling – what is this phone?

CC-1: I bought a new one of those throwaway phones.

KLUGER: Yeah the problem is now you have my home number on it. Suppose they come back and grab you again.

CC-1: No. Oh, don't worry. This thing stays in a very good hiding spot. I'm not going to carry it. I'm not carrying it. But I couldn't run around and get quarters all of the time.

KLUGER: What you have to do – what you have to do with this thing is put it in an offsite location. You can't put it in a – you got to hide it somewhere that has nothing to do with, with you. They have dogs that can sniff, that can sniff for cell phones. They train them for prisons.



CC-1: Dogs that sniff the cell phones?  
KLUGER: Yes.

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CC-1: You know something, if you want me to put it in an offsite location, I don't even know where an offsite location is but –  
KLUGER: It just makes me very, very nervous now that you have something in your possession that ties you to me.

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KLUGER: What does your lawyer say at this point?  
CC-1: Well, he says they [the Government] wants to have a meeting with you. And he's, umm, he's putting them off. And I –  
KLUGER: So, what, he's telling you is that you should flip, right? That's what, that's what I mean all these guys do – that's all they ever do.  
CC-1: Yeah, no.  
KLUGER: Unless you get one that used to work for the mob or something. That's all these, that's all these former prosecutors know. It's whoever – he's going to tell you whoever makes the first deal makes the best deal and blah, blah, blah, blah, blah. Let me tell you why – that may be true, I don't know – but I can tell you why you don't have to worry that I am going to go first. I don't know about Mr. G. [BAUER].  
CC-1: Right.  
KLUGER: But I can tell you why you don't have to worry about me [cooperating with law enforcement before CC-1 or BAUER]. They don't give the source [of the Inside Information] the, the good deal. I couldn't get immunity. I couldn't get a – I would never get no jail time.  
CC-1: Oh.  
KLUGER: So I would have not only the financial ruin but I'd have to do – but I would have to do time. There is no way that they would let the person who provided all the information -- and then the other thing – I don't know what he [CC-1's lawyer] is telling you about this five year disgorgement shit but when you do one of these things you have to tell them everything. You have to go back to the beginning. You have to tell them everything you know. They are going to be looking – I mean it's, it's the end of your financial life. And I don't think that with what they have, they can go to court and prove stuff beyond a reasonable doubt.

*KLUGER Discussed the Purported Lack of Evidence Against Them*

KLUGER: I'm just thinking that we may be able to get – that it may come to the point where they realize that they don't really have much of anything.  
CC-1: Right.

KLUGER: Or that they don't have enough. It's going to kill them, but they don't have enough. The only other bad coincidence, of course, is that his stuff [their most recent trading] started shortly after I arrived at the firm.  
CC-1: Right. When did you arrive at Wilson Sonsini?  
KLUGER: December 5th, 05.  
CC-1: So almost 06, okay. And –  
KLUGER: Almost 06 but not quite. I think we did our first thing in like April or May of 06.

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KLUGER: The only other bad thing is that occasionally I would call you on one of those calling cards from a pay phone that's not far from the office.  
CC-1: Right.  
KLUGER: But those were usually to get you to pick up the other phone. I don't think that, I don't think you would find any of those calls that were like at 11:03, that pay phone called you, and 11:08 you called you-know-who [BAUER] and got it going.  
CC-1: You know something I don't remember any of that so – I'm, I'm shocked that you can even remember any of that stuff.  
KLUGER: No, no, because I was always aware of that.  
CC-1: Right.  
KLUGER: I think I said to you, you've got to watch the timing, don't call him now.  
CC-1: Oh, okay.  
KLUGER: I, I did say that to you sometimes.  
CC-1: Okay.  
KLUGER: I mean, they'll be close but, you know, who knows. They, they can't put me at that pay phone, let's put it that way.

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KLUGER: There's a big difference between what they know is probably a lie and what they think they can prove is a lie. Do you know what I mean?  
CC-1: Yeah.  
KLUGER: They don't like to go to court without phone calls, without a trail, without a this happened at this time, that happened at – I mean look at all these cases [referring generally to other insider trading cases in the press].  
CC-1: Right. I do notice that they have some unbelievable evidence in a lot of these cases.  
KLUGER: Right, they don't have any of that here.  
CC-1: Right.  
KLUGER: They, they just don't have any of that here.

