

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

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UNITED STATES OF AMERICA

SEALED INDICTMENT

- v. -

16 Cr. _____

NAVNOOR KANG and
DEBORAH KELLEY,

Defendants.

16 CHM 837

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COUNT ONE

(Conspiracy to Commit Securities Fraud)

The Grand Jury charges:

Relevant Individuals and Entities

1. At all times relevant to this Indictment, the New York State Common Retirement Fund ("NYSCRF" or the "Fund") was a pension fund administered for the benefit of public employees of the State of New York. The third largest pension fund in the United States, the NYSCRF held approximately \$184 billion in assets in trust for a total of more than one million retirees and other beneficiaries. During fiscal year 2015, the NYSCRF paid out approximately \$10.9 billion in retirement benefits.

2. At all times relevant to this Indictment, the NYSCRF was administered by the New York State Comptroller, New York State's chief fiscal officer. The New York State Comptroller, the NYSCRF's sole trustee, appointed directors and investment officers to make investment decisions on behalf of the NYSCRF

and its members and beneficiaries. The directors and investment officers owed a fiduciary duty to make investment decisions in the best interests of the NYSCRF and its members and beneficiaries, without any conflict of interest and free of self-dealing.

3. From in or about January 2014 through in or about February 2016, NAVNOOR KANG, the defendant, served as Director of Fixed Income and Head of Portfolio Strategy for the NYSCRF. In that capacity, KANG was responsible for investing more than \$53 billion in fixed-income securities and was entrusted with discretion to manage those investments on behalf of the NYSCRF. KANG owed a fiduciary duty to the NYSCRF and its members and beneficiaries, and was required to make investment decisions in their best interests.

4. From in or about 2012 through in or about September 2015, DEBORAH KELLEY, the defendant, was Managing Director of Institutional Fixed Income Sales at a New York, New York-based broker-dealer ("Broker-Dealer-1").

5. From in or about 2013 through in or about 2016, Gregg Schonhorn was Vice President of Fixed Income Sales at a New York, New York-based broker-dealer ("Broker-Dealer-2").

6. DEBORAH KELLEY, the defendant, and Gregg Schonhorn were each responsible for executing fixed-income trades, including the purchase and sale of corporate and municipal

bonds, on behalf of their respective clients, including the NYSCRF. KELLEY and Schonhorn earned commissions based upon the fixed-income trades that they executed.

Overview of the Scheme

7. At all times relevant to this Indictment, NAVNOOR KANG, the defendant, occupied a managerial position of trust at the NYSCRF. KANG was directly responsible for managing billions of dollars in fixed-income investments on behalf of the NYSCRF and its members and beneficiaries. KANG reported to and had access to the NYSCRF's top officials, including the chief investment officer and the New York State Comptroller.

8. From in or about 2014 through in or about 2016, NAVNOOR KANG and DEBORAH KELLEY, the defendants, Gregg Schonhorn, and others known and unknown, participated in a scheme to defraud the NYSCRF and its members and beneficiaries, and to deprive the NYSCRF of its intangible right to KANG's honest services. The scheme involved, among other things, an agreement among KANG, KELLEY, Schonhorn, and others to pay KANG bribes, in the form of entertainment, travel, lavish meals, prostitutes, nightclub bottle service, narcotics, luxury gifts, and cash payments, among other things, in exchange for fixed-income business from the NYSCRF. Such bribes, which were strictly forbidden by the NYSCRF, were paid secretly and without

any disclosure to the NYSCRF and its members and beneficiaries concerning the conflicts of interests inherent therein.

