

10 MAG 2823

Approved:

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Before: HONORABLE HENRY B. PITMAN
United States Magistrate Judge
Southern District of New York

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UNITED STATES OF AMERICA	: <u>SEALED COMPLAINT</u>
	:
-v.-	: Violations of Title 18,
	: United States Code,
WALTER SHIMOON,	: Sections 371, 1343,
a/k/a "Walter S.,"	: and 1349.
MARK ANTHONY LONGORIA,	:
a/k/a "Tony Longoria,"	:
a/k/a "Tony L.,"	:
MANOSHA KARUNATILAKA,	:
a/k/a "Manosha K.," and	:
JAMES FLEISHMAN,	:
	:
Defendants.	:
	:
-----X	

SOUTHERN DISTRICT OF NEW YORK, ss.:

JAMES HINKLE, being duly sworn, deposes and says that he is a Special Agent of the Federal Bureau of Investigation ("FBI"), and charges as follows:

COUNT ONE

(Conspiracy to Commit Securities Fraud)

1. From at least in or about 2008 through in or about early 2010, in the Southern District of New York and elsewhere, WALTER SHIMOON, a/k/a "Walter S.," MARK ANTHONY LONGORIA, a/k/a "Tony Longoria," a/k/a "Tony L.," MANOSHA KARUNATILAKA, a/k/a "Manosha K.," and JAMES FLEISHMAN, the

defendants, and others known and unknown, unlawfully, willfully, and knowingly combined, conspired, confederated, and agreed together and with each other to commit offenses against the United States of America, to wit, securities fraud, in violation of Title 15, United States Code, Section 78j(b) and 78ff, and Title 17, Code of Federal Regulations, Sections 240.10b-5 and 240.10b5-2.

2. It was a part and an object of the conspiracy that WALTER SHIMOON, a/k/a "Walter S.," MARK ANTHONY LONGORIA, a/k/a "Tony Longoria," a/k/a "Tony L.," MANOSHA KARUNATILAKA, a/k/a "Manosha K.," and JAMES FLEISHMAN, the defendants, and others known and unknown, unlawfully, willfully, and knowingly, directly and indirectly, by the use of the means and instrumentalities of interstate commerce, and of the mails, and of facilities of national securities exchanges, would and did use and employ, in connection with the purchase and sale of securities, manipulative and deceptive devices and contrivances in violation of Title 17, Code of Federal Regulations, Section 240.10b-5 by: (a) employing devices, schemes and artifices to defraud; (b) making untrue statements of material fact and omitting to state material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; and (c) engaging in acts, practices and courses of business which operated and would operate as a fraud and deceit upon persons, all in violation of Title 15, United States Code, Sections 78j(b) and 78ff, and Title 17, Code of Federal Regulations, Sections 240.10b-5 and 240.10b5-2.

Overt Acts

3. In furtherance of the conspiracy and to effect the illegal object thereof, the following overt acts, among others, were committed in the Southern District of New York and elsewhere:

a. Between in or about late 2008 and in or about January 2009, a co-manager of a hedge fund ("CW-1") directed a prime broker located in New York, New York, to send soft dollar payments to an expert networking firm for access to its consultant network and services.

b. On or about June 12, 2009, JAMES FLEISHMAN, the defendant, had a telephone conversation with a cooperating

witness ("CW-2"), during which FLEISHMAN discussed certain consultants available for CW-2 to speak with about information pertaining to publicly traded companies that were listed on the NASDAQ.

c. On or about July 21, 2009, MARK ANTHONY LONGORIA, a/k/a "Tony Longoria," a/k/a "Tony L.," the defendant, had a telephone conversation with CW-1, during which LONGORIA provided material nonpublic information about a company that employed him and whose shares traded on the New York Stock Exchange ("NYSE"), in violation of his fiduciary and other duties of trust and confidence to his employer.

d. On or about October 8, 2009, MANOSHA KARUNATILAKA, a/k/a "Manosha K.," the defendant, had a telephone conversation with a technology analyst at a financial institution located in New York, New York, during which KARUNATILAKA provided material nonpublic information about the company that employed him and the company's customers, in violation of his fiduciary and other duties of trust and confidence to his employer.

e. On or about October 15, 2009, WALTER SHIMOON, a/k/a "Walter S.," the defendant, had a telephone conversation with an analyst of a hedge fund with an office in New York, New York, during which SHIMOON provided material nonpublic information about a company that employed him, in violation of his fiduciary and other duties of trust and confidence to his employer.

f. From in or about May 2008, through in or about October 2009, an analyst ("CW-5") at a hedge fund located in New York, New York, spoke by telephone with LONGORIA on multiple occasions, during which conversations LONGORIA provided material nonpublic information about a company that employed him and whose shares were listed for trading on the NYSE, in violation of his fiduciary and other duties of trust and confidence to his employer.

