

**SECURITIES AND EXCHANGE COMMISSION
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**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**

STATEMENT OF DAMAGES

1. My name is Timothy Casey, and I am employed as an attorney in the New York Regional Office of Plaintiff Securities and Exchange Commission (the "Commission").

2. I respectfully submit this Statement of Damages in support of Plaintiff's Motion for Default Judgment as to Defendant Deep Shah ("Shah") filed concurrently herewith.

3. I am familiar with the facts and proceedings in this action and the allegations in the Commission's Second Amended Complaint. I make this declaration based upon information and belief. The sources of my information and the bases of my beliefs are documents and records obtained by me or other members of the Commission staff (the "Staff"), various analyses undertaken by the Staff, prior pleadings and the docket maintained by the Court in this matter.

4. Annexed to this declaration, please find true and correct duplicates of the following documents, which are generally documents obtained by the Commission during its investigation and litigation, analyses prepared by a Staff accountant at my direction, and relevant court filings:

Exhibit Designation Motion for Default Judgment	Description
Ex. 1	Signed Clerk's Certificate dated May 23, 2011, noting the default of Defendant Shah
Ex. 2	Second Amended Complaint and Certificate of Service
Ex. 3	Proposed form of Judgment as to Defendant Deep Shah
Ex. 4	Calculations of Ill-Gotten Gains
Ex. 4(a)	Khan Hilton Trading Profits
Ex. 4(b)	Galleon Technology Hilton Trading Profits
Ex. 4(c)	Goel Hilton Trading Profits
Ex. 4(d)	Shankar Hilton Trading Profits
Ex. 4(e)	Goffer Hilton Trading Profits
Ex. 4(f)	Lanexa (Hardin) Hilton Trading Profits
Ex. 4(g)	Schottenfeld Hilton Trading Profits
Ex. 4(h)	Khan Kronos Trading Profits
Ex. 4(i)	Shankar Kronos Trading Profits
Ex. 4(j)	Goffer Kronos Trading Profits
Ex. 4(k)	Lanexa (Hardin) Kronos Trading Profits
Ex. 4(l)	Plate Kronos Trading Profits
Ex. 4(m)	Schottenfeld Kronos Trading Profits
Ex. 5	Total Ill-Gotten Gains By Shah and Shah's Downstream Tippees Plus Prejudgment Interest

Ex. 6	Prejudgment Interest Calculations at IRS Underpayment Rate from August 1, 2007 to May 31, 2011 (Hilton) and from April 1, 2007 to May 31, 2011 (Kronos)
Ex. 7	Excerpts of Defendant Roomy Khan's ("Khan's") brokerage records relating to purchases and sales of Hilton Hotels Corp. ("Hilton's") securities
Ex. 8	Excerpts of Galleon Tech Funds' brokerage records relating to purchases and sales of Hilton securities
Ex. 9	Excerpts of Defendant Rajiv Goel's ("Goel's") brokerage records relating to purchases and sales of Hilton securities
Ex. 10	Excerpts of Lanexa Global Management's ("Lanexa's") brokerage records relating to purchases and sales of Hilton securities by Thomas Hardin ("Hardin")
Ex. 11	Excerpts of Defendant Schottenfeld Group LLC's ("Schottenfeld Group's") brokerage records relating to purchases and sales of Hilton securities by Gautham Shankar ("Shankar")
Ex. 12	Excerpts of Schottenfeld Group's brokerage records relating to purchases and sales of Hilton securities by Zvi Goffer ("Goffer")
Ex. 13	Excerpts of Schottenfeld Group's brokerage records and bluesheets relating to purchases and sales of Hilton securities by various traders
Ex. 14	Excerpts of Khan's brokerage records relating to purchases and sales of Kronos Inc. ("Kronos") securities
Ex. 15	Excerpts of bluesheets relating to Schottenfeld Group's purchases and sales of Kronos securities by Shankar
Ex. 16	Excerpts of bluesheets relating to Schottenfeld Group's purchases and sales of Kronos securities by Goffer
Ex. 17	Excerpts of bluesheets relating to Schottenfeld Group's purchases and sales of Kronos securities by David Plate ("Plate")
Ex. 18	Excerpts of bluesheets relating to Schottenfeld Group's purchases and sales of Kronos securities by various traders
Ex. 19	Excerpts of Lanexa's brokerage records relating to purchases and sales of Kronos securities by Hardin
Ex. 20	April 7, 2010 letter to the Court regarding Consent and Proposed Final Judgment as to Defendant Schottenfeld Group
Ex. 21	Military Status Report Regarding Deep Shah

5. The Commission commenced this action on October 16, 2009, with the filing of its Complaint and the issuance of Summonses. The Commission filed an Amended Complaint on November 5, 2009. The Commission filed a Second Amended Complaint ("Complaint") on January 29, 2010.

