



**UNITED STATES ATTORNEY'S OFFICE**  
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**MANHATTAN U.S. ATTORNEY AND FBI ASSISTANT DIRECTOR-IN-CHARGE ANNOUNCE CHARGES AGAINST SEVEN INVESTMENT PROFESSIONALS FOR INSIDER TRADING SCHEME THAT ALLEGEDLY NETTED MORE THAN \$61.8 MILLION IN ILLEGAL PROFITS**

*Largest Insider Trading Scheme Involving Single Stock Charged to Date*

*Three Defendants Have Pled Guilty and Are Cooperating with the Government's Investigation*

Preet Bharara, the United States Attorney for the Southern District of New York, and Janice K. Fedarczyk, the Assistant Director-in-Charge of the New York Office of the Federal Bureau of Investigation ("FBI"), today announced charges against seven investment professionals, who worked at three different hedge funds and two other investment firms, for engaging in a scheme in which they provided each other with material, non-public information ("Inside Information") about two publicly traded technology companies, Dell, Inc. ("Dell") and NVIDIA ("NVDA"). Using the Dell Inside Information, the three hedge funds netted more than \$61.8 million in illegal profits and one of the investment firms avoided \$78,000 in losses. Charged in a Complaint unsealed today are: TODD NEWMAN, a former portfolio manager at a Connecticut-based hedge fund ("Hedge Fund A"); ANTHONY CHIASSON, a former portfolio manager and a co-founder of a Manhattan-based hedge fund ("Hedge Fund B"); JON HORVATH, a research analyst who worked in the New York office of a Connecticut-based hedge fund ("Hedge Fund C"); and DANNY KUO, a research analyst and fund manager at an investment firm with offices in California and Nevada ("Investment Firm D"). This morning, NEWMAN, HORVATH, and KUO were arrested, and CHIASSON surrendered to federal authorities. Later today, CHIASSON and HORVATH are expected to be presented in Manhattan federal court, NEWMAN is expected to be presented in Massachusetts federal court, and KUO is expected to be presented in federal court in the Central District of California.

Also unsealed today were the guilty pleas of: JESSE TORTORA, a former research analyst at Hedge Fund A; SPYRIDON "Sam" ADONDAKIS, a research analyst at Hedge Fund B; and SANDEEP "Sandy" GOYAL, a research analyst who worked at the Manhattan office of a

global asset management firm (“Investment Firm 1”). They pled guilty to their roles in the insider trading scheme and are cooperating with the Government’s investigation.

Manhattan U.S. Attorney Preet Bharara said: “The charges unsealed today allege a corrupt circle of friends who formed a criminal club whose purpose was profit and whose members regularly bartered lucrative inside information so their respective funds could illegally profit. And profit they allegedly did – to the tune of more than \$61 million on illegal trades of a single stock – much of it coming in a \$53 million short trade. Here, The Big Short was The Big Illegal Short. We have demonstrated through our prosecutions that insider trading is rampant and has its own social network, a network we intend to dismantle. We will be unrelenting in our pursuit of those who think they are above the law.”

FBI Assistant Director-in-Charge Janice K. Fedarcyk said: “The FBI has arrested more than sixty people in ‘Operation Perfect Hedge’ to date, and this initiative is far from over. If you are engaged in insider trading, what distinguishes you from the dozens who have been charged is not that you haven’t been caught; it’s that you haven’t been caught yet.”

According to the Complaint and Informations unsealed today in Manhattan federal court, and statements made during the related plea proceedings:

TORTORA and ADONDAKIS were part of a circle of research analysts at different investment firms who obtained Inside Information directly or indirectly from employees who worked at public companies, and then shared it with each other and with the Hedge Fund portfolio managers for whom they worked. HORVATH and KUO were allegedly part of the circle as well, and used and shared Inside Information similarly. For example, in 2008 and 2009, TORTORA admitted to providing ADONDAKIS, HORVATH and KUO with Inside Information related to Dell’s first and second quarter 2008 earnings that he had received from GOYAL, who had a source inside Dell’s investor relations department. TORTORA also admitted to providing the Dell Inside Information to NEWMAN, the portfolio manager for whom he worked. ADONDAKIS admitted to providing the Dell Inside Information to CHIASSON, the portfolio manager for whom he worked. Both TORTORA and ADONDAKIS told their portfolio managers that the information came from a source at Dell.

