UNITED STATES ATTORNEY'S OFFICE
Southern District of New York

U.S. ATTORNEY PREET BHARARA

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CONTACT: U.S. ATTORNEY'S OFFICE
Ellen Davis, Jerika Richardson
Carly Sullivan
(212) 637-2600

FBI
Tim Flannelly, Jim Margolin
(212) 384-2100

MANHATTAN U.S. ATTORNEY AND FBI ASSISTANT DIRECTOR-IN-CHARGE ANNOUNCE INSIDER TRADING CHARGES AGAINST FORMER CORPORATE CHAIRMAN AND DIRECTOR RAJAT K. GUPTA

Gupta Allegedly Gave Inside Information About The Earnings, Financial Performance, And Business Transactions Of Goldman Sachs And Procter & Gamble

NEW YORK – PREET BHARARA, the United States Attorney for the Southern District of New York, and JANICE K. FEDARCYK, the Assistant Director-in-Charge of the New York Office of the Federal Bureau of Investigation ("FBI"), announced today the unsealing of a six-count Indictment against RAJAT K. GUPTA, a former corporate chairman and member of the Boards of Directors of The Goldman Sachs Group, Inc. ("Goldman Sachs") and the Procter & Gamble Company ("P&G"), for engaging in an insider trading scheme with Raj Rajaratnam, the founder and former head of the Galleon Group.

Manhattan U.S. Attorney PREET BHARARA stated: "Rajat Gupta was entrusted by some of the premier institutions of American business to sit inside their boardrooms, among their executives and directors, and receive their confidential information so that he could give advice and counsel for the benefit of their shareholders. As alleged, he broke that trust and instead became the illegal eyes and ears in the boardroom for his friend and business associate, Raj Rajaratnam, who reaped enormous profits from Mr. Gupta's breach of duty. Today we allege that the corruption we have seen in the trading cubicles, investment firms, law firms, expert consulting firms, medical labs, and corporate suites also insinuated itself into the boardrooms of elite companies. "

FBI Assistant Director-in-Charge JANICE K. FEDARCYK stated: "Today's surrender is the latest step in an initiative launched by the FBI in 2007 targeting hedge fund insider trading. The conduct alleged is not an inadvertent slip of the tongue by Mr. Gupta. His eagerness to pass along inside information to Rajaratnam is nowhere more starkly evident than in the two instances where a total of thirty-nine seconds elapsed between his learning of crucial Goldman Sachs information and lavishing it on his good friend. That information (captured by the FBI) was conveyed by phone so quickly it could be termed instant messaging."

According to the Indictment unsealed today in Manhattan federal court:

During all relevant times, GUPTA and Rajaratnam maintained a personal and business relationship. Among other things, GUPTA invested money in at least two different Galleon funds and formed separate investment and private equity funds with Rajaratnam.

From 2008 through January 2009, GUPTA disclosed to Raj Rajaratnam material, nonpublic information (the "Inside Information") that GUPTA had learned in his capacity as a member of the Boards of Directors of Goldman Sachs and P&G with the understanding that Rajaratnam would use the Inside Information to purchase and sell securities.. Rajaratnam, in turn, caused the execution of transactions in the securities of Goldman Sachs and P&G on the basis of the Inside Information, and shared the Inside Information with others at Galleon, thereby earning illegal profits, and illegally avoiding losses, of millions of dollars. The Inside Information included confidential information about the companies' earnings and financial performance, as well as certain corporate transactions that were being undertaken by Goldman Sachs and P&G.

For example, in the late afternoon of September 23, 2008, shortly before the close of the market, GUPTA participated telephonically in a meeting of the Goldman Sachs Board. During that meeting, the Goldman Sachs Board agreed to accept a $5 billion investment by Berkshire Hathaway, a multi-national holding company. Approximately 16 seconds after GUPTA disconnected his phone from the Goldman Sachs Board call, at approximately 3:54 p.m., his assistant called Rajaratnam and shortly thereafter, connected GUPTA to the call. At approximately 3:58 p.m., just two minutes before the close of the market, Rajaratnam caused certain Galleon funds to purchase approximately 217,200 shares of Goldman Sachs common stock at a total cost of approximately $27 million.