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KLUGER: I think there's a pretty good chance that we get past it. I don't think that they're gonna conclude that they have enough to go to court with.  
CC-1: Right.  
KLUGER: That's what, that's what I believe, and as long as Mr. G keeps his mouth shut and I keep mine and you keep yours, I don't think they're gonna find enough of anything.

*KLUGER Admitted He Destroyed Evidence*

KLUGER: Doesn't structuring – I haven't looked it up because I don't want to put anything on my hard drive. By the way, I got rid of my computer. I got rid of my iPhone where I had looked up some stock quotes. Those are gone. I mean history. Gone.  
CC-1: Okay.  
KLUGER: Umm, and obviously the phone that you and I talked on, that's gone too.

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KLUGER: I would really, I would really feel better if you got rid of this phone and I wish – here's, here's what I'd like to do. I will get one of those things [a throwaway phone] tomorrow.  
CC-1: Okay.  
KLUGER: I would like you to get rid of that one [CC-1's throwaway phone].  
CC-1: Okay.  
KLUGER: I want you to call me back on at home, here, with quarters.  
CW: Okay.  
KLUGER: I will then give you the phone number of that other thing.  
CC-1: Okay.  
KLUGER: And then either you can buy another one [a new throwaway phone] that's only calling – I just, I hate the idea of you being in possession of something that has my phone number.

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KLUGER: And I really would like to see this phone go bye-bye ASAP, like maybe tonight if you can.  
CC-1: Oh – alright, alright, alright, I can do that. Okay. I'm not going to walk ten thousand miles. [voices overlap].  
KLUGER: Do you want this to be our undoing?  
CC-1: No, no, no but I am not going to walk – I am not going to drive five miles. I'm just going to [voices overlap].  
KLUGER: No, no, no, you don't have to drive five miles. There's probably a garbage can somewhere down the street.  
CC-1: Yeah, yeah, no problem.  
KLUGER: Okay.

***March 27, 2011 Call***

24. On March 27, 2011, CC-1 used a pay phone to call KLUGER's home phone as KLUGER had suggested.

***KLUGER Remained Concerned He Could Be Linked To CC-1***

KLUGER: The thing that I am obviously worried about is that my – that I'm identified in your phone.

CC-1: I know.

KLUGER: Umm, I mean if, frankly, if not for that, they'd have nothing.

CC-1: Yeah.

KLUGER: Umm, but that being said. If, you know, they've had three weeks to figure out that that's what that means and the other thing that I would have that is if they found my name, maybe they didn't have everything they needed, but that they would at least come and see what they can get here. You know, hope to strike while the iron's hot and come up with something, don't you think?

CC-1: Yeah, yeah.

KLUGER: And I haven't heard a word. And I am glad I haven't heard a word but I'm prepared. I mean that's the hard part for me, every morning at 5:30 in the morning, I'm up.

CC-1: I can just imagine.

KLUGER: Umm, you know, and then by the time it gets to be a quarter to seven, seven o'clock, I figure there goes another day [laughing].

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CC-1: Let's do this, umm, do you want to get one, another set of those phones [prepaid cellular phones]?

KLUGER: Yeah, we probably should. I, I, it just makes me very nervous.

CC-1: Having one like that?

KLUGER: Having something in my possession that connects me to you or you having something. I mean, like, how are you -- have you now memorized this number [KLUGER's home number] or do you have it written down somewhere?

CC-1: I have it written down someplace but I'll memorize it. I can memorize it [voices overlap]. I'll memorize it going forward.

KLUGER: Yeah, I would definitely get rid of that. The number is not that hard. I would definitely get rid of it.

CC-1: Yeah, no problem actually. You know something --

KLUGER: You just don't want anything that connects us.

*KLUGER Reiterated Why He Cannot Cooperate With Law Enforcement*

KLUGER: I can tell you that no matter what, based on everything, you can be sure that I've got nothing to say.

CC-1: Right, okay.

KLUGER: You can just be absolutely sure that I've got nothing to say because, and I mean your guy [CC-1's lawyer] should really bear that out for you, that there is no way in the world that they're going to be able, they wouldn't be able, to do anything good enough to make it the slightest bit attractive to tell them anything. Not for the guy who's the middle of it. They could do better for you or for him [BAUER]. Not, I mean, they just, they can't let the, they can't let the source go.

CC-1: Right.