(Title 18, United States Code, Section 371.)

COUNT TWO

(Conspiracy to Commit Wire Fraud)

4. From at least in or about 2008 through at least in or about early 2010, in the Southern District of New York and elsewhere, WALTER SHIMOON, MARK ANTHONY LONGORIA, a/k/a "Tony Longoria," a/k/a "Tony L.," MANOSHA KARUNATILAKA, a/k/a "Manosha K.," and JAMES FLEISHMAN, the defendants, and others known and unknown, unlawfully, willfully, and knowingly combined, conspired, confederated, and agreed together and with each other to commit offenses against the United States of America, to wit, wire fraud, in violation of Title 18, United States Code, Section 1343.

5. It was a part and an object of the conspiracy that WALTER SHIMOON, MARK ANTHONY LONGORIA, a/k/a "Tony Longoria," a/k/a "Tony L.," MANOSHA KARUNATILAKA, a/k/a "Manosha K.," and JAMES FLEISHMAN, the defendants, unlawfully, willfully, and knowingly, having devised and intending to devise a scheme and artifice to defraud, and for obtaining money and property by means of false and fraudulent pretenses, representations, and promises, would and did transmit and cause to be transmitted by means of wire communication in interstate commerce writings, signs, signals, pictures and sounds for the purpose of executing such scheme and artifice, in violation of Title 18, United States Code, Section 1343.

6. In furtherance of the conspiracy and to effect the illegal object thereof, WALTER SHIMOON, MARK ANTHONY LONGORIA, a/k/a "Tony Longoria," a/k/a "Tony L.," MANOSHA KARUNATILAKA, a/k/a "Manosha K.," and JAMES FLEISHMAN, the defendants, and others known and unknown, committed the same overt acts set forth above in Count One of this Complaint, among others, in the Southern District of New York and elsewhere.

(Title 18, United States Code, Section 1349.)

COUNT THREE

(Wire Fraud)

7. On or about October 15, 2009, in the Southern District of New York and elsewhere, WALTER SHIMOON, a/k/a "Walter S.," the defendant, unlawfully, willfully and knowingly, having devised and intending to devise a scheme and artifice to defraud, and to obtain money and property by means of false and

fraudulent pretenses, representations, and promises, did transmit and caused to be transmitted by means of wire communication in interstate commerce, a writing, sign, signal, picture and sound for the purpose of executing such scheme and artifice, to wit, on or about October 15, 2009, SHIMOON provided confidential information, including material nonpublic information, related to Flextronics International, Ltd., and Apple, Inc., including sales forecast information and new product features for Apple's forthcoming "iPhone" cellular telephone, in violation of his fiduciary and other duties of trust and confidence, to a hedge fund analyst located in New York, New York.

(Title 18, United States Code, Sections 1343 and 2.)

COUNT FOUR
(Wire Fraud)

8. From in or about January 2009 through in or about July 2009, in the Southern District of New York and elsewhere, MARK ANTHONY LONGORIA, a/k/a "Tony Longoria," a/k/a "Tony L.," the defendant, unlawfully, willfully and knowingly, having devised and intending to devise a scheme and artifice to defraud, and to obtain money and property by means of false and fraudulent pretenses, representations, and promises, did transmit and caused to be transmitted by means of wire communication in interstate commerce, a writing, sign, signal, picture and sound for the purpose of executing such scheme and artifice, to wit, on or about July 21, 2009, LONGORIA provided confidential information, including material nonpublic information, related to Advanced Micro Devices, Inc., including revenue information, average sales prices, product sales figures, and gross margin information, in violation of his fiduciary and other duties of trust and confidence, to a hedge fund that was co-managed by CW-1 and that utilized a prime broker located in New York, New York, to execute certain payments.

(Title 18, United States Code, Sections 1343 and 2.)

