



UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
NEW YORK REGIONAL OFFICE  
3 WORLD FINANCIAL CENTER  
ROOM 400  
NEW YORK, NEW YORK 10281-1022

March 29, 2010

**Via Facsimile**

The Honorable Jed S. Rakoff  
United States District Judge  
U.S. District Court for the Southern District of New York  
500 Pearl Street  
New York, NY 10007-1312

Re: *SEC v. Galleon Management, LP et al.*; 09 Civ. 8811 (JSR)

Dear Judge Rakoff:

Plaintiff Securities and Exchange Commission hereby encloses a copy of a Consent and Proposed Final Judgment as to defendant Schottenfeld Group LLC ("Schottenfeld Group"), in which Schottenfeld Group agrees to the entry of an order: (1) permanently enjoining it from violations of Section 17(a) of the Securities Act of 1933 (the "Securities Act"), Section 10(b) of the Securities Exchange Act of 1934 (the "Exchange Act"), and Rule 10b-5 promulgated thereunder; (2) ordering it to pay disgorgement in the amount of \$460,475.28, plus prejudgment interest thereon in the amount of \$72,202.72; and (3) ordering it to pay a civil penalty in the amount of \$230,237.64 pursuant to Section 21(d)(3) and Section 21A of the Exchange Act, and Section 20(d) of the Securities Act.<sup>1</sup> An electronic copy also was submitted by email to the Judgment Clerk of the Court. Counsel for the Commission submits this letter to further explain the figures reached in settlement.

The parties to the settlement agree that the disgorgement figure represents Schottenfeld Group's share of the total trading profits/losses avoided as a result of the securities law violations alleged in the Second Amended Complaint. The prejudgment interest figure represents prejudgment interest on the disgorgement amount at the rate of interest used by the Internal Revenue Service for the underpayment of federal income tax as set forth in 26 U.S.C. § 6621(a)(2). In addition to disgorgement, the proposed settlement assesses a civil penalty on defendant Schottenfeld Group, representing fifty percent of the disgorgement amount, a discount from a one-time penalty, in exchange for its agreement to cooperate with the Commission.

<sup>1</sup> Separately, the Commission and Schottenfeld Group are submitting a proposed settlement in the Commission's action titled, *SEC v. Cutillo et al.*, No. 1:09-cv-9208, pending before Judge Richard J. Sullivan.

The Honorable Jed S. Rakoff

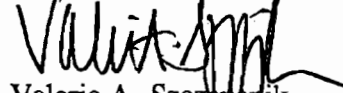
3/29/2010

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In addition, Schottenfeld Group has agreed to implement enhanced policies and procedures to prevent securities law violations such as those alleged in the Second Amended Complaint. It will retain an independent consultant to review its policies and procedures within 1 year, and to report its findings to the Commission.

The Commission respectfully requests that Your Honor enter the proposed judgment with respect to defendant Schottenfeld Group, which would resolve all issues in this action with respect to that defendant. Counsel for defendant Schottenfeld Group, Kenneth Breen, Esq., has informed the undersigned that he agrees with the contents of this letter and joins in the Commission's request. The parties remain available for a conference should the Court have any further questions.

Very truly yours,



Valerie A. Szczepanik  
Senior Trial Counsel

enclosures (as stated)  
cc: Kenneth Breen, Esq.

**UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF NEW YORK**

**SECURITIES AND EXCHANGE COMMISSION,**

**Plaintiff,**

**-against-**

**GALLEON MANAGEMENT, LP,  
RAJ RAJARATNAM,  
RAJIV GOEL,  
ANIL KUMAR,  
DANIELLE CHIESI,  
MARK KURLAND,  
ROBERT MOFFAT,  
NEW CASTLE FUNDS LLC,  
ROOMY KHAN,  
DEEP SHAH,  
ALI HARIRI,  
ZVI GOFFER,  
DAVID PLATE,  
GAUTHAM SHANKAR,  
SCHOTTENFELD GROUP LLC,  
STEVEN FORTUNA,  
and  
S2 CAPITAL MANAGEMENT, LP,**

**Defendants.**

09 Civ. 8811 (JSR)

ECF CASE

**CONSENT OF DEFENDANT SCHOTTENFELD GROUP LLC**

1. Defendant Schottenfeld Group LLC ("Defendant") acknowledges having been served with the Second Amended Complaint ("Complaint") in this action, enters a general appearance, and admits the Court's jurisdiction over Defendant and over the subject matter of this action.