KLUGER: So, umm, umm, umm, what are they going to tell me, that they're going to put in a good word? I mean, obviously then I would have to tell them about absolutely everything, everything. And then it gets worse than – it just, it would never make sense.

**BAUER's Telephone Calls with CC-1**

***March 18, 2011 Call***

25. On March 17, 2011, BAUER and CC-1 spoke on two occasions. Both times, CC-1 used a prepaid cellular phone to speak with BAUER on his home phone. The following day, March 18, 2011, BAUER purchased a prepaid cellular phone at a Best Buy on East 86<sup>th</sup> Street in Manhattan and spoke to CC-1 on it. During the call, BAUER told CC-1 that he had been careful during the prior day's conversations not to make any admissions regarding the insider trading scheme because he was concerned that his home phone might be tapped by law enforcement. During the March 18, 2011 call, BAUER and CC-1 discussed the following topics:

***BAUER Admitted to Buying and Destroying Throwaway Phones***

CC-1: Where'd you buy this disposable? You didn't buy it like right across the street or anything did you?

BAUER: I bought it at Best Buy with cash.

CC-1: Oh you bought it – okay. And the other phone you, you, you, you knew what to do with that, you got rid of it right?

BAUER: Yeah, I can't even tell you, [CC-1's name] when you called me [referring to when CC-1 called after the FBI had searched CC-1's home], I felt like I was in shock. My heart was beating ten thousand miles an hour. I went right up to my apartment and I broke the phone in half and went to McDonald's and put it in two different garbage cans. And someone was watching me. I thought it was an FBI agent. And I asked him, 'do you know me? You look familiar.' And, like, I was so panicked. I literally didn't sleep that entire night.

CC-1: Oh, welcome to the party. I haven't been sleeping for like, uh, seven, eight nights. [voices overlap]  
BAUER: I can't sleep. I can't sleep. I am waiting for the FBI to ride into my apartment. And I am on edge all night thinking that they're coming in.

*BAUER Discussed Whether Anyone Will Cooperate with Law Enforcement*

BAUER: I know 100% in my mind, no matter what happens I will never mention you and never mention him [KLUGER] as doing anything. I have not even a question in my mind. I will never ever do that because if I go down for something I want it to just be me because there is no reason to bring more people into – because nothing is going to help me. Like the only – the major person here who is in trouble is your friend [KLUGER], I think.

CC-1: Yeah, you know something – I talked to him last – I talked to him this morning and umm, and umm we kind of talked about like – my big problem is the deposits that I made in – I think it was after the Omniture deal, the one that we were talking about last night where you, you had those withdrawals. The bad part is he has deposits right after that deal too.

BAUER: Okay, well they're eventually – there is a good chance they're eventually going to catch on but, like, if we all say nothing about each other – like, there, that is the only thing we can do. Like, that is the only way people get caught.

CC-1: Right.

BAUER: Because they have nothing until someone says something....

CC-1: My worry with Matt, and I have been asking him this, is you know, he always told me he never opened a, any document on the computer. And I asked him this over and over. I would go how would you know if you don't open the document and they do code names. How do you know the names of the companies. And you know, I asked him that for years. And umm, and he says that, you know there was always – like he goes at one point they would always have the real name and as the deal got closer they would go to a code name. He goes that's how, that's how it would basically work. It would start, they would use a company's real name and then they would move over to a code name. And that's how he kept track of it. But so, now I don't know if I told you, he has left the law firm. He left it, like, right after this last deal.

BAUER: Oh, okay, okay.

CC-1: He doesn't even work there anymore. And they threw away – they, they wiped his computer clean because that's just the procedure when he leaves.

BAUER: Well it just seems to me – at this point that's an issue of down the road with him but he's – you are pretty sure talking to him he will never say anything? [voices overlap]

CC-1: No, no, no, no. He's really – cause he's worried that – cause he says they always want the source.

BAUER: Right. They want him, then they probably want me, and then they probably want you. That's probably how it works in this situation I think. But, I mean you are

almost as guilty – I mean if they are saying you got money from me then there's not that much of a difference between you and me.

*BAUER Acknowledged Receiving Inside Information For Many Years*

CC-1: And this is another huge plus. There is a statute of limitations of 5 years. So all the deals that were from previous law firms we don't have to worry about any of those.

BAUER: Yeah, all they need to do is get us on one though.