COUNT FIVE
(Wire Fraud)

9. On or about October 8, 2009, in the Southern District of New York and elsewhere, MANOSHA KARUNATILAKA,

"Manosha K.," the defendant, unlawfully, willfully and knowingly, having devised and intending to devise a scheme and artifice to defraud, and to obtain money and property by means of false and fraudulent pretenses, representations, and promises, did transmit and caused to be transmitted by means of wire communication in interstate commerce, a writing, sign, signal, picture and sound for the purpose of executing such scheme and artifice, to wit, on or about October 8, 2009, KARUNATILAKA provided confidential information, including material nonpublic information, related to Taiwan Semiconductor Manufacturing Company, Ltd., including product sales and shipping information, in violation of his fiduciary and other duties of trust and confidence, to a technology analyst at a financial institution located in New York, New York.

(Title 18, United States Code, Sections 1343 and 2.)

The bases for my knowledge and the foregoing charges are, in part, as follows:

10. I have been a Special Agent of the FBI for approximately 3 years, and I am currently assigned to a squad responsible for investigating violations of the federal securities laws and related offenses. I have participated in numerous investigations of such offenses, and I have made and participated in making arrests of numerous individuals for participating in such offenses.

11. The information contained in this affidavit is based upon my personal knowledge, as well as information obtained during this investigation, directly or indirectly, from other sources, including: (a) business records and other information obtained from various entities; (b) publicly available documents; (c) analyses of court authorized pen register records and telephone toll records; (d) information obtained from cooperating witnesses, including consensually recorded conversations between cooperating witnesses and others; (e) conversations with other FBI agents and my review of reports prepared by other FBI agents; (f) my conversations with representatives of various public companies; and (g) court-authorized wiretaps on the following telephones: (1) two telephones subscribed to an expert networking firm (collectively, the "Firm Phones"), over which certain wire communications were intercepted between in or about 2009 and in

or about 2010; (2) a telephone subscribed to a hedge fund located in California (the "Hedge Fund Landline"), over which certain wire communications were intercepted between in or about October 2008 and in or about February 2009; (3) a cellular telephone used by WALTER SHIMOON, a/k/a "Walter S.," the defendant (the "Shimoon Cellphone"), over which certain wire communications were intercepted in or about 2010; and (4) a cellular telephone used by MARK ANTHONY LONGORIA, a/k/a "Tony Longoria," a/k/a "Tony L.," the defendant (the "Longoria Cellphone"), over which certain wire communications were intercepted in or about 2009 and in or about 2010. Because this Complaint is being submitted for the limited purpose of establishing probable cause, it does not include all the facts that I have learned during the course of my investigation. Where the contents of documents and the actions and statements of and conversations with others are reported herein, they are reported in substance and in part. Where figures, calculations, and dates are set forth herein, they are approximate.

Relevant Entities

12. Based on my review of documents obtained from public sources, my conversations with cooperating witnesses and other law enforcement agents, and my review of consensually monitored recordings, I have learned that at all times relevant to this Complaint certain individuals were employed by an "expert networking" firm ("the Firm"), and the Firm maintained a main office in Mountain View, California, and additional offices in New York, New York, and San Francisco, California.

13. Based on my review of documents obtained from public sources and Dell, Inc. ("Dell"), and my conversations with a Dell representative, I have learned that, at all times relevant to this Complaint, Dell was a technology company headquartered in Round Rock, Texas, and listed on NASDAQ (ticker symbol: DELL). Furthermore, at all times relevant to this Complaint, Dell's policies prohibited the unauthorized disclosure of Dell's confidential information.

14. Based on my review of documents obtained from public sources and AMD and my conversations with an AMD representative, I have learned that, at all times relevant to this Complaint, AMD was a technology company headquartered in Sunnyvale, California, and listed on the NYSE (ticker symbol: AMD) in New York, New York. Furthermore, at all times relevant

to this Complaint, AMD's policies prohibited the unauthorized disclosure of AMD's confidential information. I have also learned that AMD's "Worldwide Standards of Business Conduct" applied to all AMD employees and specifically prohibited outside employment without prior approval.

15. Based on my review of documents obtained from public sources, I have learned that, at all times relevant to this Complaint, Western Digital Corporation ("Western Digital") was a technology company headquartered in San Jose, California, and listed on the NYSE (ticker symbol: WDC) in New York, New York. Furthermore, at all times relevant to this Complaint, Western Digital's policies prohibited the unauthorized disclosure of Western Digital's confidential information.