2. Defendant hereby consents to the entry of the final Judgment in the form attached hereto (the "Final Judgment") and incorporated by reference herein, which, among other things:

(a) permanently restrains and enjoins Defendant from violations of Section 17(a) of the Securities Act of 1933 (the "Securities Act") [15 U.S.C. § 77q(a)], Section 10(b) of the Securities Exchange Act of 1934 (the "Exchange Act") [15 U.S.C. § 78j(b)], and Rule 10b-5 promulgated thereunder [17 C.F.R. § 240.10b-5];

(b) orders Defendant to pay disgorgement in the amount of \$460,475.28, plus prejudgment interest thereon in the amount of \$72,202.72, for a total of \$532,678; and

(c) orders Defendant to pay a civil penalty in the amount of \$230,237.64 under Section 21(d)(3) and Section 21A of the Exchange Act [15 U.S.C. §§ 78u(d)(3), 78u-1], and Section 20(d) of the Securities Act [15 U.S.C. § 77t(d)].

3. Defendant agrees that it shall not seek or accept, directly or indirectly, reimbursement or indemnification from any source, including but not limited to payment made pursuant to any insurance policy, with regard to any civil penalty amounts that Defendant pays pursuant to the Final Judgment, regardless of whether such penalty amounts or any part thereof are added to a distribution fund or otherwise used for the benefit of investors. Defendant further agrees that it shall not claim, assert, or apply for a tax deduction or tax credit with regard to any federal, state, or local tax for any penalty amounts that Defendant pays pursuant to the Final Judgment, regardless of whether such penalty amounts or any part thereof are added to a distribution fund or otherwise used for the benefit of investors.

4. Defendant acknowledges that the Court is not imposing a civil penalty in excess of \$230,237.64 based on Defendant's agreement to cooperate in a Commission investigation and related enforcement action. Defendant consents that if at any time following the entry of the Final Judgment the Commission obtains information indicating that Defendant knowingly provided materially false or misleading information or materials to the Commission or in a

related proceeding, the Commission may, at its sole discretion and without prior notice to the Defendant, petition the Court for an order requiring Defendant to pay an additional civil penalty. In connection with the Commission's motion for an additional civil penalty, and at any hearing held on such a motion: (a) Defendant will be precluded from arguing that it did not violate the federal securities laws as alleged in the Complaint; (b) Defendant may not challenge the validity of the Judgment, this Consent, or any related Undertakings; (c) the allegations of the Complaint, solely for the purposes of such motion, shall be accepted as and deemed true by the Court; and (d) the Court may determine the issues raised in the motion on the basis of affidavits, declarations, excerpts of sworn deposition or investigative testimony, and documentary evidence without regard to the standards for summary judgment contained in Rule 56(c) of the Federal Rules of Civil Procedure. Under these circumstances, the parties may take discovery, including discovery from appropriate non-parties.

5. Defendant waives the entry of findings of fact and conclusions of law pursuant to Rule 52 of the Federal Rules of Civil Procedure.

6. Defendant waives the right, if any, to a jury trial and to appeal from the entry of the Final Judgment.

7. Defendant enters into this Consent voluntarily and represents that no threats, offers, promises, or inducements of any kind have been made by the Commission or any member, officer, employee, agent, or representative of the Commission to induce Defendant to enter into this Consent.

8. Defendant agrees that this Consent shall be incorporated into the Final Judgment with the same force and effect as if fully set forth therein.

9. Defendant will not oppose the enforcement of the Final Judgment on the ground, if any exists, that it fails to comply with Rule 65(d) of the Federal Rules of Civil Procedure, and hereby waives any objection based thereon.

10. Defendant waives service of the Final Judgment and agrees that entry of the Final Judgment by the Court and filing with the Clerk of the Court will constitute notice to Defendant of its terms and conditions. Defendant further agrees to provide counsel for the Commission, within thirty days after the Final Judgment is filed with the Clerk of the Court, with an affidavit or declaration stating that Defendant has received and read a copy of the Final Judgment.