9. In exchange for the bribes paid by DEBORAH KELLEY, the defendant, Gregg Schonhorn, and others, NAVNOOR KANG, the defendant, used his position as Director of Fixed Income and Head of Portfolio Strategy at the NYSCRF to promote the interests of KELLEY and Schonhorn, and their respective firms, Broker-Dealer-1 and Broker-Dealer-2. Among other things, KANG, in exchange for the bribes he received, agreed to steer fixed-income business to Broker-Dealer-1 and Broker-Dealer-2. In fact, KANG steered more than \$2 billion in fixed-income business to Broker-Dealer-1 and Broker-Dealer-2, from which KELLEY, Schonhorn, and their respective employers earned millions of dollars in commissions from the NYSCRF. In so doing, KANG, with the knowledge and approval of KELLEY and Schonhorn, breached his fiduciary duty to make investment decisions in the best interest of the NYSCRF and its members and beneficiaries, and free of conflict, and deprived the NYSCRF of its intangible right to KANG's honest services.

Applicable Statutes, Regulations, and Policies

10. In or about 2007, in response to a "pay-for-play" corruption scandal involving a former New York State Comptroller and his staff, a special inspector general was appointed to oversee the NYSCRF, and the NYSCRF instituted a written "Code of

Conduct." At all times relevant to this Indictment, the NYSCRF Code of Conduct "establishe[d] standards of conduct for the management of . . . the [NYSCRF]. These standards [were] intended to assure that the following principles appl[ied] to," among other things, "the conduct of the business . . . of the [NYSCRF], [and] the officers and employees of the Office of the State Comptroller with responsibility for matters relating to . . . the [NYSCRF]," including that (a) the NYSCRF "shall adhere to and be managed in accordance with the highest ethical, professional and conflict of interest standards," and (b) "actions on behalf of . . . the [NYSCRF] shall be for the sole benefit of the Retirement System's members, retirees and beneficiaries." The NYSCRF Code of Conduct strictly prohibited NYSCRF employees, including NAVNOOR KANG, the defendant, from "receiv[ing] any consideration from [a] party . . . in connection with a transaction involving the [NYSCRF]."

11. The NYSCRF Code of Conduct was consistent with parallel prohibitions in both New York's Public Officers Law and New York's Code of Rules and Regulations, which applied to NAVNOOR KANG, the defendant. New York Public Officers Law § 73(5)(a) provides, in pertinent part: "No . . . state officer or employee . . . shall, directly or indirectly . . . solicit, accept or receive any gift having more than a nominal value, whether in the form of money, service, loan, travel, lodging,

meals, refreshments, entertainment, discount, forbearance or promise, or in any other form, under circumstances in which it could reasonably be inferred that the gift was intended to influence him or her, or could reasonably be expected to influence him or her, in the performance of his or her official duties or was intended as a reward for any official action on his or her part. No person shall, directly or indirectly, offer or make any such gift to . . . any state officer or employee . . . under such circumstances." N.Y. Public Officers Law § 73(5)(a). The term "state officer or employee" is defined, in relevant part, as: "officers and employees of state departments, boards, bureaus, divisions, commissions, councils or other state agencies other than officers of such boards, commissions or councils who receive no compensation or are compensated on a per diem basis"; and "members or directors of public authorities, other than multi-state authorities, public benefit corporations and commissions at least one of whose members is appointed by the governor, who receive compensation other than on a per diem basis, and employees of such authorities, corporations and commissions." N.Y. Public Officers Law § 73(1)(g).

12. Title 19, New York Code of Rules and Regulations, Part 933 gives further effect to the statutory provisions contained in N.Y. Public Officers Law § 73. Part 933 provides, in pertinent part, that it is "presumptively impermissible" for a

New York State employee to receive any "gift" from an "interested source." 19 N.Y. C.R.R. § 933.3(a). Part 933 further provides, in pertinent part, that such a gift "is only permissible if, under the circumstances, all of the following criteria are met": (1) "it is not reasonable to infer that the gift was intended to influence [the New York State employee]; (2) "the gift could not reasonably be expected to influence the [New York State employee] in the performance of his or her official duties; and (3) "it is not reasonable to infer that the gift was intended as a reward for any official action on [the New York State employee's] part." 19 N.Y. C.R.R. § 933.3(a). The term "interested source" is defined to include "any person or entity who on his or her own behalf, or on behalf of an entity," "negotiates with, appears before in other than a ministerial matter, seeks to contract with or has contracts with, or does other business with . . . the State officer or employee, in his or her official capacity" or "the State agency with which the State officer or employee is employed or affiliated." 19 N.Y. C.R.R. § 933.2(1).