Following the close of the market on September 23, 2008, Goldman Sachs publicly announced the investment by Berkshire Hathaway. The next morning, Goldman Sachs's stock opened for trading at a price that was more than $3.00 per share higher than the pre-announcement closing price on September 23, 2008. On September 24, 2008, Rajaratnam caused Galleon to sell the 217,200 Goldman Sachs shares that had been purchased at approximately 3:58 p.m. on September 23, 2008, generating an illegal profit of approximately $840,000.

On October 23, 2008, GUPTA participated by telephone in a meeting of the Goldman Sachs Board in which senior executives of Goldman Sachs updated the Board on significant developments at the company. As of October 23, 2008, Goldman Sachs's internal financial analyses showed that for the quarter ending November 28, 2008, the company had lost nearly $2 per share, which was substantially worse than the prevailing market expectations. That information was particularly significant because in the firm's history as a public company, it had never before lost money in any quarter. Goldman Sachs did not publicly disclose those negative interim financial results, and that information was confidential.

Approximately 23 seconds after GUPTA disconnected from the call with the Goldman Sachs Board on October 23, 2008, at approximately 4:49 p.m., he called Rajaratnam and spoke to him by telephone for approximately 13 minutes. During that call, GUPTA disclosed to Rajaratnam Inside Information concerning Goldman Sachs's negative interim earnings. The next morning, beginning at approximately 9:31 a.m., Rajaratnam caused certain Galleon Funds to sell their entire position in Goldman Sachs stock, thereby avoiding a loss of several million dollars. At approximately 12:08 p.m. that same day, Rajaratnam told another Galleon employee that he had heard the day before from someone on the Goldman Sachs Board that Goldman Sachs was losing $2 per share.

Additionally, beginning at approximately 9:00 a.m., on January 29, 2009, the day before P&G publicly announced its quarterly earnings, GUPTA participated by telephone, from Switzerland, in a meeting of the Audit Committee of the P&G Board. During that call, the Audit Committee discussed the next day's earnings release, a draft of which had previously been circulated to all members of the Committee, including GUPTA. That draft stated, among other things, that the company expected its organic sales - sales related to preexisting business segments - to grow 2-5% for the fiscal year. This compared negatively to the guidance that P&G had previously provided to the public.

At approximately 1:18 p.m. that same day, GUPTA called Rajaratnam from Switzerland and spoke to him for approximately eight minutes. During that call, GUPTA provided Inside Information to Rajaratnam concerning P&G's earnings release planned for the next day. Rajaratnam then told a portfolio manager at Galleon that he had heard from someone on the P&G Board certain information concerning P&G's organic sales growth. Beginning at approximately 2:52 p.m., on January 29, 2009, on the basis of the Inside Information that GUPTA had provided to Rajaratnam, certain Galleon funds sold short approximately 180,000 shares of P&G common stock.

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GUPTA, 62, of Westport, CT, surrendered to the Federal Bureau of Investigation and is expected to appear in Federal District Court later today.

GUPTA is charged with one count of conspiracy to commit securities fraud and five counts of securities fraud. He faces a maximum penalty of five years in prison on the conspiracy charge and 20 years in prison on each of the securities fraud charges. In addition, with respect to the conspiracy charge, GUPTA faces a maximum fine of $250,000 or twice the gross gain or loss derived from the crime. For each of the securities fraud charges, GUPTA faces a maximum fine of $5 million or twice the gross gain or loss derived from the crime.

Rajaratnam was convicted in a jury trial on May 11, 2011, of 14 counts of conspiracy and securities fraud. He was sentenced on October 13, 2011, to 11 years in prison, and ordered to pay forfeiture in the amount of $53,816,434, and a $10 million fine.

Mr. BHARARA praised the efforts of the FBI. He also thanked the SEC for its assistance in the investigation.

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.

Assistant U.S. Attorneys REED BRODSKY and RICHARD C. TARLOWE, and Special Assistant U.S. Attorney ANDREW Z. MICHAELSON are in charge of the prosecution.

The charges contained in the Indictment are merely accusations and the defendant is presumed innocent unless and until proven guilty.

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