CC-1: Yeah one right now but the things from way back we don't have anything to worry about.

BAUER: Right, but you know, in 5 years from now we'll feel a lot more comfortable.

*BAUER Promised To Provide CC-1 Financial Support If He Was Charged*

BAUER: Don't worry about any money [name of CC-1]. At some point in the future when this is cleared up, you will have whatever you need. I am telling you that. I am just telling you. Don't – if you are going to spend every money you have on a lawyer and you have nothing – don't worry about it. I will make sure you get it all back.... I am sitting with over \$20 million in the bank.... I am not worried about me going broke. Don't worry about it anytime soon. I still got this apartment. I still got the house.... Don't worry about money in fighting it. That's why I want you to, if you need to pay for more lawyers, use everything you have.

CC-1: Okay, I will. I am glad you, I'm glad you mentioned that. And if I go to jail, would you, and you don't, is there any chance you might help [CC-1's spouse] out?

BAUER: [CC-1's name], of course!

CC-1: Oh, okay, okay, okay, good.

BAUER: You, your kids, everything, it will be set.

CC-1: Oh, okay, good.

BAUER: There is nothing to worry about. Everything. College, education, everything.

CC-1: Oh, alright. Let's just hope that nothing comes of this.

BAUER: Right, but the only way something can come – there is nothing you can do about what you did [referring to the cash structuring CC-1 engaged in]. You can't – there is nothing you can do. You have to get the best – you have to defend yourself the best way you can about what you did. But bringing someone else in from my point of view, and probably your friend's point of view, can only make things worse.

CC-1: Right.

BAUER: Okay....

*BAUER Described How He Would Falsely Explain His Large Cash Withdrawals*

BAUER: I used that as spending money. I don't know, I will say I bought prostitutes if it comes down to it.

*BAUER Instructed CC-1 To Burn \$175,000*

CC-1: Hey, let me ask you. When you take the money out of the cash machines, right, you don't ever count the money. You just kind of hold it and put it in the envelopes right?

BAUER: Well, recently I have --- well you know in this last one I had to count it because I had so many problems withdrawing money....

CC-1: Oh, because I can then change the envelopes [that BAUER had taken from the ATM and put the cash into].

BAUER: You didn't change it?

CC-1: I don't change 'em, I just leave them right in the envelope. But I mean normally, I would just leave everything right in the envelopes and that's it. And I don't exactly have access to it, it's hidden so well at my cousin's house.

BAUER: I'd almost -- you know what, you know what, if you feel better burn the money and I'll give it back to you.

CC-1: Burn it?

BAUER: I would burn it in a fire. [voices overlap] Like [name of CC-1], if there is any chance of us getting caught on that. [voices overlap]

CC-1: You know something, that -- that's foolish. You know what -- this cousin of mine he is, he is, he is not a, the straightest shooter. He's a cool guy, I mean he's a cool guy. So --

BAUER: I know, but I am worried from him. What about his point of view? Does he know that my fingerprints are on that money?

CC-1: Well he, you know, he's not going to say anything. They're not going to ever contact him.

BAUER: No, he doesn't have to say anything. But, like, if they ever come and the do some kind of raid like they did to you. [voices overlap]

CC-1: There is no way they're going to come -- I am not going to even. They don't even know. They will never know who he is and where he is. It's just never going to happen. I have numerous cousins and --

BAUER: No, I am not talking about him, I am talking about your other friend.

CC-1: Oh, oh, oh, no, he doesn't know where the money is either. You mean M [referring to KLUGER]?

BAUER: Your friend in Washington or wherever he is.

CC-1: Right, right right. No, he doesn't know where it is. No, no, no, I don't tell him.

BAUER: No, no, his -- the money that he has, your friend.

CC-1: Oh -- no, he doesn't have anymore.

BAUER: Oh, he spent it all?

CC-1: Yeah, he spent it all.



BAUER: [Laughs] Oh my god. Ok. Alright.  
CC-1: He was as dumb as me. He was dumb as me. He deposited it in the bank.  
BAUER: He deposited it?  
CC-1: Yeah, I told you.  
BAUER: Oh my god.