13. In or about 2014, NAVNOOR KANG, the defendant, was trained on these statutory prohibitions and compliance policies and signed a certification that he was aware of and would comply with the NYSCRF Code of Conduct and New York Public Officers Law, among other rules and regulations.

14. At all relevant times, Broker-Dealer-1 had in place a policy that restricted its employees, including DEBORAH KELLEY, the defendant, from paying for gifts or other benefits for clients (the "Broker-Dealer-1 Policy"). The Broker-Dealer-1 Policy expressly provided, in relevant part, that offering or receiving a gift or entertainment could create a conflict of interest and that "[g]ifts of anything of value and gratuities to anyone relating to the Firm's business are limited in aggregate to \$100 per year per recipient." The Broker-Dealer-1 Policy further required employees to abide by the policies and prohibitions of Broker-Dealer-1's clients and counterparties. The Broker-Dealer-1 Policy likewise provided: "[n]o bribes, kickbacks, or similar remuneration or consideration of any kind are to be given or offered to any individual, organization, government, political party, or other entity or representative thereof, for any reason whatsoever."

15. At all relevant times, Broker-Dealer-2 had in place a substantially similar policy.

16. From at least in or about 2014 through in or about 2016, DEBORAH KELLEY, the defendant, and Gregg Schonhorn each signed certifications that they were aware of their firms' respective compliance policies and their responsibility to comply with these policies.

The Scheme to Steer NYSCRF Fixed-Income Business
in Exchange for Secret Bribes

17. In or about February 2014, shortly after NAVNOOR KANG, the defendant, joined the NYSCRF, KANG advised Gregg Schonhorn that the NYSCRF did not allow KANG to receive any entertainment or benefits, and that Schonhorn could not disclose any entertainment with KANG on Broker-Dealer-2 expense reports. Nevertheless, beginning in early 2014, and continuing throughout the scheme, KANG began accepting what would total more than approximately \$100,000 in secret bribes from DEBORAH KELLEY, the defendant, Gregg Schonhorn, and others in exchange for steering fixed-income business to their respective brokerage firms. The brokerage firms ultimately executed a large volume of trades placed by KANG, the value of which exceeded approximately \$2 billion. KANG's trades resulted in the payment of millions of dollars in commissions to Broker-Dealer-1 and Broker-Dealer-2, of which Schonhorn and Kelley personally earned approximately 35 to 40 percent.

18. For example, in or about February 2014 and April 2014, Gregg Schonhorn took NAVNOOR KANG, the defendant, on weekend trips to Montreal in exchange for NYSCRF fixed-income business. On each trip, Schonhorn paid more than approximately \$10,000 for KANG's airfare, hotel, meals, nightclub bottle service, and cocaine, as well as for KANG's close associate, another NYSCRF

employee ("CC-1"), to attend and participate in certain of the outings. KANG did not disclose the trips or the benefits he received from Schonhorn, or the conflicts of interest inherent therein, to the NYSCRF.

19. By way of further example, in exchange for NYSCRF business, DEBORAH KELLEY, the defendant, paid for various expenses associated with a long-weekend trip that KELLEY and NAVNOOR KANG, the defendant, took in or about October 2014 to New Orleans, including for KANG's ticket to a Paul McCartney concert, tours, and KANG's meals. Notwithstanding that the trip violated the NYSCRF's and Broker-Dealer-1's policies, KELLEY attempted to expense costs associated with the trip to Broker-Dealer-1 and filed false expense reports at Broker-Dealer-1 omitting KANG's name. KANG did not disclose the trip, the benefits he received, or the conflicts of interest inherent therein, to the NYSCRF.