11. Consistent with 17 C.F.R. 202.5(f), this Consent resolves only the claims asserted against Defendant in this civil proceeding. Defendant acknowledges that no promise or representation has been made by the Commission or any member, officer, employee, agent, or representative of the Commission with regard to any criminal liability that may have arisen or may arise from the facts underlying this action or immunity from any such criminal liability. Defendant waives any claim of Double Jeopardy based upon the settlement of this proceeding, including the imposition of any remedy or civil penalty herein. Defendant further acknowledges that the Court's entry of a permanent injunction may have collateral consequences under federal or state law and the rules and regulations of self-regulatory organizations, licensing boards, and other regulatory organizations. Such collateral consequences include, but are not limited to, a statutory disqualification with respect to membership or participation in, or association with a member of, a self-regulatory organization. This statutory disqualification has consequences that are separate from any sanction imposed in an administrative proceeding. In addition, in any disciplinary proceeding before the Commission based on the entry of the injunction in this

action, Defendant understands that it shall not be permitted to contest the factual allegations of the complaint in this action.

12. Defendant understands and agrees to comply with the Commission's policy "not to permit a defendant or respondent to consent to a judgment or order that imposes a sanction while denying the allegation in the complaint or order for proceedings." 17 C.F.R. § 202.5. In compliance with this policy, Defendant agrees: (i) not to take any action or to make or permit to be made any public statement denying, directly or indirectly, any allegation in the complaint or creating the impression that the complaint is without factual basis; and (ii) that upon the filing of this Consent, Defendant hereby withdraws any papers filed in this action to the extent that they deny any allegation in the complaint. If Defendant breaches this agreement, the Commission may petition the Court to vacate the Final Judgment and restore this action to its active docket. Nothing in this paragraph affects Defendant's: (i) testimonial obligations; or (ii) right to take legal or factual positions in litigation or other legal proceedings in which the Commission is not a party.

13. Defendant hereby waives any rights under the Equal Access to Justice Act, the Small Business Regulatory Enforcement Fairness Act of 1996, or any other provision of law to seek from the United States, or any agency, or any official of the United States acting in his or her official capacity, directly or indirectly, reimbursement of attorney's fees or other fees, expenses, or costs expended by Defendant to defend against this action. For these purposes, Defendant agrees that Defendant is not the prevailing party in this action since the parties have reached a good faith settlement.

14. In connection with this action and any related judicial or administrative proceeding or investigation commenced by the Commission or to which the Commission is a

party, Defendant (i) agrees to require its employees and agents to appear and be interviewed by Commission staff at such times and places as the staff requests upon reasonable notice; (ii) will accept service by mail or facsimile transmission of notices or subpoenas issued by the Commission for documents or testimony at depositions, hearings, or trials, or in connection with any related investigation by Commission staff; (iii) appoints Defendant's undersigned attorney as agent to receive service of such notices and subpoenas; (iv) with respect to such notices and subpoenas, waives the territorial limits on service contained in Rule 45 of the Federal Rules of Civil Procedure and any applicable local rules, provided that the party requesting the testimony reimburses Defendant's travel, lodging, and subsistence expenses at the then-prevailing U.S. Government per diem rates; and (v) consents to personal jurisdiction over Defendant in any United States District Court for purposes of enforcing any such subpoena.

15. Defendant represents that it has retained outside counsel who has conducted an internal compliance review and made recommendations to the Defendant to enhance the Defendant's controls and compliance mechanisms. These recommendations include new policies and procedures, training, and a surveillance program designed to prevent securities law violations such as those alleged in the complaint. Defendant represents that it is in the process of implementing these recommendations and undertakes that within six (6) months of the date of the entry of the Final Judgment these recommendations will be fully implemented.

16. Defendant agrees to retain an independent consultant ("IC"), not unacceptable to the staff of the Commission to:

(a) within 1 year of the date of the entry of the Final Judgment, conduct a review of Defendant's controls and compliance mechanisms to ensure that Defendant has fully implemented the recommendations that resulted from its internal compliance review and to



ensure that Defendant's controls and compliance mechanisms are reasonably effective to prevent the misuse of material nonpublic information by Defendant or any person associated with Defendant; and

(b) submit to Defendant and the staff of the Commission, within 30 days of the completion of its review, a report describing the scope and results of the IC's review.