*March 21, 2011 Call*

26. On March 21, 2011, BAUER, using his new prepaid cellular phone, spoke with CC-1 who was also using a prepaid cellular phone. During their call, they made the following statements:

*BAUER Admitted to Doing Something Wrong*

BAUER: I mean, how are you doing?  
CC-1: You know, I can't explain it – it's just like, it's shock and I think about it and I just say, you know, it is, it is what it is.  
BAUER: Right, I mean the fact is we did something wrong. So it is not like we are being convicted of doing nothing. We did something wrong here.  
CC-1: Right.

*BAUER Admitted To Knowing About CC-1's Use of a Safe Deposit Box to Hide the Illicit Cash Proceeds*

CC-1: They [law enforcement] wanted my safe deposit box [when they approached CC-1 on March 8, 2011]. That was a big thing to them. And I had it and there was nothing in it. And so, but I couldn't find my key.  
BAUER: That's where you used to keep the money, right?  
CC-1: Yup, yup.

*March 28, 2011 Call*

27. On March 28, 2011, BAUER and CC-1 spoke by telephone again, both of them using prepaid cellular phones. During their call, they had a lengthy conversation about BAUER's concerns that his fingerprints were on the \$175,000 cash he had given CC-1. During their call, BAUER and CC-1 made the following statements:

BAUER: I'm more worried about – the only thing that's really out there is the money that you have.  
CC-1: Yeah, well that's, that's far away.  
BAUER: That has my fingerprints on it.  
CC-1: Yeah, that's out there. That's far away.  
BAUER: Right. I'm, like, concerned about that. Like, what are we going to do about that? Do we want to give that back to me and I'll get money out without my

fingerprints on it? Or, like, I don't know like how we are going to handle that. Or are you going to rub your hands all over every bill to make sure there's no fingerprints on it? Because something has to be done at some point.

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BAUER: We have to get all the fingerprints off that money.  
CC-1: Yeah.  
BAUER: Like you wearing gloves or something and wiping every bill down or something. But it has to be done. Or as, like, you giving it to me and me wiping every bill down or something.  
CC-1: You know something. Somebody did say: "Why don't you just run it through a dish-, a washing machine?"  
BAUER: Well, I, I don't know. I mean, I've seen that in the movies but I don't know – who said that? Someone said that to you?  
CC-1: Yeah [laughing], my cousin did. [voices overlap] He goes, "run it through a washing machine." And I'm like, "you can do that?" and he goes "yeah." And I go, "alright."  
BAUER: Well, next time you speak to your friend, your other friend [KLUGER], ask him what he thinks in how to get it off.  
CC-1: Okay.  
BAUER: Because it's definitely all over that money.  
CC-1: Right, right, right.  
BAUER: And I don't want it to be connected from you to him and from me to you.

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BAUER: Umm, but umm, so I want to make sure the fingerprints aren't on it.  
CC-1: Well I'm thinking that the best case would be just to run it through a washing machine. Umm, although I would like to be the one that does it. I don't want to bring it back to my house anytime soon. I would rather just let it go for several weeks and what I am thinking I might even do – wait 'till I think my mother might have a trip planned. If she goes on a trip I might actually bring it. I would think something like that. Bring it to somebody else's house and wash it there. I don't even really like even the idea of having it here in my possession whatsoever. And you know something, it's being paranoid. But, you know, its better to be paranoid that to, than to take risks.  
BAUER: Yes, well you just feel more comfortable that we talk all on cell phones this entire time. You know. And that there is no way that they could ever be recorded.

## **BAUER SPENT OVER \$7 MILLION OF ILLICIT PROCEEDS ON REAL ESTATE**

28. In the summer and fall of 2009, BAUER spent over \$7 million in illicit proceeds of the insider trading scheme to purchase two properties – approximately \$6.65 million for an Upper East Side condominium at 157 East 84th Street, Apt. 4-E, New York, New York, and approximately \$875,000 for a home located at 7137 Via Firenze, Boca Raton, Florida. Specifically, on or about August 12 and August 18, 2009, BAUER wire transferred a total of approximately \$6,270,000 from his TD Trading Account to one of his Citibank accounts (Citibank account ending in 8350). BAUER then used approximately \$6,101,356 of that money to purchase bank checks to pay the balance due on the condominium which he purchased on or about August 20, 2009. BAUER also used money from the TD Trading Account to purchase the Florida home. Specifically, on or about October 9, 2009, BAUER wire transferred approximately \$1 million from his TD Trading Account to the same Citibank account. On or about October 14, 2009, BAUER used approximately \$782,110 of that money to pay the balance he owed for the home. In addition to purchasing the properties with cash, BAUER spent in excess of \$110,000 in illicit proceeds of the insider trading scheme renovating and furnishing the properties.