20. NAVNOOR KANG, the defendant, provided additional benefits to DEBORAH KELLEY, the defendant, Gregg Schonhorn, Broker-Dealer-1, and Broker-Dealer-2 in return for the bribes. At all relevant times, the NYSCRF had in place a formal process for approving broker-dealers to do business with the NYSCRF. At the beginning of the scheme, Broker-Dealer-1 and Broker-Dealer-2 were not on the approved list. For the purpose of circumventing this restriction, KANG orchestrated pass-through transactions

known as "step-out" trades to steer fixed-income trading business to Broker-Dealer-1 and Broker-Dealer-2. KANG arranged for Broker-Dealer-1 and Broker-Dealer-2 to broker trades for the NYSCRF through a NYSCRF-approved broker. In return, KANG arranged for the NYSCRF to pay a commission to the approved broker, which the approved broker shared with Broker-Dealer-1 and Broker-Dealer-2 without disclosure to the NYSCRF. At times, these "step-out" trades resulted in the NYSCRF paying more in commissions than it would have if it had traded directly with an approved broker, without the involvement of Broker-Dealer-1 and Broker-Dealer-2. In turn, KELLEY and Schonhorn pocketed a percentage of the commissions paid to their respective employers.

21. In or about November 2014, NAVNOOR KANG, the defendant, submitted a memorandum to his supervisor, the chief investment officer and deputy comptroller of the NYSCRF, recommending that Broker-Dealer-1 and Broker-Dealer-2, among other brokerage firms, be formally approved to do fixed-income business with the NYSCRF. In his memorandum, KANG represented that "[t]hese additional brokers will enable [NYSCRF] staff to address the immediate needs of access to additional liquidity, best execution, and more complete asset class coverage." KANG did not disclose that, by the time of this memorandum, KANG had

already received tens of thousands of dollars in secret bribes from DEBORAH KELLEY, the defendant, and Gregg Schonhorn.

22. In or about the Fall of 2014, as NAVNOOR KANG, the defendant, was arranging for Broker-Dealer-1 and Broker-Dealer-2 to receive formal approval to do business with the NYSCRF, the bribes that KANG extracted from Gregg Schonhorn escalated. Schonhorn spent thousands of dollars on KANG at strip clubs, on dinners at upscale New York restaurants, hotel reservations, bottle service at nightclubs, concerts, tickets to the U.S. Open tennis tournament, Broadway shows, and other events, and cocaine and crack cocaine. Schonhorn also handed KANG thousands of dollars in cash for KANG to pay for prostitutes, strippers, and KANG's personal expenses. Schonhorn and KANG coordinated KANG's receipt of these bribes through a smartphone application known as "WhatsApp," in an effort to keep their communications from being monitored by law enforcement.

23. In or about February 2015, in exchange for NYSCRF fixed-income business, DEBORAH KELLEY, the defendant, paid for NAVNOOR KANG, the defendant, to take a long-weekend ski trip to Park City, Utah. In violation of NYSCRF and Broker-Dealer-1's policies, KELLEY paid for, among other things, a hotel room, meals, cocktails, and ski lessons for both KANG and KANG's then-girlfriend ("Individual-1"). Notwithstanding that Broker-Dealer-1's policies prohibited such expenses, KELLEY again

attempted to expense costs associated with the trip to Broker-Dealer-1 and again filed false expense reports omitting KANG's name. KANG did not disclose the trip, the benefits he and Individual-1 had received from KELLEY, or the conflicts of interest inherent therein, to the NYSCRF.