17. Defendant agrees that it shall not have the authority to terminate the IC without the prior written approval of the staff of the Commission. Defendant shall compensate the IC, and persons engaged to assist the IC, for services rendered, at their reasonable and customary rates. Defendants shall not be in, and shall not have, an attorney-client relationship with the IC and shall not seek to invoke the attorney-client privilege or any other doctrine or privilege to prevent the IC from transmitting any information, reports, or documents to the staff of the Commission.

18. Defendant shall require the IC to enter into an agreement that provides that for the period of engagement and for a period of two years from completion of the engagement, the IC shall not enter into any employment, consultant, attorney-client, auditing or other professional relationship with the Defendant, or any of its present or former affiliates, directors, officers, employees, or agents acting in their capacity. The agreement will also provide that the IC will require that any firm with which he/she is affiliated or of which he/she is a member, and any person engaged to assist the IC in performance of his/her duties under this Order shall not, without prior written consent of the staff of the Commission, enter into any employment, consultant, attorney-client, auditing or other professional relationship with the Defendant, or any of its present or former affiliates, directors, officers, employees, or agents acting in their capacity as such for the period of the engagement and for a period of two years after the engagement.

19. Defendant agrees that the Commission may present the Final Judgment to the Court for signature and entry without further notice.


20. Defendant agrees that this Court shall retain jurisdiction over this matter for the purpose of enforcing the terms of the Final Judgment.

Dated: 3-2-10

  
Schottenfeld Group LLC


By: Richard Schottenfeld  
Chairman of Schottenfeld Group LLC  
800 Third Avenue  
New York, NY 10022  
(212) 300-2200

On March 2<sup>nd</sup>, 2010, Richard Schottenfeld, a person known to me, personally appeared before me and acknowledged executing the foregoing Consent with full authority to do so on behalf of Schottenfeld Group LLC, as its Chairman.

  
Notary Public  
Commission expires:

Approved as to form:

SALVATORE A. RISI  
NOTARY PUBLIC, STATE OF NEW YORK  
No.01R16214701  
QUALIFIED IN NASSAU COUNTY  
COMMISSION EXPIRES DECEMBER 14, 2013

  
Kenneth Breen, Esq.  
Paul, Hastings, Janofsky & Walker LLP  
75 East 55<sup>th</sup> Street  
New York, NY 10022  
(212) 318-6344  
Attorney for Defendant

**UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF NEW YORK**

**SECURITIES AND EXCHANGE COMMISSION,**

**Plaintiff,**

**-against-**

**GALLEON MANAGEMENT, LP,  
RAJ RAJARATNAM,  
RAJIV GOEL,  
ANIL KUMAR,  
DANIELLE CHIESI,  
MARK KURLAND,  
ROBERT MOFFAT,  
NEW CASTLE FUNDS LLC,  
ROOMY KHAN,  
DEEP SHAH,  
ALI HARIRI,  
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DAVID PLATE,  
GAUTHAM SHANKAR,  
SCHOTTENFELD GROUP LLC,  
STEVEN FORTUNA,  
and  
S2 CAPITAL MANAGEMENT, LP,**

**Defendants.**

09 Civ. 8811 (JSR)

ECF CASE

**FINAL JUDGMENT AS TO DEFENDANT SCHOTTENFELD GROUP LLC**

The Securities and Exchange Commission having filed a Second Amended Complaint ("Complaint") and Defendant Schottenfeld Group LLC having entered a general appearance; consented to the Court's jurisdiction over Defendant and the subject matter of this action; consented to entry of this Final Judgment; waived findings of fact and conclusions of law; and waived any right to appeal from this Final Judgment.

## I.

IT IS HEREBY ORDERED, ADJUDGED, AND DECREED that Defendant and Defendant's agents, servants, employees, attorneys, and all persons in active concert or participation with them who receive actual notice of this Final Judgment by personal service or otherwise are permanently restrained and enjoined from violating, directly or indirectly, Section 10(b) of the Securities Exchange Act of 1934 (the "Exchange Act") [15 U.S.C. § 78j(b)] and Rule 10b-5 promulgated thereunder [17 C.F.R. § 240.10b-5], by using any means or instrumentality of interstate commerce, or of the mails, or of any facility of any national securities exchange, in connection with the purchase or sale of any security:

- (a) to employ any device, scheme, or artifice to defraud;
- (b) to make any untrue statement of a material fact or to omit to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; or
- (c) to engage in any act, practice, or course of business which operates or would operate as a fraud or deceit upon any person.