16. Based on my review of documents obtained from public sources and Seagate Technology PLC ("Seagate"), I have learned that, at all times relevant to this Complaint, Seagate was a technology company with global headquarters in Dublin, Ireland, and listed on NASDAQ (ticker symbol: STX). Furthermore, at all times relevant to this Complaint, Seagate's policies prohibited the unauthorized disclosure of Seagate's confidential information.

17. Based on my review of documents obtained from public sources and Flextronics and my conversations with a Flextronics representative, I have learned that, at all times relevant to this Complaint, Flextronics International, Ltd. ("Flextronics") was a technology company with global headquarters in Changi, Singapore, and listed on NASDAQ (ticker symbol: FLEX). Furthermore, at all times relevant to this Complaint, Flextronics' policies prohibited the unauthorized disclosure of Flextronics' confidential information. In addition, I have learned that Flextronics maintained a "Code of Business Conduct and Ethics" that required Flextronics employees to obtain prior approval before engaging in employment or consulting that may lead to a conflict of interest.

18. Based on my review of documents obtained from public sources and Apple, Inc. ("Apple") and my conversations with Apple representatives, I have learned that, at all times relevant to this Complaint, Apple was a technology company headquartered in Cupertino, California, and listed on NASDAQ (ticker symbol: AAPL). Furthermore, at all times relevant to this Complaint, Apple's policies prohibited the unauthorized

disclosure of Apple's confidential information.

19. Based on my review of documents obtained from public sources and Taiwan Semiconductor Manufacturing Company, Ltd. ("TSMC") and my conversations with a TSMC representative, I have learned that, at all times relevant to this Complaint, TSMC was a technology company with global headquarters in Hsinchu, Taiwan, and listed on the NYSE (ticker symbol: TSM) in New York, New York. Furthermore, at all times relevant to this Complaint, TSMC's policies prohibited the unauthorized disclosure of TSMC's confidential information.

20. Based on my review of documents obtained from public sources and Marvell Technology Group, Ltd. ("Marvell") and my conversations with a Marvell representative, I have learned that, at all times relevant to this Complaint, Marvell was a technology company headquartered in Santa Clara, California, and listed on NASDAQ (ticker symbol: MRVL). Furthermore, at all times relevant to this Complaint, Marvell's policies prohibited the unauthorized disclosure of Marvell's confidential information.

21. Based on my review of documents obtained from public sources, I have learned that, at all times relevant to this Complaint, Research In Motion Limited ("RIMM") was a technology company with global headquarters in Ontario, Canada, and listed on the NASDAQ (ticker symbol: RIMM). Furthermore, at all times relevant to this Complaint, RIMM's policies prohibited the unauthorized disclosure of RIMM's confidential information.

Relevant Individuals

Firm Employees

22. Based on my review of documents obtained from public sources, my conversations with cooperating witnesses, and my review of consensually made recordings and wire interceptions over the Firm Phones, the Hedge Fund Landline, the Shimoon Cellphone, and the Longoria Cellphone, as well as discussions with other law enforcement agents, I have learned that, at all times relevant to this Complaint, JAMES FLEISHMAN, the defendant, was employed by the Firm. Among other duties, FLEISHMAN served as a Sales Manager for the Firm responsible for attracting new clients and ensuring service to existing clients, including hedge funds and other asset management entities within

the investment community.

23. Based on my review of documents obtained from public sources, my review of documents obtained from the Firm, my conversations with cooperating witnesses, as well as discussions with other law enforcement agents, I have learned that, at all times relevant to this Complaint, Don Ching Trang Chu, a/k/a "Don Chu," ("Chu") was employed by the Firm and, among other duties, served as a liaison for the Firm to consultants and sources of information in Asia, who were generally employees of technology companies. On or about November 23, 2010, in the Southern District of New York, United States Magistrate Judge Theodore H. Katz issued an arrest warrant for Chu on the basis of Criminal Complaint 10 Mag. 2625. Chu was arrested by Special Agents of the FBI on or about November 24, 2010, and his case remains pending.