24. In or about late 2015, NAVNOOR KANG, the defendant, told Gregg Schonhorn that KANG wanted a luxury wristwatch. In response to KANG's request, on or about November 19, 2015, Schonhorn took KANG to a luxury watch store on Madison Avenue in Manhattan and purchased a Panerai wristwatch for Kang for approximately \$17,420 using Schonhorn's personal credit card. This was not the first instance in which Schonhorn had purchased a wristwatch for KANG in exchange for business. In or about 2012, while KANG was working at a private investment firm ("Firm-1"), Schonhorn bought KANG a Rolex wristwatch for approximately \$8,000 in exchange for fixed-income business from Firm-1. KANG was ultimately terminated from Firm-1 for failing to comply with Firm-1's internal reporting requirements for the receipt of gifts and entertainment from counterparties. In seeking a job with the NYSCRF, KANG lied to the NYSCRF about his termination from Firm-1.

25. Following the Panerai wristwatch purchase, NAVNOOR KANG, the defendant, and Gregg Schonhorn agreed that Schonhorn would continue to pay bribes to KANG as long as KANG continued

to steer NYSCRF fixed-income business to Broker-Dealer-2 and Schonhorn continued making money. The commissions that Schonhorn earned from the NYSCRF business obtained through KANG more than offset the bribes Schonhorn paid KANG to secure the deal flow to Broker-Dealer-2.

26. As the bribes paid by Gregg Schonhorn to NAVNOOR KANG, the defendant, rapidly increased, so too did Broker-Dealer-2's fixed-income business with the NYSCRF. According to NYSCRF records, the value of the NYSCRF's domestic bond transactions with Broker-Dealer-2 skyrocketed from zero in the fiscal year ending March 31, 2013, to approximately \$1.5 million in the fiscal year ending March 31, 2014, to approximately \$858 million in the fiscal year ending March 31, 2015, and to approximately \$2.378 billion in the fiscal year ending March 31, 2016. Broker-Dealer-2 became the third largest broker-dealer with which the NYSCRF executed transactions in domestic bonds for the fiscal year ending March 31, 2016, having not even been on the approved list in the fiscal year ending March 31, 2013. As the NYSCRF's third largest broker-dealer in this asset class, Broker-Dealer-2 brokered approximately eight percent of the total value of the NYSCRF's domestic bond transactions - a figure greater than that of all but two of the major international banks and brokerage houses on the list. Similarly, the value of NYSCRF's domestic bond transactions with

Broker-Dealer-1 increased from zero in the fiscal year ending March 1, 2014 to approximately \$156 million in the fiscal year ending March 1, 2015, and to approximately \$179 million in the fiscal year ending March 1, 2016.

27. In exchange for the bribes that Gregg Schonhorn paid to NAVNOOR KANG, the defendant, KANG caused the NYSCRF to pay commissions of up to approximately \$1 million per month to Broker-Dealer-2 for brokering fixed-income transactions. At times, KANG used Broker-Dealer-2 to broker the purchase or sale of fixed-income securities when the NYSCRF had the ability to trade directly with a counterparty without the aid of a broker. In other instances, by steering trades directly to Broker-Dealer-2, KANG bought or sold fixed-income securities on behalf of the NYSCRF at prices that were less favorable to the NYSCRF and paid higher commissions than if KANG had canvassed the market more broadly, as his fiduciary duty required.

28. Notwithstanding the fiduciary duties that NAVNOOR KANG, the defendant, owed to the NYSCRF and its members and beneficiaries, at no time did KANG disclose to the NYSCRF any of the entertainment or other bribes that he received from either DEBORAH KELLEY, the defendant, or Gregg Schonhorn, or any other broker, or the conflicts of interest inherent therein, as KELLEY and Schonhorn well knew.

Statutory Allegations

29. From in or about 2014, up to and including in or about 2016, in the Southern District of New York and elsewhere, NAVNOOR KANG and DEBORAH KELLEY, the defendants, and others known and unknown, willfully and knowingly combined, conspired, confederated, and agreed together and with each other to commit an offense against the United States, to wit, securities fraud, in violation of Title 15, United States Code, Sections 78j(b) and 78ff, and Title 17, Code of Federal Regulations, Section 240.10b-5.