6. The nature of the claims in this action are violations of the federal securities laws involving widespread and repeated insider trading.

7. This Court has jurisdiction over this action pursuant to Sections 20(b), 20(d), and 22(a) of the Securities Act of 1933 [15 U.S.C. §§ 77t(b), 77t(d), and 77v(a)] and Sections 21(d), 21(e), and 27 of the Securities Exchange Act of 1934 [15 U.S.C. §§ 78u(d), 78u(e), and 78aa].

8. On March 22, 2010, copies of the Complaint and a Second Amended Summons (“Summons”) issued to Shah were served on Shah by the Department of Legal Affairs of the Ministry of Law and Justice of India. Proof of such service was filed with the Court on March 4, 2011. Dkt. Nos. 189, 190.

9. Communications in furtherance of the insider trading alleged in the Complaint were made from, to, or within the Southern District of New York. Ex. 2 ¶5.

10. Certain of the trades alleged in the Complaint occurred within the Southern District of New York. Ex. 4.

11. During the relevant time period, Shah worked at the New York offices of Moody’s. Ex. 2 ¶15.

12. Upon information and belief, Shah is a person who is not an infant or an incompetent or in the military. Exhibit 21 is a military status report from the Department of Defense Manpower Data Center.

13. Notice has been provided to Shah of Plaintiff’s Motion for Default Judgment as to Defendant Deep Shah by sending a copy of this Motion and all documents filed in support thereof by U.P.S. international courier service to Shah’s last address known to the Commission.

14. As set forth in greater detail in the Complaint and in Plaintiff’s Motion for Default Judgment as to Defendant Deep Shah, the Commission seeks disgorgement of all of Shah’s ill-

gotten gains, including, but not limited to the trading profits of all individuals who traded based on material, non-public information conveyed, directly or indirectly, to them by Shah, but not including amounts actually recovered in this action by the Commission.

15. Shah's ill-gotten gains, and those of his downstream tippees, with respect to the July 3, 2007 announcement (the "Hilton Announcement") regarding Hilton are described below:

a. On or about July 2, 2007, Shah communicated specific information to Defendant Roomy Kahn regarding the Blackstone Group's ("Blackstone") purchase of Hilton for \$47.50 per share, a premium of \$11.45 per share over Hilton's July 3, 2007 closing price. Shah told Khan that he had learned this information through a communication that representatives of his employer, Moody's, had received from Hilton management. Ex. 2 ¶57.

b. Khan paid Shah \$10,000 for this information. Id. ¶62.

c. On July 2, 2007, after communicating with Shah, Khan purchased 550 August \$35 Hilton call option contracts at \$1.07 per contract. Id. ¶57; Ex. 7.

d. On July 3, 2007, Khan purchased 100 July \$35 Hilton call option contracts at \$.90 per contract. Ex. 2 ¶57; Ex. 7.

e. On July 2, 2007, Khan told Raj Rajaratnam ("Rajaratnam") that Hilton was going to be purchased by Blackstone at a price somewhere in the mid-\$40 per share range in a deal to be announced on July 3, 2007. Ex. 2 ¶58.

f. On July 2, 2007, after communicating with Khan, Rajaratnam and Galleon Management, LP ("Galleon"), purchased 400,000 shares of Hilton for the Galleon Tech Funds. Ex. 2 ¶59; Ex. 8.

g. On July 3, 2007, Rajaratnam, or someone acting on his behalf, purchased 7,500 Hilton shares on behalf of Defendant Goel in Goel's brokerage account. Ex. 2 ¶64; Ex. 9.

h. Khan conveyed the information she learned from Shah to Hardin,¹ who then told Defendant Shankar. Hardin traded based on this information, purchasing 25,000 shares of Hilton in advance of the Hilton Announcement in a Lanexa account. Ex. 2 ¶65; Ex. 10.

i. Shankar passed this information on to colleagues at Defendant Schottenfeld Group, including Defendant Goffer. Ex. 2 ¶66.

j. Shankar purchased approximately 25,000 Hilton shares leading up to the Hilton Announcement. Ex. 2 ¶65; Ex. 11.

k. On July 3, 2007, Goffer purchased 5,000 Hilton shares and 510 call option contracts in a Schottenfeld Group account he managed. Ex. 2 ¶66; Ex. 12.

l. On July 3, 2007, 83,100 Hilton shares and 773 Hilton call option contracts were purchased in various Schottenfeld Group accounts. Ex. 2 ¶67; Ex. 13.

m. On the evening of July 3, 2007, the Hilton transaction was announced publicly. Ex. 2 ¶60.

n. On July 5, 2007, the first trading day after the Hilton Announcement, Hilton's share price increased to \$45.39. Id.