In exchange for the Dell Inside Information, TORTORA admitted to arranging with NEWMAN to pay GOYAL via a sham research consulting arrangement Hedge Fund A made with an individual (“Individual 1”), the proceeds of which were deposited in a joint account Individual 1 shared with GOYAL. In fact, Individual 1 never provided any research consulting services, but Hedge Fund A nonetheless made four \$18,750 payments to Individual 1 between February 2008 and September 2008. Individual 1 also received a \$100,000 bonus from Hedge Fund A in January 2009.

### *The Dell Short*

The Dell Inside Information was allegedly used to execute illegal trades in the first and second quarters of 2008. For example, beginning in July 2008, the Dell Insider provided GOYAL initial information concerning Dell’s revenues and/or gross margins for the second quarter. After the close of the quarter in 2008, but prior to Dell’s public earnings announcement on August 28 of that year, the Dell Insider provided to GOYAL, who in turn provided to TORTORA, more specific information concerning Dell’s margins that confirmed the gross

margin would be lower than market expectations. On August 5, 2008, TORTORA forwarded an email to ADONDAKIS, HORVATH and KUO, that he is alleged to have originally sent to NEWMAN, that included the Inside Information he had received from GOYAL. In the days before the August 28, 2008 earnings announcement, GOYAL had additional communications with TORTORA and again confirmed that Dell's gross margin would be lower than market expectations. TORTORA admitted to passing this information on to NEWMAN and to ADONDAKIS, who admitted to providing the information to CHIASSON. In another email sent by TORTORA on August 25, 2008, he wrote, "did new apple and dell checks today and both sound bad, same as before." Trading records show that Hedge Funds A, B, and C all allegedly sold quantities of Dell shares "short," based at least in part on the Inside Information they received during the period prior to the company's second quarter earnings announcement. Hedge Fund A reaped \$2.8 million in allegedly illegal profits, Hedge Fund B made more than \$50 million, and Hedge Fund C made \$1 million. Trading records also show that KUO allegedly avoided approximately \$78,000 by trading on the Inside Information for Investment Firm D.

In all, the conduct alleged in the complaint relating to the Dell Inside Information resulted in more than \$61.8 million in illegal insider trading profits realized by Hedge Funds A, B, and C.

#### *The NVIDIA Inside Information*

In addition, in multiple fiscal quarters, KUO allegedly obtained confidential financial information about NVIDIA, a publicly traded technology company, shortly before its public earnings release and provided it to TORTORA, ADONDAKIS, and HORVATH. The information included NVIDIA's gross margin and revenue information. As alleged, email communications from KUO to the other research analysts stated explicitly that the information was coming from an employee inside NVIDIA.

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NEWMAN, 47, of Needham, Massachusetts, CHIASSON, 38, of New York, New York, HORVATH, 42, of New York, New York, and KUO, 36, of Pasadena, California, are each charged with one count of conspiracy to commit securities fraud and one count of securities fraud. The conspiracy charge carries a maximum potential penalty of five years in prison and a fine of \$250,000 or twice the gross gain or loss from the offense. The securities fraud charge carries a maximum potential penalty of 20 years in prison and a maximum fine of \$5 million.

TORTORA, 34, ADONDAKIS, 40, and GOYAL, 39, each pled guilty to one count of conspiracy to commit securities fraud and one count of securities fraud. TORTORA pled guilty on May 18, 2011; ADONDAKIS pled guilty on April 25, 2011; and GOYAL pled guilty on November 3, 2011. They each face a statutory maximum sentence of 25 years in prison.

Mr. Bharara praised the investigative work of the Federal Bureau of Investigation. He also thanked the U.S. Securities and Exchange Commission. He also noted that the investigation is continuing.

This case was brought in coordination with President Barack Obama's Financial Fraud Enforcement Task Force, on which Mr. Bharara serves as a Co-Chair of the Securities and Commodities Fraud Working Group. President Obama established the interagency Financial

Fraud Enforcement Task Force to wage an aggressive, coordinated, and proactive effort to investigate and prosecute financial crimes. The task force includes representatives from a broad range of federal agencies, regulatory authorities, inspectors general, and state and local law enforcement who, working together, bring to bear a powerful array of criminal and civil enforcement resources. The task force is working to improve efforts across the federal executive branch, and with state and local partners, to investigate and prosecute significant financial crimes, ensure just and effective punishment for those who perpetrate financial crimes, combat discrimination in the lending and financial markets, and recover proceeds for victims of financial crimes.

The charges against NEWMAN, CHIASSON, HORVATH and KUO are merely accusations, and the defendants are presumed innocent unless and until proven guilty.

Assistant U.S. Attorneys Antonia Apps, David Leibowitz, and Richard Tarlowe are in charge of the prosecution.

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