30. It was a part and object of the conspiracy that NAVNOOR KANG and DEBORAH KELLEY, the defendants, and others known and unknown, willfully and knowingly, directly and indirectly, by use of the means and instrumentalities of interstate commerce and of the mails, and of the facilities of national securities exchanges, in connection with the purchase and sale of securities, would and did use and employ manipulative and deceptive devices and contrivances in violation of Title 17, Code of Federal Regulations, Section 240.10b-5, by (a) employing devices, schemes, and artifices to defraud; (b) making untrue statements of material fact and omitting to state material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; and (c) engaging in acts, practices, and courses of business which operated and would

operate as a fraud and deceit upon persons, in violation of Title 15, United States Code, Sections 78j(b) and 78ff.

Overt Acts

31. In furtherance of the conspiracy and to effect its illegal object, NAVNOOR KANG and DEBORAH KELLEY, the defendants, committed the following overt acts, among others, in the Southern District of New York and elsewhere:

a. In or about February 2015, KELLEY paid for KANG's ski trip to Park City, Utah, which KANG did not disclose to the NYSCRF.

b. In or about November 2015, in New York, New York, KANG received a Panerai wristwatch that Schonhorn had purchased for KANG, and did not disclose the purchase to the NYSCRF.

(Title 18, United States Code, Section 371.)

COUNT TWO
(Securities Fraud)

The Grand Jury further charges:

32. The allegations contained in paragraphs 1 through 28 and 31 of this Indictment are repeated and realleged as if fully set forth herein.

33. From in or about 2014, up to and including in or about 2016, in the Southern District of New York and elsewhere, NAVNOOR KANG and DEBORAH KELLEY, the defendants, willfully and knowingly, directly and indirectly, by use of the means and

instrumentalities of interstate commerce and of the mails, and of the facilities of national securities exchanges, in connection with the purchase and sale of securities, used and employed manipulative and deceptive devices and contrivances in violation of Title 17, Code of Federal Regulations, Section 240.10b-5, by (a) employing devices, schemes, and artifices to defraud; (b) making untrue statements of material fact and omitting to state material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; and (c) engaging in acts, practices, and courses of business which operated and would operate as a fraud and deceit upon persons, to wit, KANG and KELLEY schemed to defraud the NYSCRF by, among other things, (i) providing NYSCRF fixed-income business in exchange for bribes, and (ii) failing to disclose the existence of those bribes or the conflicts of interest inherent therein to the NYSCRF, to which fiduciary duties were owed.

(Title 15, United States Code, Sections 78j(b) & 78ff;
Title 17, Code of Federal Regulations, Section 240.10b-5;
and Title 18, United States Code, Section 2.)

COUNT THREE

(Conspiracy to Commit Honest Services Wire Fraud)

The Grand Jury further charges:

34. The allegations contained in paragraphs 1 through 28 and 31 of this Indictment are repeated and realleged as if fully set forth herein.

35. From in or about 2014, up to and including in or about 2016, in the Southern District of New York and elsewhere, NAVNOOR KANG and DEBORAH KELLEY, the defendants, and others known and unknown, willfully and knowingly did combine, conspire, confederate, and agree together and with each other to commit honest services wire fraud, in violation of Title 18, United States Code, Sections 1343 and 1346.

36. It was a part and an object of the conspiracy that NAVNOOR KANG and DEBORAH KELLEY, the defendants, and others known and unknown, willfully and knowingly, having devised and intending to devise a scheme and artifice to defraud, and to deprive KANG's employer, the NYSCRF, of its intangible right to KANG's honest services, would and did transmit and cause to be transmitted by means of wire communication in interstate and foreign commerce, writings, signs, signals, pictures, and sounds for the purpose of executing such scheme and artifice, in violation of Title 18, United States Code, Sections 1343 and 1346, to wit, KANG, while serving as a NYSCRF director, received bribes from KELLEY and

Gregg Schonhorn in exchange for KANG's efforts to advance KELLEY's and Schonhorn's interests, including by facilitating transactions that enabled KELLEY's and Schonhorn's brokerage firms to obtain fixed-income business and commissions from the NYSCRF, which transactions used interstate wires.

