



UNITED STATES ATTORNEY'S OFFICE
Southern District of New York



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FOR IMMEDIATE RELEASE
Thursday, October 13, 2011
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**HEDGE FUND FOUNDER RAJ RAJARATNAM SENTENCED
IN MANHATTAN FEDERAL COURT TO 11 YEARS IN PRISON FOR
INSIDER TRADING CRIMES**

Rajaratnam Receives Longest Prison Term In History For Insider Trading

PREET BHARARA, the United States Attorney for the Southern District of New York, announced that RAJ RAJARATNAM was sentenced today in Manhattan federal court to 11 years in prison stemming from his involvement in the largest hedge fund insider trading scheme in history. RAJARATNAM was the Managing Member of Galleon Management, LLC ("Galleon"), the General Partner of Galleon Management, L.P., and a portfolio manager for Galleon Technology Offshore, Ltd., and certain accounts of Galleon Diversified Fund, Ltd. He was convicted on May 11, 2011, of all 14 counts of conspiracy and securities fraud with which he was charged, following an eight-week jury trial. RAJARATNAM was sentenced today by U.S. District Judge RICHARD J. HOLWELL. It is the longest sentence to be imposed for insider trading in history.

Manhattan U.S. Attorney PREET BHARARA stated: "Two years ago, Raj Rajaratnam stood at the summit of Wall Street, commanding his own financial empire. Then he was arrested, tried, and convicted by a jury. Mr. Rajaratnam stood convicted 14 times over of felonies, his empire exposed as a web of fraud and corruption that entangled many. Today, Mr. Rajaratnam stood once more and faced justice which was meted out to him. It is a sad conclusion to what once seemed to be a glittering story. We can only hope that this case will be the wake-up call we said it should be when Mr. Rajaratnam was arrested. Privileged professionals do not get a free pass to pursue profit through corrupt means. The message is the same for everyone no matter who you are or how much money you have -- obey the law or face the fate of those who don't."

According to the Superseding Indictment filed in Manhattan federal court, other court documents, and statements made during related court proceedings:

From 2003 to March 2009, RAJARATNAM repeatedly traded on material, nonpublic information ("Inside Information") pertaining to upcoming earnings forecasts, mergers, acquisitions, and other business combinations. As the evidence at trial showed, the Inside Information was given as tips by insiders and others at hedge funds, public companies, and investor relations firms – including Goldman Sachs, Intel, International Business Machines

Corporation ("IBM"), McKinsey & Company ("McKinsey"), Moody's Investor Services, Inc., Market Street Partners, Akamai Technologies, Inc. ("Akamai"), and Polycom, Inc. ("Polycom"). Based on the Inside Information, RAJARATNAM executed trades in the stock of public companies, including Goldman Sachs, Clearwire, Akamai, AMD, Intel, Polycom, and PeopleSupport. The court found RAJARATNAM earned "well over \$50 million" from his illegal trading.

The evidence at trial included, among other things, recordings of wiretapped phone calls between RAJARATNAM and his various co-conspirators, including: ANIL KUMAR, a former senior partner and director at McKinsey; RAJIV GOEL, a former employee of Intel; ADAM SMITH, a former portfolio manager and analyst at Galleon; and DANIELLE CHIESI, a former employee of the hedge fund New Castle Partners. RAJARATNAM engaged in overlapping conspiracies to commit securities fraud with these individuals, as well as with MARK KURLAND, a co-founder at New Castle Partners, ROBERT MOFFAT, a former Senior Vice President at IBM, and ROOMY KHAN, who traded securities on her own behalf.

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In addition to his prison term, RAJARATNAM, 54, of New York, New York, was sentenced to two years of supervised release and ordered to pay forfeiture in the amount of \$53,816,434 and a \$10 million fine. RAJARATNAM will surrender to authorities on November 28, 2011.

During the sentencing proceeding, Judge HOLWELL said that insider trading "is an assault on our free markets," and added that "the crimes and scope of the crimes [committed by RAJARATNAM] reflect a virus in our business culture that needs to be eradicated."

CHIESI, KURLAND, MOFFAT, KUMAR, GOEL, SMITH and KHAN have all pled guilty to their involvement in the insider trading schemes. CHIESI was sentenced to 30 months in prison, KURLAND to 27 months in prison, and MOFFAT to six months in prison. KUMAR, GOEL, SMITH and KHAN are awaiting sentencing.

Mr. BHARARA praised the investigative work of the Federal Bureau of Investigation and thanked the U.S. Securities and Exchange Commission for its extraordinary assistance.

This case was brought in coordination with President Barack Obama's Financial Fraud Enforcement Task Force, on which U.S. Attorney 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 case is being handled by the Office's Securities and Commodities Fraud Task Force. Assistant U.S. Attorneys JONATHAN STREETER and REED BRODSKY, and Special Assistant U.S. Attorney ANDREW MICHAELSON are in charge of the prosecution.

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