Firm Consultants

24. Based on my review of documents obtained from public sources, my review of documents obtained from Flextronics, my review of documents obtained from the Firm, my conversations with cooperating witnesses, as well as discussions with other law enforcement agents and a Flextronics representative, I have learned that, at all times relevant to this Complaint, WALTER SHIMOON, a/k/a "Walter S.," the defendant, was employed by Flextronics as a Senior Director of Business Development in San Diego, California. On or about February 20, 2002, SHIMOON executed an employment agreement with Flextronics that restricted the disclosure of Flextronics confidential information and prohibited any business activity that competed with Flextronics' business.

25. Based on my review of documents obtained from public sources and AMD, my review of documents obtained from the Firm, my conversations with cooperating witnesses and an AMD representative, and discussions with other law enforcement agents, I have learned that, at all times relevant to this Complaint, MARK ANTHONY LONGORIA, a/k/a "Tony Longoria," a/k/a "Tony L.," the defendant, was employed by AMD as a Supply Chain Manager in Round Rock, Texas. On or about January 8, 2007, LONGORIA executed an employment agreement with AMD that restricted the disclosure of AMD confidential information.

26. Based on my review of documents obtained from

public sources, my review of documents obtained from TSMC, my review of documents obtained from the Firm, my conversations with cooperating witnesses, as well as discussions with other law enforcement agents, I have learned that, at all times relevant to this Complaint, MANOSHA KARUNATILAKA, "Manosha K.," the defendant, was employed by TSMC as an Account Manager in Burlington, Massachusetts. On or about January 2, 2007, KARUNATILAKA executed an employment agreement with TSMC that restricted the disclosure of confidential information and prohibited any outside employment.

Cooperating Witnesses

27. At all times relevant to this Complaint, Richard Choo-Beng Lee ("Lee" or "CW-1") was an individual who, while working at a hedge fund located in California ("Hedge Fund-1"), executed securities transactions based on material, nonpublic information obtained in breach of fiduciary and other duties of trust and confidence. Lee pled guilty pursuant to a cooperation agreement with the Government to charges of conspiracy and securities fraud. Lee is cooperating with the Government in the hope of receiving a reduced sentence. Certain information Lee has provided has proven to be reliable and has been corroborated by, among other things, audio recordings, phone records, and trading records.

28. At all times relevant to this Complaint, CW-2 was an individual who had substantial experience evaluating public companies in the semiconductor and technology industries, including their financial condition. CW-2 has pled guilty pursuant to a cooperation agreement with the Government to charges of securities fraud conspiracy and securities fraud. CW-2 is cooperating with the Government in the hope of receiving a reduced sentence. Certain information CW-2 has provided has proven to be reliable and has been corroborated by, among other things, recorded conversations with others.

29. At all times relevant to this Complaint, CW-3 was an individual who was employed by Dell as a manager in Austin, Texas. CW-3 has pled guilty pursuant to a cooperation agreement with the Government to charges of securities fraud conspiracy and wire fraud in connection with stealing and providing material, nonpublic information relating to Dell and certain Dell suppliers to others. CW-3 is cooperating with the Government in the hope of receiving a reduced sentence. Certain

information CW-3 has provided to this investigation has proven to be reliable and has been corroborated by, among other things, recorded conversations with others.

30. At all times relevant to this Complaint, CW-4 was an individual who was employed by the Firm as a Vertical Manager in Mountainview, California. CW-4 has admitted to participating in obtaining material, nonpublic information relating to public companies and providing that information to others. CW-4 has not yet been charged with any crimes, but CW-4 is cooperating with the Government in the hope of receiving a reduced sentence. Certain information CW-4 has provided has proven to be reliable and has been corroborated by, among other things, recorded conversations with others.

31. At all times relevant to this Complaint, CW-5 was an individual who worked as an analyst at a hedge fund located in New York, New York ("Hedge Fund-2"). CW-5 has admitted to participating in obtaining material, nonpublic information relating to public companies and providing that information to others. CW-5 has not yet been charged with any crimes, but CW-5 is cooperating with the Government in the hope of receiving a reduced sentence. Certain information CW-5 has provided has proven to be reliable and has been corroborated by, among other things, recorded conversations with others.

