



*United States Attorney  
Southern District of New York*

**FOR IMMEDIATE RELEASE  
DECEMBER 15, 2009**

**CONTACT: U.S. ATTORNEY'S OFFICE  
YUSILL SCRIBNER,  
REBEKAH CARMICHAEL,  
JANICE OH  
PUBLIC INFORMATION OFFICE  
(212) 637-2600**

**FBI  
JIM MARGOLIN, RICH KOLKO  
PUBLIC INFORMATION OFFICE  
(212) 384-2720, 2715**

**HEDGE FUND MANAGER AND NEW CASTLE, LLC EMPLOYEE  
INDICTED IN GALLEON INSIDER TRADING CASE**

PREET BHARARA, the United States Attorney for the Southern District of New York, and JOSEPH DEMAREST, JR., the Assistant Director-in-Charge of the New York Office of the Federal Bureau of Investigation ("FBI"), announced today that RAJ RAJARATNAM and DANIELLE CHIESI were charged with a seventeen-count Indictment involving conspiracy and securities fraud crimes stemming from their alleged involvement in the largest hedge fund insider trading case in history. RAJARATNAM was the Managing Member of Galleon Management, LLC ("Galleon"), and a portfolio manager for Galleon Technology Offshore, Ltd., and CHIESI was an employee of New Castle Funds, LLC ("New Castle"), formerly the equity hedge fund group of Bear Stearns Asset Management, Inc.

According to the Indictment returned today in Manhattan federal court, as well as the Complaints previously filed in this matter:

RAJARATNAM, CHIESI, and others repeatedly traded on material, nonpublic information pertaining to upcoming earnings forecasts, mergers, acquisitions, or other business combinations ("Inside Information"). The Inside Information was given as tips by insiders and others at hedge funds, public companies, and firms -- including Intel, IBM, McKinsey & Company ("McKinsey"), Akamai Technologies, Inc. ("Akamai") and Polycom, Inc. ("Polycom"). As a result of their insider trading, RAJARATNAM, CHIESI, and others earned millions of dollars of illegal profits for themselves and the hedge funds with which they were affiliated. RAJARATNAM engaged in overlapping schemes with ALI FAR and ROOMY KHAN -- both of whom have pleaded guilty to insider trading charges and are cooperating with the Government -- as

well as CHIESI and other co-conspirators 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 PeopleSupport, Inc. ("PeopleSupport").

Among other things, telephone conversations between RAJARATNAM and CHIESI, intercepted based on court-authorized wiretaps of phones, revealed that RAJARATNAM, CHIESI, and others routinely received Inside Information directly or indirectly from insiders and provided it to each other for the purpose of trading based on the information. For example:

- From January 2006 until 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 KHAN who, in turn, obtained this information from various inside sources. 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 KHAN, RAJARATNAM provided KHAN with Inside Information on a number of companies.
- From approximately 2003 through March 2009, RAJARATNAM and FAR conspired together to engage in insider trading based on Inside Information regarding Atheros Communications, Inc. ("Atheros"), Marvell Technology Group, Ltd. ("Marvell"), and other companies. RAJARATNAM traded based on the Inside Information provided by FAR and FAR's inside sources, and reaped substantial illegal profits.
- From approximately March through October 2008, RAJARATNAM and another co-conspirator ("CC-1") engaged in insider trading schemes involving the stock of Clearwire. CC-1 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 the co-conspirator 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 CC-1, RAJARATNAM placed profitable trades for the benefit of

CC-1 in a personal brokerage account maintained by CC-1.

- From approximately May through October 2008, RAJARATNAM, another co-conspirator not named in the Indictment ("CC-2"), and others engaged in insider trading based on Inside Information pertaining to AMD. CC-2, who was employed by McKinsey, obtained Inside Information regarding certain of McKinsey's clients, including AMD, and communicated it to RAJARATNAM in violation of duties of trust and confidence CC-2 owed to McKinsey and its clients. RAJARATNAM caused the Galleon Technology Funds to trade on the basis of this Inside Information, and CC-2 stood to benefit because he was a direct or indirect investor in one or more hedge funds affiliated with Galleon.

CHIESI and RAJARATNAM also conspired to obtain and trade on Inside Information relating to AMD and Akamai. CHIESI provided RAJARATNAM with Inside Information about Akamai that she obtained from an Akamai source, while RAJARATNAM and CHIESI provided one another with Inside Information about AMD. As a result, RAJARATNAM reaped profits of approximately \$3.5 million.

CHIESI also conspired with a top executive at New Castle ("CC-3") to benefit from insider trading in accounts affiliated with New Castle based on Inside Information that CHIESI obtained about AMD, Akamai, IBM, and Sun Microsystems. Among other things, CHIESI obtained information from an Akamai source as well as from a Senior Vice President and Group Executive of IBM ("CC-4"). In particular, CHIESI obtained Inside Information concerning AMD from CC-4 and RAJARATNAM, and shared that information with CC-3 at New Castle. As a result of the insider trading activity in AMD, Akamai, IBM, and Sun Microsystems, CHIESI, CC-3, and others earned a total profit in New Castle-affiliated accounts of more than \$4 million from the scheme -- including, according to the Complaint filed earlier against CHIESI, \$2.4 million from trading in Akamai alone.

\* \* \*

The Indictment charges RAJARATNAM with five counts of conspiracy to commit securities fraud and six counts of securities fraud. The Indictment also charges CHIESI with three counts of conspiracy to commit securities fraud and seven counts of securities fraud. Each of the conspiracy counts against RAJARATNAM and CHIESI carries a maximum sentence of 5 years in prison and a maximum fine of the greater of \$250,000 or twice the

gross gain or loss from the offense. Each of the securities fraud counts carries a maximum sentence of 20 years in prison and a fine of \$5 million. As a result of the charges against them, RAJARATNAM faces a maximum term of imprisonment of 145 years, and CHIESI faces a maximum term of 155 years in prison. The Indictment also seeks forfeiture of the proceeds of the charged crimes.

RAJARATNAM, 52, and CHIESI, 44, both reside in New York, New York. The case has been assigned to United States District Judge RICHARD J. HOLWELL.

The related cases against MARK KURLAND, ANIL KUMAR, ROBERT MOFFAT, and RAJIV GOEL are pending on criminal complaints.

Mr. BHARARA praised the work of the FBI and thanked the United States Securities and Exchange Commission for its assistance in the investigation. Mr. BHARARA also noted that the investigation is continuing.

Assistant United States Attorneys JOSH KLEIN and JONATHAN STREETER and Special Assistant United States Attorney ANDREW MICHAELSON are in charge of the prosecution.

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

09-422

###