¹ Hardin is identified in the Complaint as "Tipper X." The Commission sued Hardin in separate district court actions, SEC v. Hardin, 10 Civ. 8600 (JSR), and SEC v. Lanexa Mgmt., LLC, et al., 10 Civ. 8599 (RJS).

o. On July 5, 2007 Khan sold all of the Hilton call option contracts she had purchased on July 2 and 3, 2007 for a profit of \$630,721.27. Ex. 2 ¶61; Ex. 7. The Staff calculated Khan's profits by subtracting the purchase price of the 650 call option contracts from the sale proceeds on July 5, 2007. Ex. 4(a).

p. The Galleon Tech Funds sold their Hilton shares after the Hilton Announcement for a profit of \$4,093,141.86. Ex. 2 ¶63; Ex. 8. The Staff calculated the profits in this account by subtracting the purchase price of the shares purchased, starting on July 3, 2007, from the sale proceeds of the shares sold, starting on July 5, 2007. Ex. 4(b).

q. On July 6, 2007, the 7,500 shares purchased in Goel's account were sold for a profit of \$78,620.85. Ex. 2 ¶64; Ex. 9. The Staff calculated the profits from trading in this account by subtracting the purchase price of the shares purchased on July 3, 2007 from the proceeds of the shares sold on July 6, 2007. Ex. 4(c).

r. After the Hilton Announcement, Shankar sold the Hilton shares he had purchased for a profit of \$156,958.81. Ex. 2 ¶65; Ex. 11. The Staff calculated the profits from this trading by subtracting the purchase price of shares purchased on July 3, 2007 from the proceeds of the shares sold on July 5, 2007. Ex. 4(d).

s. After the Hilton Announcement, Goffer sold the Hilton shares he purchased for profits of \$328,745.06. Ex. 2 ¶66; Ex. 12. The Staff calculated the profits from this trading by subtracting the purchase price of shares and call option contracts purchased on July 3, 2007 from the proceeds of shares and call option contracts sold on July 5, 2007. Ex. 4(e).

t. The 83,100 Hilton shares and 773 Hilton call option contracts purchased in various Schottenfeld Group accounts were sold after the Hilton Announcement for profits of \$1,282,408.60. Ex. 2 ¶67; Ex. 13. The Staff calculated the profits from this trading by subtracting the purchase price of the total net position in various Schottenfeld Group accounts on July 3, 2007 from the proceeds of the sale of these securities after the Hilton Announcement. Ex. 4(g).

u. The profits from Hardin's purchases of Hilton shares totaled \$260,265.09. Ex. 10. The Staff calculated the profits from this trading by subtracting the purchase price of the shares purchased in advance of the Hilton announcement from the proceeds of the sale of these shares after the announcement. Ex. 4(f).

v. On April 19, 2010, this Court issued an Order approving a settlement with Defendant Schottenfeld Group. Pursuant to this Order, Schottenfeld Group has paid, with respect to trading in the securities of Hilton, \$242,851.94, exclusive of prejudgment interest. The disgorgement of ill-gotten gains sought by the Commission as to Shah takes this payment into account. Ex. 20.

w. The trading profits of Shah's downstream tippees, with respect to the Hilton Announcement, minus those already paid back by Schottenfeld Group, total \$6,588,009.60. Ex. 5.

16. Shah's ill-gotten gains, and those of his downstream tippees, with respect to the March 23, 2007 announcement (the "Kronos Announcement") regarding Kronos are described below:

- a. As a result of communications in the middle of March, 2007 with a friend who had inside information regarding the Kronos Announcement, Shah learned that Kronos was about to be acquired. Shah provided this information to Khan. Ex. 2 ¶82.
- b. Khan arranged for Hardin to pay Shah \$10,000 for this information. Id. ¶85.
- c. On or about March 15, 2007, Khan conveyed the information she had learned about Kronos to Hardin. Id. ¶86.
- d. On March 16, 2007, after learning about the Kronos acquisition from Shah, Khan purchased 35 April \$40 Kronos call option contracts. Ex. 2 ¶83; Ex. 14.
- e. Hardin traded profitably based on this information, purchasing 50,000 shares in a Lanexa account, and he also passed it on to Shankar, who passed the information on to Goffer and Defendant Plate. Ex. 2 ¶¶87-90; Ex. 19.
- f. On March 19 and 20, 2007, Shankar purchased 7,500 Kronos shares in a Schottenfeld Group account that Shankar managed. Ex. 2 ¶88; Ex. 15.
- g. Goffer began to purchase Kronos shares on March 19, 2007 in a Schottenfeld Group account he managed. He held 19,000 shares as of March 23, 2007. Ex. 2 ¶89; Ex. 16.
- h. Plate began purchasing Kronos shares on March 20, 2007 in a Schottenfeld Group account he managed. He held 10,000 Kronos shares as of March 23, 2007. Ex. 2 ¶91; Ex. 17.
- i. A total of 14 Schottenfeld Group accounts purchased shares in Kronos prior to March 23, 2007. Ex. 2 ¶92; Ex. 18.

j. On March 23, 2007, Kronos announced that it would be acquired by Hellman & Friedman. After this announcement, Kronos's share price rose to \$53.11 at the market close on March 23, 2007. Ex. 2 ¶¶81, 84.

k. After the Kronos Announcement, Khan sold all of the call option contracts she had purchased for a profit of \$37,265.26. Ex. ¶84; Ex. 14. The Staff calculated Khan's profits by subtracting the purchase price of the 35 call option contracts from the sale proceeds on March 29, 2007. Ex. 4(h).

l. After the Kronos Announcement, Shankar sold all of the shares he had purchased for a profit of over \$78,853. Ex. 2 ¶88; Ex. 15. The Staff calculated profits from this trading by subtracting the purchase price of the shares purchased, beginning on March 19, 2007, from the sale proceeds of the shares sold on March 23, 2007. Ex. 4(i).

m. After the Kronos Announcement, Goffer sold the shares he had purchased for a profit of approximately \$202,673.60. Ex. 2 ¶89; Ex. 16. The Staff calculated profits from this trading by subtracting the purchase price of the shares purchased, beginning on March 19, 2007, from the sale proceeds of the shares sold, starting on March 26, 2007. Ex. 4(j).

n. After the Kronos Announcement, Plate sold the shares he had purchased for profits of \$87,752.73. Ex. 2 ¶91; Ex. 17. The Staff calculated profits from this trading by subtracting the purchase price of the shares purchased, beginning on March 20, 2007, from the sale proceeds of the shares sold on March 26, 2007. Ex. 4(l).

o. The Kronos shares purchased in the 14 Schottenfeld Group accounts referenced above were sold for profits of \$832,170.79. Ex. 2 ¶92; Ex. 18. The Staff calculated profits from this trading by subtracting the purchase price of the shares from

the proceeds of the shares sold. The Staff calculates a total pre-announcement profit of \$203,035.06, and a total post-announcement profit of \$629,135.73. Ex. 4(m).

p. After the Kronos announcement, Hardin sold the shares he had purchased for a profit of \$547,163.65. Ex. 19. The Staff calculated profits from this trading by subtracting the purchase price of the shares purchased, beginning on March 16, 2007, from the proceeds of the shares sold after the announcement. Ex. 4(k).

q. On April 19, 2010, this Court issued an Order approving a settlement with Defendant Schottenfeld Group. Pursuant to this Order, Schottenfeld Group has paid, with respect to trading in the securities of Kronos, \$192,423.67, exclusive of prejudgment interest. The disgorgement of ill-gotten gains sought by the Commission as to Shah takes this payment into account. Ex. 20.

r. The trading profits of Shah's downstream tippees, with respect to the Kronos Announcement, minus those already paid back by Schottenfeld Group, total \$1,593,455.36. Ex. 5.

17. To summarize, the Staff calculated that the total ill-gotten gains by Shah and Shah's downstream tippees amount to \$8,201,464.96. This amount is comprised of the downstream tippees' Hilton trading profits (minus disgorgement actually recovered), plus the downstream tippees' Kronos Trading profits (minus disgorgement actually recovered), plus cash payments to Shah. Ex. 5. The Staff further calculated prejudgment interest on the total ill-gotten gains 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). Ex. 6. Prejudgment interest was calculated from the first day of the month following each announcement (August 1, 2007 for the Hilton announcement, and April 1, 2007 for the Kronos announcement) through May 31, 2011. Id. The

prejudgment interest total is \$1,755,865.09. Ex. 5 The Staff calculated that the total disgorgement and prejudgment interest attributable to Shah is \$9,957,330.05. Ex. 5.

I state under penalty of perjury that the foregoing is true and correct.

Dated: New York, New York
June 23, 2011

Respectfully submitted,

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