## II.

IT IS HEREBY FURTHER ORDERED, ADJUDGED, AND DECREED that Defendant and Defendant's agents, servants, employees, attorneys, and all persons in active concert or participation with them who receive actual notice of this Final Judgment by personal service or otherwise are permanently restrained and enjoined from violating Section 17(a) of the Securities Act of 1933 (the "Securities Act") [15 U.S.C. § 77q(a)] in the offer or sale of any security by the use of any means or instruments of transportation or communication in interstate commerce or

by use of the mails, directly or indirectly:

- (a) to employ any device, scheme, or artifice to defraud;
- (b) to obtain money or property by means of any untrue statement of a material fact or any omission of a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading;  
or
- (c) to engage in any transaction, practice, or course of business which operates or would operate as a fraud or deceit upon the purchaser.

### III.

IT IS FURTHER ORDERED, ADJUDGED, AND DECREED that Defendant is liable for disgorgement of \$460,475.28, representing profits gained and/or losses avoided as a result of the conduct alleged in the Complaint, together with prejudgment interest thereon in the amount of \$72,202.72, and a civil penalty in the amount of \$230,237.64 under Section 21(d)(3) and Section 21A of the Exchange Act [15 U.S.C. §§ 78u(d)(3), 78u-1], and Section 20(d) of the Securities Act [15 U.S.C. § 77t(d)]. Defendant shall satisfy this obligation by paying \$762,915.64 within 14 days after entry of this Final Judgment by certified check, bank cashier's check, or United States postal money order payable to the Securities and Exchange Commission. The payment shall be delivered or mailed to the Office of Financial Management, Securities and Exchange Commission, Operations Center, 6432 General Green Way, Mail Stop 0-3, Alexandria, Virginia 22312, and shall be accompanied by a letter identifying Schottenfeld Group LLC as a defendant in this action; setting forth the title and civil action number of this action and the name of this Court; and specifying that payment is made pursuant to this Final Judgment, a

copy of which letter and money order or check shall be sent to counsel for the Commission of record in this action. Defendant shall pay post-judgment interest on any delinquent amounts pursuant to 28 USC § 1961. The Commission shall remit the funds paid pursuant to this paragraph to the United States Treasury.

#### IV.

IT IS HEREBY FURTHER ORDERED, ADJUDGED, AND DECREED that based on Defendant's agreement to cooperate in a Commission investigation and related enforcement action, the Court is not ordering Defendant to pay a civil penalty in excess of \$230,237.64. If at any time following the entry of the Final Judgment the Commission obtains information indicating that Defendant knowingly provided materially false or misleading information or materials to the Commission or in a related proceeding, the Commission may, at its sole discretion and without prior notice to the Defendant, petition the Court for an order requiring Defendant to pay an additional civil penalty. In connection with any such petition and at any hearing held on such a motion: (a) Defendant will be precluded from arguing that it did not violate the federal securities laws as alleged in the Complaint; (b) Defendant may not challenge the validity of the Judgment, this Consent, or any related Undertakings; (c) the allegations of the Complaint, solely for the purposes of such motion, shall be accepted as and deemed true by the Court; and (d) the Court may determine the issues raised in the motion on the basis of affidavits, declarations, excerpts of sworn deposition or investigative testimony, and documentary evidence without regard to the standards for summary judgment contained in Rule 56(c) of the Federal Rules of Civil Procedure. Under these circumstances, the parties may take discovery, including discovery from appropriate non-parties.

V.

IT IS FURTHER ORDERED, ADJUDGED, AND DECREED that the Consent is incorporated herein with the same force and effect as if fully set forth herein, and that Defendant shall comply with all of the undertakings and agreements set forth therein.

VI.

IT IS FURTHER ORDERED, ADJUDGED, AND DECREED that this Court shall retain jurisdiction of this matter for the purposes of enforcing the terms of this Final Judgment.

VII.

There being no just reason for delay, pursuant to Rule 54(b) of the Federal Rules of Civil Procedure, the Clerk is ordered to enter this Final Judgment forthwith and without further notice.

Dated: \_\_\_\_\_

\_\_\_\_\_  
UNITED STATES DISTRICT JUDGE