General Overview Of The Firm

32. Based on my review of publicly available reports and publications, including a review of the Firm's internet website and other records provided by the Firm to law enforcement agents, as well as from my training and experience, I have learned that, at all times relevant to this Complaint, the Firm was an "expert networking" firm that advertised itself as an "independent investment research firm that provides institutional money managers and analysts with market intelligence" through a "Global Advisory Team of Experts." The Firm advertised that its team of consultants "have real-world experience in industries such as healthcare, technology, media, telecommunications, retail, manufacturing, energy and aerospace." The Firm stated that its consultants "speak one-on-one with [Firm] clients to provide up-to-the-minute intelligence on trends, issues, regulations and dynamics affecting a particular company, product or industry." The Firm advertised that it "works closely with clients to pinpoint their research

objectives, map out factors affecting the targeted company's success and determine which experts are most qualified to provide relevant data points and insights." The Firm further explained on its website that "[w]hen a client requests a meeting with a specific expert, [the Firm] vets the expert for conflicts of interest, regulatory compliance and availability," and then the Firm "schedules a one-on-one phone consultation," or "private face-to-face meetings" with the client.

33. Based on a review of the Firm's internet website, I have learned that the Firm further stated that, "Experts are explicitly instructed to decline to comment on subjects that represent information that is confidential or proprietary to the organizations they are affiliated with. At no point are expert consultants permitted to breach any agreement with their employers and are required to keep in confidence proprietary information acquired by them. They are forbidden to disclose to [the Firm] or to any of its customers or partners any material, non-public, confidential or proprietary information belonging to any previous or current employers or others."

34. Furthermore, according to the Firm's written compliance policies, which I have reviewed, all Firm consultants, "must represent that they will not engage in any consultation that involves discussions about the company for which they currently work." Moreover, each Firm consultant was required to execute a "Consultant Agreement," which provided as follows: "I represent that my performance as a consultant of [the Firm] does not and will not breach any agreement with my employer or to keep in confidence proprietary information acquired by me in confidence or in trust. I will not disclose to [the Firm] or to any of its customers or partners any non-public, confidential or proprietary information or material belonging to any previous or current employers or others. I agree to decline any consultation that presents a conflict of interest or a perceived conflict of interest. If during the course of any consultation I believe that any of [the Firm's] customers seek to cause me to violate this agreement, I will immediately cease the consultation and inform [the Firm] of such potential violation." (Emphasis in original.)

35. Based on my conversations with CW-2 and others who have used the Firm's services, as well as my review of bank records and consensually recorded conversations, I have learned that the Firm provides its clients (including a significant

client base of hedge funds) with access to its network of consultants using subscription-based or transaction-based fees. Consultants can earn hundreds of dollars per hour or per call from the Firm for their consultations with Firm clients, and Firm clients often pay the Firm tens of thousands of dollars annually for access to the Firm's consultant network and services. In addition to receiving payments for its services in traditional "hard dollars" (such as payments made in cash or by check), sometimes the Firm enters into arrangements with its clients so that it receives payments for its services in "soft dollars," which can be generated by trading activity.

The Fraudulent Scheme

36. As set forth in more detail below, and based on the above-described and other categories of information, there is probable cause to believe that WALTER SHIMOON, a/k/a "Walter S.," MARK ANTHONY LONGORIA, a/k/a "Tony Longoria," a/k/a "Tony L.," and MANOSHA KARUNTILAKA, the defendants, while performing consultation services facilitated by the Firm, have stolen material, nonpublic information regarding certain public companies' releases of significant financial information or other market-moving events (the "Inside Information"), and provided such Inside Information for the purpose of executing profitable securities transactions, where such Inside Information has been disclosed by these individuals in violation of their fiduciary and other duties of trust and confidence to their employers. Furthermore, there is probable cause to believe that JAMES FLEISHMAN, the defendant, facilitated the theft of Inside Information and arranged for Firm consultants to provide Inside Information to Firm clients for the purpose of facilitating the execution of profitable securities transactions by Firm clients, and knowing that these Firm consultants were providing Inside Information and confidential business information to Firm clients in violation of the consultants' fiduciary and other duties of trust and confidence to their respective employers.