(Title 18, United States Code, Section 1349.)

COUNT FOUR

(Honest Services Wire Fraud)

The Grand Jury further charges:

37. The allegations contained in paragraphs 1 through 28 and 31 of this Indictment are repeated and realleged as if fully set forth herein.

38. From in or about 2014, up to and including in or about 2016, in the Southern District of New York and elsewhere, NAVNOOR KANG and DEBORAH KELLEY, the defendants, willfully and knowingly, having devised and intending to devise a scheme and artifice to defraud, and to deprive KANG's employer of its intangible right to KANG's honest services, transmitted and caused to be transmitted by means of wire communication in interstate and foreign commerce, writings, signs, signals, pictures, and sounds for the purpose of executing such scheme and artifice, to wit, KANG, while serving as a NYSCRF director, received bribes from KELLEY and Gregg Schonhorn in exchange for KANG's efforts to advance KELLEY's and Schonhorn's interests,

including by facilitating transactions that enabled KELLEY's and Schonhorn's brokerage firms to obtain fixed-income business and commissions from the NYSCRF, which transactions used interstate wires.

(Title 18, United States Code, Sections 1343, 1346, and 2.)

COUNT FIVE

(Conspiracy to Obstruct Justice - the SEC Investigation)

The Grand Jury further charges:

39. The allegations contained in paragraphs 1 through 28 and 31 of this Indictment are repeated and realleged as if fully set forth herein.

40. In or about late 2015, the Securities and Exchange Commission ("SEC") opened an investigation into the entertainment and benefits that DEBORAH KELLEY, the defendant, had provided to NAVNOOR KANG, the defendant, and the SEC subpoenaed both KANG and KELLEY for their testimony. In advance of their testimony, KANG and KELLEY agreed to align their stories and testify falsely before the SEC in order to conceal their scheme to pay secret bribes in exchange for NYSCRF fixed-income business.

41. In or about late 2015 and early 2016, NAVNOOR KANG, and DEBORAH KELLEY, the defendants, each falsely testified under oath before the SEC about the Park City, Utah ski trip, among other things. In substance and in part, KELLEY falsely

testified that she had not paid for any part of KANG's and Individual-1's trip, with the exception of certain small expenses for which KANG had repaid her. KANG likewise falsely testified, in substance and in part, that he understood that Individual-1 had repaid KELLEY for any expenses that KELLEY had incurred on behalf of KANG and Individual-1.

42. Unbeknownst to the SEC, NAVNOOR KANG, the defendant, called Gregg Schonhorn in or about late 2015 and admitted that KANG was in trouble because the SEC had learned that DEBORAH KELLEY, the defendant, had paid for KANG's expenses during the Park City, Utah trip and had attempted to expense them to Broker-Dealer-1. KANG asked if Schonhorn knew anyone who had the ability to fabricate receipts to make it appear that KANG had paid for the trip himself. Thereafter, KANG instructed Schonhorn to call Individual-1, who had attended the trip with KANG, and tell Individual-1 to give a check to KELLEY to cover the costs of the trip to make it falsely appear that Individual-1 was supposed to pay for KANG's and Individual-1's expenses but had forgotten to do so. Individual-1 ultimately refused to comply with this request.

Statutory Allegations

43. From in or about 2015, up to and including in or about 2016, in the Southern District of New York and elsewhere, NAVNOOR KANG and DEBORAH KELLEY, the defendants, and others

known and unknown, knowingly combined, conspired, confederated, and agreed together and with each other to obstruct justice, in violation of Title 18, United States Code, Section 1512(c)(2).

44. It was a part and an object of the conspiracy that NAVNOOR KANG and DEBORAH KELLEY, the defendants, and others known and unknown, would and did corruptly obstruct, influence, and impede an official proceeding, and attempt to do so, in violation of Title 18, United States Code, Section 1512(c)(2).

(Title 18, United States Code, Section 1512(k).)

