



*United States Attorney
Southern District of New York*

**FOR IMMEDIATE RELEASE
JANUARY 7, 2010**

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

**FORMER MCKINSEY DIRECTOR PLEADS GUILTY IN MANHATTAN
FEDERAL COURT TO INSIDER TRADING WITH
GALLEON HEDGE FUND MANAGER**

PREET BHARARA, the United States Attorney for the Southern District of New York, announced today that ANIL KUMAR pleaded guilty to a two-count Information charging him with conspiracy and securities fraud stemming from his involvement in the largest hedge fund insider trading case in history. KUMAR was until recently a senior partner and director at the global management consulting firm McKinsey & Company ("McKinsey"). KUMAR pleaded guilty before United States District Judge DENNY CHIN to conspiring to commit insider trading crimes with Raj Rajaratnam, a partner of Galleon Management, LLC ("Galleon"), and the portfolio manager of the Galleon Technology Funds.

KUMAR consented to the filing of a criminal Information against him and is cooperating with the Government's investigation. According to the Information filed today in Manhattan federal court, as well as statements made during today's guilty plea proceeding:

Anil Kumar and Raj Rajaratnam's Corrupt Agreement

From 2003 through 2009, KUMAR and Rajaratnam, who met in the 1980s while they were both at the same business school, conspired to engage in insider trading. As part of that conspiracy, KUMAR obtained material, nonpublic information ("Inside Information") from clients of McKinsey and provided that information to Rajaratnam with the understanding that Rajaratnam would trade on it. KUMAR provided this Inside Information to Rajaratnam because, among other things, Rajaratnam paid KUMAR amounts ranging up to \$1 million in certain years, because KUMAR was an indirect investor in Galleon, and because of their personal relationship. After KUMAR provided this information to Rajaratnam, Rajaratnam directed trading for the Galleon Technology Funds on the basis of it, and made at least \$19.7 million in illegal profits. These profits are separate from and in addition to the \$16.8 million in insider trading profits for

which Rajaratnam was previously charged in the Southern District of New York.

Specifically, in 2003, Rajaratnam approached KUMAR and offered to pay him up to \$500,000 per year for information KUMAR obtained from McKinsey clients. In his role as a director at McKinsey, KUMAR advised clients in the technology industry concerning their business strategies, including potential mergers and acquisitions. Rajaratnam proposed to pay KUMAR through a third party located overseas in order to avoid detection. Rajaratnam further proposed that the money then be reinvested in Galleon for the benefit of KUMAR. KUMAR agreed and arranged to have an overseas entity receive payments from Rajaratnam through a Swiss bank account. KUMAR further arranged to have the funds invested in Galleon under the name of KUMAR's domestic worker.

After this arrangement was in place, from 2004 to 2006, KUMAR began supplying Rajaratnam with Inside Information about McKinsey clients. In exchange, Rajaratnam paid KUMAR in the manner described above.

The AMD Inside Information

Toward the end of 2005, KUMAR began advising Advanced Micro Devices ("AMD") about its potential acquisition of a graphics company. By March 2006, AMD had focused on acquiring the graphics company ATI Technologies Inc. ("ATI") and was involved in confidential negotiations to consummate the acquisition. KUMAR provided this information to Rajaratnam, and in March 2006, the Galleon Technology Funds invested in ATI. Over the course of the next several months, AMD continued to negotiate with ATI, KUMAR continued to inform Rajaratnam about the progress of those negotiations, and the Galleon Technology Funds continued to accumulate ATI stock.

On July 24, 2006, AMD announced publicly that it had reached a deal to acquire ATI's outstanding common stock for a substantial premium over the prior day's trading price. The price of ATI's stock rose significantly on this news. That same day, the Galleon Technology Funds sold all of its holdings in ATI, thereby realizing approximately \$19.2 million in illegal profits. At the end of 2006, Rajaratnam told KUMAR that he wanted to pay KUMAR a "bonus" of \$1 million and that he needed to determine a way to make the payment. Galleon subsequently wired \$1 million into an account held by KUMAR in a foreign country.

In 2007, the United States Securities and Exchange Commission ("SEC") investigated Galleon and took sworn testimony

from Rajaratnam. That same year, Rajaratnam told KUMAR that because Galleon was under greater scrutiny, KUMAR should find an entity to replace his domestic worker as the nominal holder of KUMAR's investment in Galleon. KUMAR thereafter switched the nominal holder of the investment to an overseas entity.

During 2007 and 2008, KUMAR advised AMD about a strategy it was pursuing to spin off its manufacturing business but retain its design business. KUMAR told Rajaratnam about this strategy and also told Rajaratnam that such a deal would likely save AMD from going out of business because it would allow AMD to eliminate significant costs and raise significant capital to develop new products. During 2008, KUMAR kept Rajaratnam up to date about the progress of AMD's confidential negotiations to carry out this strategy.

During August, September, and October of 2008, the Galleon Technology Funds invested tens of millions of dollars in AMD securities. On October 7, 2008, AMD publicly announced plans to spin off its manufacturing operations and to receive an investment from another entity in Abu Dhabi. That same day, AMD's stock opened up approximately 25 percent over the prior day's closing price. Nonetheless, due to a broad decline in the financial markets in September and October 2008, the Galleon Technology Funds did not profit much, if at all, from trading in AMD based on the Inside Information described above.

The eBay Inside Information

From 2007 through October 2009, KUMAR continued to supply Inside Information to Rajaratnam, including information about AMD's financial performance and information about other McKinsey clients. For example, on October 2, 2008, KUMAR learned from a McKinsey client, which is a subsidiary of eBay Inc. ("eBay"), that eBay planned to announce substantial layoffs the following Monday, October 6, 2008, and that this information was confidential. On October 3, 2008, KUMAR called Rajaratnam and provided him with this Inside Information. Later that same day, the Galleon Technology Funds shorted eBay stock. On the following Monday, October 6, 2008, eBay publicly announced the layoffs. Soon after, the Galleon Technology Funds closed out their short position and realized approximately \$500,000 in illegal profits.

Over the course of the conspiracy, Rajaratnam paid Kumar approximately \$1.75 to \$2 million. As a result of reinvesting a portion of that money in Galleon, Kumar received a total of approximately \$2.6 million for participating in the scheme.

* * *

The Information charges KUMAR with one count of conspiracy to commit securities fraud and one count of securities fraud. The conspiracy count carries a maximum sentence of five years in prison and a maximum fine of the greater of \$250,000 or twice the gross gain or loss from the offense. The securities fraud count carries a maximum sentence of 20 years in prison and a fine of \$5 million. The Information also seeks forfeiture of the money KUMAR received from the scheme.

KUMAR, 51, resides in Saratoga, California. KUMAR is scheduled to be sentenced on March 26, 2010, by Judge CHIN.

PREET BHARARA, the United States Attorney said: "With his guilty plea today, Anil Kumar acknowledged his role in a massive insider trading conspiracy, which was essentially a get-rich-quick scheme for the already wealthy. His admission makes clear that there can never be a level playing field for investors so long as some players believe the rules don't apply to them. Greedy investors who cavalierly break the law to buy their way to even greater wealth will be treated for what they are: common criminals. Mr. Kumar has now taken responsibility for his crimes and will start assisting us in holding accountable other corrupt actors on Wall Street."

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

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

10-007

###