Bloomberg Businessweek

The Insider's Guide To Insider Trading

Raj Rajaratnam, co-founder of Galleon, grabbed most of the headlines this week, but he's only one star in a galaxy of characters accused of insider trading. This guide to the case, based on Justice Dept. and SEC complaints, shows how information allegedly flowed between defendants and the firms where they worked at the time. The arrows represent just some of the tips that led to



Various tips

Robert Moffat

Senior

vice-president

Color indicates

Insider Tip on

Moffat's tipoffs about IBM

helped his friend Chiesi

New Castle and avoid

\$1.02 million in losses.

IBM

Sun Microsystems

Mark Kurland

New Castle

Senior

managing

director

earn \$715,000 for

Rajat Gupta

McKinsey, Managing director Director at Goldman Sachs and Procter & Gamble

The SEC has accused Gupta of repeatedly passing insider information to Rajaratnam, including tips about Goldman's earnings and Berkshire Hathaway's \$5 billion investment in the company.

THE GALLEON **NETWORK**

Rajaratnam and five others were arrested on Oct. 16, 2009. Here's a rundown of some key players in his ring.

Roomy Khan, among the first to plead guilty, helped the FBI secure a wiretap on Rajaratnam. Anil Kumar says the Galleon chief paid him \$1.75 million for confidential information on McKinsey clients. In exchange for tips,

Raiiv Goel let Raiaratnam trade on his behalf using nonpublic information, including a tip about Hilton's takeover, Adam Smith said his conspiracy with Rajaratnam ran from 2003 to 2009. Mark Kurland, who traded on illegal tips from Danielle Chiesi, was sentenced to 27 months in prison and had to forfeit \$900,000. Ali Hariri and Ali Far traded tips, but Far made hundreds of thousands while Hariri made only \$2,500. Deep Shah, declared a

fugitive in November 2009, was located in Mumbai

last March, but hasn't replied to the SEC's lawsuit.

KEY



Charged. no plea

Adam Smith

Galleon

Portfolio

manager

Rajiv Goel Treasury group managing director Intel



Raj Rajaratnam

Galleon Group, Co-founder Rajaratnam allegedly earned \$45 million on illegal tips.



Danielle Chiesi

New Castle Portfolio manager The former teenage beauty queen built sources at male dominated tech companies



Communications Vice-president Richard Choo-Beng

Ali Hariri

Atheros

Ali Far

Spherix Capital

Managing

partner

Deep Shah

Moody's

Analyst

Atheros

Spherix Capital partner

in 2009 and later recorded their phone conversation for the FBI. Shammara

Lee met Longoria

Hussain Market Street **Partners**

Roomy Khan

Intel and

Galleon

Thomas

Hardin

Trader

Lanexa Global

Samir Barai Barai Capital Founder

Don Ching

Trang Chu

Primary Global

Research

Consultant

Mark

Longoria

AMD Supply

R Consultant

Winifred Jiau Consultant

James M

PGR

Vice-president

for sales

Dell

consultant

Daniel Devore

Consultant

Supply

manage

SAC Capital Portfolio manager

Jason Pflaum

Barai Tech industry

Noah

SAC Capital

Portfolio

manager

THE EXPERT NETWORK **NETWORK**

Starting in November 2010, the Justice Dept. brought charges against persons related to Primary Global Research, alleging the "expert networking" firm dealt in insider tips. The ring allegedly includes

Samir Barai, founder of Barai Capital, who is said to have been born 96 percent deaf and to have taped conversations because of his impairment. Also implicated is Donald Longueuil, a hedge fund manager and former Olympic speed-skating hopeful, now famous for allegedly taking apart hard drives with pliers and depositing the pieces in garbage trucks around Manhattan.

Gautham Shankar Schottenfeld Trader

Schottenfeld trader Former Galleon employee According to SEC papers, Goffer was called "the Octopussy because his tentacles reached so many sources of inside information.

> Spectrum Trading

Craig Drimal Incremental

Capital

Ropes & Grav Lawver

Goldfarb Private practice

Arthur Cutillo Ropes & Gray

reportedly aided prosecutors by secretly recording conversations with Goffer and Michael Kimelman.

ZVI GOFFER'S

Goffer and other former

Galleon employees were

part of a second wave of

NETWORK

Michael Lighthouse Financial

Trader

government arrests in November 2009. Goffer allegedly received tips from Tom Hardin through Gautham Shankar, making \$329,000 off the Hilton takeover tip. Goffer, Arthur Cutillo, and Jason Goldfarb used disposable phones to pass information about Ropes & Gray clients.

After receiving a tip on the 3Com acquisition, Goffer broke his tippee's phone in half and bit the SIM card. Franz Tudor

Co-founder

Investigators called

Hardin-the link be-

source as "The

Goose," as in the

goose who lays

aolden eaas

tween the Galleon and

Goffer rings—"Tipper X."

Goffer referred to Hardin's

Franz

Tudor

Portfolio

manager

Schottenfeld Trader

Zvi Goffer

David Plate

Trader