COUNT SIX

(Obstruction of Justice - the Grand Jury Investigation)

The Grand Jury further charges:

45. The allegations contained in paragraphs 1 through 28 and 31 of this Indictment are hereby repeated, realleged, and incorporated by reference as if fully set forth herein.

46. In or about 2016, a federal grand jury investigation in the Southern District of New York was opened. In or about June 2016, Gregg Schonhorn was served with a grand jury subpoena relating to an investigation of NAVNOOR KANG, the defendant, and Schonhorn subsequently told KANG about the subpoena.

47. In or about July 2016, Gregg Schonhorn began cooperating with the Government. In or about July and August 2016, NAVNOOR KANG, the defendant, participated in meetings consensually recorded by Schonhorn. During those meetings, KANG

instructed Schonhorn to testify falsely about certain dinners that Schonhorn had bought for KANG, tickets to the U.S. Open tennis tournament that Schonhorn had bought for KANG, and the circumstances surrounding Schonhorn's interaction with Individual-1 during the SEC investigation.

48. During one of the recorded meetings with Gregg Schonhorn, NAVNOOR KANG, the defendant, returned the Panerai wristwatch to Schonhorn. KANG instructed Schonhorn to attempt to remove KANG's name from the registration of the wristwatch to hide the fact that Schonhorn had purchased it for KANG. KANG further indicated that he had hidden relevant evidence in CC-1's house.

Statutory Allegations

49. In or about 2016, in the Southern District of New York and elsewhere, NAVNOOR KANG, the defendant, knowingly used intimidation, threatened, and corruptly persuaded another person, and attempted to do so, and engaged in misleading conduct toward another person, with intent to influence, delay, and prevent the testimony of that person in an official proceeding, and corruptly altered, destroyed, mutilated, and concealed records, documents, and other objects, and attempted to do so, with the intent to impair the objects' integrity and availability for use in an official proceeding, to wit, KANG attempted to conceal evidence and cause false testimony to be

given in a federal grand jury investigation in the Southern District of New York.

(Title 18, United States Code, Sections 1512(b)(1),
(c)(1), and 2.)

FORFEITURE ALLEGATION

50. As a result of committing one or more of the offenses alleged in Counts One through Six of this Indictment, NAVNOOR KANG and DEBORAH KELLEY, the defendants, shall forfeit to the United States, pursuant to Title 18, United States Code, Section 981(a)(1)(C) and Title 28, United States Code, Section 2461, any and all property, real or personal, that constitutes or is derived from proceeds traceable to the commission of the offenses alleged in Counts One through Six of this Indictment.

Substitute Assets Provision

51. If any of the above-described forfeitable property, as a result of any act or omission of NAVNOOR KANG and DEBORAH KELLEY, the defendants:

- a. cannot be located upon the exercise of due diligence;
- b. has been transferred or sold to, or deposited with, a third party;
- c. has been placed beyond the jurisdiction of the court;
- d. has been substantially diminished in value; or

e. has been commingled with other property which cannot be divided without difficulty;

it is the intent of the United States, pursuant to Title 21, United States Code, Section 853(p), and Title 28, United States Code Section 2461, to seek forfeiture of any other property of said defendants up to the value of the forfeitable property described above.

(Title 18, United States Code, Section 981(a)(1)(C);
Title 21, United States Code, Section 853(p);
Title 28, United States Code, Section 2461.)



GRAND JURY FOREPERSON

Preet Bharara

PREET BHARARA
United States Attorney

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

UNITED STATES OF AMERICA

- v. -

NAVNOOR KANG
and
DEBORAH KELLEY,

Defendants.

SEALED INDICTMENT

16 Cr. ____

(Title 15, United States Code, Sections
78j(b) and 78ff; Title 17, Code of
Federal Regulations, Section 240.10b-5;
Title 18, United States Code, Sections
371, 1343, 1346, 1349, 1512 and 2.)

PREET BHARARA

United States Attorney.

