

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

SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

v.

**RAJ RAJARATNAM, and
GALLEON MANAGEMENT, LP,**

Defendants.

09 Civ. 8811 (JSR)

ECF CASE

**PLAINTIFF'S RESPONSE TO DEFENDANT RAJ RAJARATNAM'S
COUNTERSTATEMENT OF UNDISPUTED MATERIAL FACTS**

Pursuant to Local Civil Rule 56.1, plaintiff Securities and Exchange Commission (the "Commission") respectfully submits this Response to Defendant Raj Rajaratnam's Counterstatement of Undisputed Material Facts.

FACT AND EVIDENTIARY SUPPORT	SEC RESPONSE
1. On October 13, 2011, Judge Holwell sentenced Mr. Rajaratnam to 11 years in prison, ordered him to forfeit \$53,816,434 in profits in connection with insider trading in a number of stocks, including the ones at issue in this case and in the SEC's Motion, and imposed a criminal fine of \$10 million. (Opp. Ex. A, Ex. 1 at 28-29.)	Undisputed.
2. The FIFO method used to calculate the SEC's disgorgement number does not attempt to remove other market factors that affect the stock price and are unrelated to the release of the material information at issue for a particular stock. (Opp. Ex. B. at ¶¶ 12-14.)	Undisputed.

3. Agent Barnacle “didn’t do an event study” and “didn’t perform any analysis” to exclude price movements not attributable to the inside information. (Opp. Ex. A, Ex. 13 at 3551.)	Undisputed.
4. Agent Barnacle treated “the entire increase in the stock price, upon the announcement of the news, as insider trading gain.” (Opp. Ex. A, Ex. 13 at 3551.)	Undisputed.
5. Professor Jarrell performed event studies for all the transactions at issue in the SEC’s Motion for Partial Summary Judgment. (Opp. Ex. B at ¶ 23.)	Undisputed.
6. Event studies use market modeling to determine what portion of a stock’s price change on a particular day was the result of material information and what portion was the result of normal market factors. (Opp. Ex. B at ¶¶ 17-22.)	Undisputed.
7. Market modeling allows changes due to normal market factors to be removed, leaving only changes attributable to the release of the material information. (Opp. Ex. B at ¶¶ 17-22.)	Undisputed.
8. Event studies performed in this case result in total profit for the trading in Akamai, ATI, Clearwire, Intel (Q1 2007), and PeopleSupport of \$22,300,551. (Opp. Ex. B at ¶ 24.)	Undisputed.
9. Mr. Rajaratnam’s personal gains came from two sources: management fees and returns on personal investments in Galleon funds. (Opp. Ex. C at ¶ 6.)	Undisputed.
10. As a portfolio manager and a partner in Galleon Management, L.P., Mr. Rajaratnam was entitled to a portion of the fees Galleon investors paid for fund management. (Opp. Ex. C at ¶ 6.)	Undisputed.
11. Mr. Rajaratnam also had direct investments, as well as an indirect interest through his deferred compensation, in both the Diversified and Technology Funds. (Opp. Ex. C at ¶ 6.)	Undisputed.
12. Mr. Rajaratnam’s direct and indirect interest in Galleon entitled him to a pro rata portion of any profits those funds generated. (Opp. Ex. C at ¶ 6.)	Undisputed.

13. Mr. Rajaratnam's share of Galleon Management's management fees was 65% from 2005 to 2007, and 50% in 2008. (Opp. Ex. C at ¶¶ 11-12.)	Undisputed.
14. Mr. Rajaratnam realized a personal pre-tax gain from management fees attributable to the five stocks at issue equal to \$2,582,808. (Opp. Ex. C at ¶ 13.)	Undisputed.
15. The return on Mr. Rajaratnam's direct and indirect investments in the funds attributable to the stocks at issue during the relevant periods was \$2,142,342. (Opp. Ex. C at ¶ 17.)	Undisputed.
16. Mr. Rajaratnam's total personal gain from insider trading in the five stocks at issue was \$4,725,150. (Opp. Ex. C at ¶ 18.)	Undisputed.
17. The SEC's Director of Enforcement submitted a letter to Judge Holwell in advance of Mr. Rajaratnam's criminal sentencing. (Opp. Ex. A, Ex. 3.)	Undisputed.

Dated: New York, New York
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