



*United States Attorney
Southern District of New York*



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**EXPERT-NETWORKING FIRM EXECUTIVE PLEADS GUILTY
IN MANHATTAN FEDERAL COURT TO CONSPIRING TO DISTRIBUTE
INSIDE INFORMATION**

PREET BHARARA, the United States Attorney for the Southern District of New York, announced that DON CHING TRANG CHU, a/k/a "Don Chu," pled guilty today to conspiracy charges in connection with his employment at an "expert-networking" firm (the "Firm"), during which he arranged for insiders at publicly-traded companies to provide material, nonpublic information ("Inside Information ") to the Firm's hedge fund clients. CHU pled guilty before U.S. District Judge JED S. RAKOFF.

Manhattan U.S. Attorney PREET BHARARA stated: "Insider trading was a key part of Don Chu's business model. He served as a virtual conduit between experts and hedge funds, enriching his firm and its clients at the expense of other investors and the integrity of the market. Today's guilty plea should serve as another clear example that anyone who engages in insider trading, be it a trader, an insider, or any other individual, will be caught and convicted."

According to the Information, a Complaint previously filed in this case, and statements made during today's guilty plea proceeding:

CHU served as a liaison for the Firm to consultants and sources of information in the United States and elsewhere. He promoted the Firm's consultation services by arranging for Firm consultants to provide Inside Information regarding the earnings' releases of certain public companies to the Firm's hedge fund clients. The Inside Information, which was disclosed in violation of the consultants' fiduciary and other duties to their employers, was provided for the purposes of executing profitable securities transactions.

For example, CHU facilitated a consultation in July 2009 between Richard Choo-Beng Lee, whose hedge fund was a client of the firm, and an individual ("CC-1"), who worked at a publicly-traded technology company (the "Tech Company"). The practice of Lee's hedge fund was to have its employees call a

Firm consultant before the consultant's company was expected to release its quarterly earnings, in part to obtain Inside Information.

On July 21, 2009, Lee had a consultation with CC-1 during which CC-1 provided Lee with revenue numbers, average sales prices, unit sales for different product lines, gross margin figures, and revenue forecasts for the Tech Company. Later that day, the Tech Company announced its quarterly earnings. Shortly after the public announcement, Lee called an employee at the Firm (the "Firm Employee"), telling the Firm Employee, among other things, that CC-1's revenue number was "spot on."

In April 2009, Lee began to cooperate with the Government's investigation, and in November 2009, he pled guilty to charges of conspiracy and securities fraud.

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CHU, 57, pled guilty to one count of conspiracy to commit securities fraud (Count One) and one count of conspiracy to commit wire fraud (Count Two). Count One carries a maximum sentence of five years in prison, and Count Two carries a maximum sentence of 20 years in prison. He also faces a maximum fine of \$250,000, or twice the gross gain or loss from the offense on each conspiracy count. He agreed as part of his plea agreement to forfeit the proceeds he obtained as a result of the offense.

CHU is scheduled to be sentenced by Judge RAKOFF on September 7, 2011, at

Mr. BHARARA praised the investigative work of the Federal Bureau of Investigation. He also thanked the U.S. Securities and Exchange Commission.

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.

Assistant U.S. Attorneys ANTONIA M. APPS, DAVID LEIBOWITZ and REED BRODSKY, and Special Assistant U.S. Attorney ANDREW MICHAELSON, are in charge of the prosecution.

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