

# Ponce de Leon: Confidential Instructions for Poppie Santoni, Director

Vol XCIII, No. 311

Monday, April 13, 2015

\$1.25

## Background

TheCaseSolutions.com



### Overview

- Privately owned
- Provided services such as Investments
- Responsible for more than \$7 billion in investor income.
- Founded in 1997
- Stole employees from firms
- Goldman Sachs, Needham & Co., and ING Barings
- Told investors that no employee would be personally trading or fund the investors

## Raj Rajaratnam

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- Born in Sri Lanka
- 1995 Needham & Co. hired as an analyst
- George Soros
- Obsessive about minimizing expenses
- Making employees stay in budget hotel rooms, and take midnight flights to and from meetings
- Employees would sit through garbage to gather information
- Rajaratnam developed an aggressive networking and note-taking research strategy
- Begun to push ethical limits when gathering information about companies

## Accusations of Insider Trading

At Galleon TheCaseSolutions.com

- During one meeting Raj hired a dwarf to act as an analyst, paid to serve "small cup" drinks
- Raj offered \$500K to anyone who would agree to be a "fixer"
- Kevin Linnert understood the assignment
- 2005 he paid over \$20 mil to settle a federal investigation into insider trading at Galleon
- Charged he didn't know it was illegal, the past year suffered \$200 mil in damages
- Rajaratnam had a deep network of opportunities, including employees at Goldman Sachs, Citicorp, Intel Corp., McKinsey & Co., and Applied Materials Inc.
- 2007 SEC lawsuit discovered a lot from Rajaratnam's network for long to "hold for guidance" before trading a stock
- The SEC recorded an investigation which led to discover several insider trading rings

"Oh, dude, we're f---. It just hit The Wall Street Journal."

## The Trial

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March 2011

- and Kumar
- Found guilty
- Given sentences for over \$1.75 mil
- Called Raj after a meeting
- Market Crashed and chaos in Wall Street

- 2009 Raj was arrested on 14 charges of securities and wire fraud and accused of giving over \$2.5 mil from insider tips
- Released on \$400 mil bond
- Immediately hired several top defense attorneys and public relations specialists
- 12 members of the Goldman Network pleaded guilty

## The Verdict

- 12 days of deliberation
- Sentenced guilty to 11 years of securities fraud and conspiracy
- Potential sentence of 105 years in prison
- "Pardon" 100 years
- Only sentenced to 11 years in prison
- Ordered to pay \$1.45 mil to the SEC in bond included in the order
- He profited from the insider tips close to \$1.25 mil and agreed to pay back
- As well as \$147,738 for "improper" interest
- He offered penalties in return to report \$2.5 mil
- The largest imposed against one person in an SEC insider case
- With an additional \$2.5 mil in charges
- Sent for \$12 mil in a separate civil insider trading lawsuit

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  - Employees would sift through garbage to gather information
- Rajaratnam developed an aggressive networking and note taking research strategy
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### Applications of Insider Trading

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# Accusations of Insider Trading

## At Galleon

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- During one meeting Raj hired a dwarf to act as an analyst hired to cover "small-cap" stocks
- Raj offered \$5,000 to anyone who'd agree to be shocked
  - Keryn Limmer volunteered and went unconscious
- 2005 he paid over \$20 mil to settle a federal investigation into fake tax shelter to hide \$52 mil
  - Claimed he didn't know it was illegal; the pair was awarded \$10 mil in damages

- Rajaratnam had a deep network or acquaintances, including employees at Goldman Sachs Group, Intel Corp., McKinsey & Co., and Applied Materials Inc.
- 2007 SEC lawyers discovered a text from Roomy Khan advising for Raj to "wait for guidance" before buying a stock
- The SEC recorded her conversation which led to discover several insider trading rings

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# The Trial

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March 2011

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Anil Kumar

- Pleaded guilty
- Gave information for over \$1.75 mil

Gupta

- called Raj after a meeting
- Market Closed and Galleon bought 175,000 shares

- 2009 Raj was arrested on 14 charges of securities and wire fraud and accused of gaining over \$63.8 mil from insider tips
- Released on a \$100 mil bond
  - Immediately hired several top defense attorneys and public relations specialists
- 19 members of the Galleon Network pleaded guilty

settle a federal investigation into fake tax shelter to hide \$52 mil

- Claimed he didn't know it was illegal; the pair was awarded \$10 mil in damages

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