## **FIRST FORFEITURE ALLEGATION**

1. The allegations contained in paragraphs 1 through 28 of this Complaint are incorporated by reference as though set forth in full herein for the purpose of noticing forfeitures pursuant to Title 18, United States Code, Section 981(a)(1)(C), and Title 28, United States Code, Section 2461.

2. The United States hereby gives notice to the defendants that, upon conviction of the offenses charged in the Complaint, the government will seek forfeiture, in accordance with Title 18, United States Code, Section 981(a)(1)(C), and Title 28, United States Code, Section 2461, of any and all property, real or personal, that constitutes or is derived from proceeds traceable to the violations of Title 15, United States Code, Sections 78j(b) and 78ff, Title 17, Code of Federal Regulations, Sections 240.10b-5 and 240.10b5-2, and Title 18, United States Code, Section 371, alleged in Counts 1 through 12 of this Complaint, including but not limited to the following:

a. A sum of money equal to at least \$32,226,923 in United States currency, for which the defendants are jointly and severally liable; and

b. All right, title, and interest, including all appurtenances and improvements thereon, in the real property located at 7137 Via Firenze, Boca Raton, Florida; and

c. All right, title, and interest, including all appurtenances and improvements thereon, in the real property located at 157 E. 84<sup>th</sup> Street, Apt. #4-E, New York, New York.

3. If by any act or omission of the defendants, any of the property subject to forfeiture described in paragraph 2 herein:

a. cannot be located upon the exercise of due diligence;

b. has been transferred or sold to, or deposited with, a third party,

c. has been placed beyond the jurisdiction of the court;

d. has been substantially diminished in value; or

e. has been commingled with other property which cannot be subdivided without difficulty, it is the intent of the United States, pursuant to Title 21, United States Code, Section 853(p), to seek forfeiture of any other property of the defendants up to the value of the property described above in paragraph 2 pursuant to Title 18, United States Code, Section 981(a)(1)(C), and Title 28, United States Code, Section 2461.

## **SECOND FORFEITURE ALLEGATION**

4. The allegations contained in paragraphs 1 through 28 of this Complaint are incorporated by reference as though set forth in full herein for the purpose of noticing forfeitures pursuant to Title 18, United States Code, Section 982.

5. The United States hereby gives notice to the defendants that, upon conviction of the offense charged in the Complaint, the government will seek forfeiture, in accordance with Title 18, United States Code, Section 982(a)(1), of any and all property, real or personal, involved in the violation of Title 18, United States Code, Section 1956(h), alleged in Count 13 of this Complaint, and any property traceable to such property, including but not limited to the following:

a. The contents of the following accounts:

- i. Citibank, N.A., Money Market Plus account # 27343951, in the name of Garrett Bauer;
- ii. Citibank, N.A., High Interest Checking account # 34968167, in the name of Garrett Bauer;
- iii. Citibank, N.A., Ultimate Money account # 9935713410, in the name of Garrett Bauer;
- iv. Citibank, N.A., Ultimate Savings account # 9945636295, in the name of Garrett Bauer;
- v. Citibank, N.A., Saving Plus account # 9958701682, in the name of Garrett Bauer;
- vi. Citibank, N.A., e-Saving account # 9961779472, in the name of Garrett Bauer;
- vii. TD Ameritrade account # 784-991986, in the name of Garrett Bauer;
- viii. GSEC account # 4ZG01209, in the name of Garrett Bauer; and

b. In addition, a sum of money equal to at least \$685,000 in United States currency.

6. If by any act or omission of the defendants, any of the property subject to forfeiture described in paragraph 2 herein:

- a. cannot be located upon the exercise of due diligence;
- b. has been transferred or sold to, or deposited with, a third party,
- c. has been placed beyond the jurisdiction of the court;
- d. has been substantially diminished in value; or
- e. has been commingled with other property which cannot be subdivided without difficulty, it is the intent of the United States, pursuant to Title 21, United States Code, Section 853(p), to seek forfeiture of any other property of the defendants up to the value of the property described above in paragraph 2 pursuant to Title 18, United States Code, Section 982(a)(1).