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Rajaratnam's Former Colleagues Cooperate, Plead Guilty in Case

By Katherine Burton and Saijel Kishan - November 6, 2009 00:01 EST



Raj Rajaratnam, founder of the Galleon Group

Nov. 6 (Bloomberg) -- [Choo-Beng Lee](#) and [Raj Rajaratnam](#) were colleagues almost two decades ago at research firm Needham & Co. [Ali Far](#) worked at Rajaratnam's hedge-fund firm for at least four years. And when Lee and Far opened Spherix Capital LLC in 2007, Rajaratnam invested with them.

Now, Lee and Far are cooperating in the investigation that has ensnared themselves, Galleon Group LLC co-founder Rajaratnam and 17 others in the largest insider-trading case involving hedge funds. Lee, 53, and Far, 47, pleaded guilty along with three others, including [Roomy Khan](#), a former Galleon employee in the 1990s who is a key witness, prosecutors said yesterday.

"It seems like Lee and Far cooperated in exchange for giving up a bigger fish, whether that is Rajaratnam or someone else," said [Ross Intelisano](#), a lawyer at New York-based Rich & Intelisano LLP, who isn't representing anyone in the case.

The past connections among Rajaratnam, 52, Khan, 51, Lee and Far make up one piece of a growing web of defendants rounded up by prosecutors who used wiretaps and informants to build their case. Yesterday, the government charged 14 people, including trader [Zvi Goffer](#) and lawyer [Arthur Cutillo](#), with using material nonpublic information to make \$20 million trading on deals involving firms such as 3Com Corp., a Marlborough, Massachusetts-based maker of computer-networking equipment, and Dallas-based credit-card processor Alliance Data Systems Corp.

The arrests came almost three weeks after Rajaratnam was arrested along with five others for allegedly running an insider-trading ring that the [U.S. Securities and Exchange Commission](#) says netted \$33 million. They have all said they are innocent.

Market Street Link

Also pleading guilty were [Steven Fortuna](#), a managing director at S2 Capital Management LP in New York, and [Gautham Shankar](#), 35, a former trader at Schottenfeld Group LLC.

According to the complaint, Far and Lee's involvement came from trading on inside information allegedly provided by an employee at San Francisco-based Market Street Partners, a consulting firm that did investor relations work for Google Inc., the world's largest Internet search company. That person, who hasn't been charged, is Shammara Hussain, according to a person familiar with the matter. Hussain couldn't be located for comment.

Far and Lee also made trades based on inside information allegedly provided by [Ali Hariri](#), a vice president at semiconductor company Santa Clara, California-based [Atheros Communications Inc.](#) They made \$1.33 million in profit, according to the SEC. The criminal and civil complaints don't say they traded information directly with Rajaratnam.

Shielded From Charges

As part of their agreements with authorities, the government said Lee and Far won't be further prosecuted for any insider trading they may have committed at previous jobs, as long as they have told prosecutors of any such activity. Lawyers for the two men didn't return calls seeking comment.

Lee's agreement covers actions going back to 1999. Lee worked at Steven Cohen's SAC Capital Advisors LP from 1999 to 2004. That year he moved to New York-based Stratix Asset Management LP, a firm started by former SAC managers [Richard Grodin](#) and [Ian Goodman](#), which closed at the end of 2007. Lee then formed Spherix in San Jose, California, with Far. The firm closed in March 2009.

Far's agreement includes 2003 through 2007, when he worked for New York-based Galleon, and at Spherix.

[Jonathan Gasthalter](#), a spokesman for Stamford, Connecticut-based SAC, declined to comment.

Fortuna

Fortuna, 47, a resident of Westwood, Massachusetts, pleaded guilty to trading on inside information on Akamai Technologies Inc. of Cambridge, Massachusetts, the largest supplier of software and services to make Web sites load

faster, and chipmaker Advanced Micro Devices Inc. of Sunnyvale, California. S2 Capital had more than \$125 million in assets. Fortuna worked at Stratix for about a year and a half in 2006 and 2007, according to data compiled by Bloomberg.

Fortuna's agreement says he won't be further prosecuted for any insider trading from 2008 to 2009, as long as he's disclosed such activity to prosecutors.

"Fortuna has pled guilty and accepts responsibility for his conduct," his lawyer, Richard Schaeffer, said in a telephone interview. Fortuna made \$2.4 million on Akamai trades.

Shankar, 35, who lives in New Canaan, Connecticut, acted as a tipster to two other people who were arrested yesterday: [Goffer](#) and [David Plate](#), who were working with him at New York- based Schottenfeld.

Shankar's lawyer, Frederick Sosinsky, didn't return a call seeking a comment. Shankar made \$284,000 trading on tips on McLean, Virginia-based Hilton Hotels Corp., Google in Mountain, View, California, and Kronos Inc., a Chelmsford, Massachusetts- based software developer.

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