Lee's Relationship With The Firm

37. I have spoken to another Special Agent of the FBI who has been involved in this investigation and who has had numerous conversations with Lee. From these conversations, and from my own conversations with Lee and others, I have learned the following information:

a. Prior to the commencement of his cooperation with law enforcement in this investigation, Lee co-managed Hedge Fund-1.

b. During Lee's employment with Hedge Fund-1, Hedge Fund-1 had been a client of the Firm from in or about late 2008 through in or about early 2009. During this time period, Hedge Fund-1 employees contacted a number of Firm consultants who, in addition to being paid by the Firm for their consulting services, worked at publicly-traded companies.

c. Hedge Fund-1's practice was to have its employees call a Firm consultant before the consultant's employer was expected to release its quarterly earnings, in part to obtain Inside Information. For example, Lee and other employees at Hedge Fund-1 obtained Inside Information from Firm consultants who worked at public companies at the same time that they were employed as Firm consultants.

d. During this period of time, Don Chu established a client relationship on behalf of the Firm with Lee and Hedge Fund-1. In addition, at an industry conference in Las Vegas, Nevada, in or about January 2009, Chu introduced one of the Firm's consultants from Taiwan to Lee. MARK ANTHONY LONGORIA, a/k/a "Tony Longoria," a/k/a "Tony L.," the defendant, who worked for AMD, was one of the consultants that Lee also met at the conference.

e. Between in or about late 2008 and in or about early January 2009, Hedge Fund-1 directed its prime broker (located in New York, New York) to send soft dollar payments to the Firm for access to its consultant network and services.

38. In or about June 2009, at the direction of another FBI agent, Lee began communicating with Firm officers, employees, and consultants. (As explained above, Lee had previously-established business relationships with MARK ANTHONY LONGORIA, a/k/a "Tony Longoria," a/k/a "Tony L.," the defendant, and others connected to the Firm before Lee began cooperating with law enforcement agents in this investigation.) Lee communicated with Firm officers, employees, and consultants by email, as well as by telephone and in person. Unless otherwise noted, the email, telephone, and in-person communications involving Lee, LONGORIA, and other Firm employees as described

below were recorded.¹

MARK ANTHONY LONGORIA Provided Inside Information To Lee

39. Based on my conversations with another FBI agent involved with this investigation, I know the following information: on or about July 21, 2009, there were consensual recordings between MARK ANTHONY LONGORIA, a/k/a "Tony Longoria," a/k/a "Tony L.," the defendant, Firm Employees, and Lee. On or about this date, LONGORIA provided Inside Information regarding AMD to Lee. The telephone calls, described below, were routed through the FBI's recording facility located in New York, New York. Lee was not in the state of New York when he placed these telephone calls:

a. On or about July 21, 2009, at approximately 12:07 p.m., Lee placed a call to LONGORIA. After initially greeting each other and re-introducing themselves, Lee asked LONGORIA for "a quick rundown on, on how you think things are shaping up for AMD. As you know they're, they're reporting [quarterly earnings] tonight. . . . And how [unintelligible] looking, looking going forward as well as, you know how was last quarter." In response, and throughout much of the call, LONGORIA provided Lee with revenue numbers, average sales prices, unit sales for different product lines, gross margin figures, and revenue forecasts for AMD. Based on my training and experience, my conversations with other law enforcement agents, and based on my conversations with other witnesses who are cooperating with this investigation, I believe that certain information provided by LONGORIA to Lee was Inside Information. Furthermore, I believe that, at the time of this telephone call,

¹ In certain instances, with regard to communications involving Lee as well as other communications reflected in this Complaint, I have included (in brackets "[]") my interpretation of certain abbreviations, words, and phrases used in the recorded communications quoted herein, and I have used ellipses (" . . . ") to denote where I have omitted other recorded words, phrases, or other statements made within the passages quoted herein. These interpretations are based on my training, my experience, my conversations with other law enforcement agents, my conversations with representatives of certain publicly traded companies, my conversations with CW-2, CW-3, and CW-4, and my review of publicly available information.

AMD had not yet reported results for its second fiscal quarter of 2009, and that it was expected to do so after the close of the market on July 21, 2009.

b. On or about July 21, 2009, at approximately 5:47 p.m., Lee called an employee of the Firm ("Firm Employee-3") on his office telephone line. During the call, Lee stated: "You guys have been great, I uh, I had a call with Tony Longoria early this morning and he was very good. He's ah, his revenue number, his estimate was spot on." Moments later, Firm Employee-3 replied, "Yeah, he's well, he's one of our, uh, I guess, more liked guys. . . . That's what you try to get into, but anyway . . . No, I just yeah, I was just gonna say he is one of our, you know, top guys, who's been known as being fairly accurate. Him and [another Firm consultant]."

**Statements Made by JAMES FLEISHMAN and MARK ANTHONY LONGORIA
About the Firm's Expert Network and Inside Information**

40. In 2009, under the direction of law enforcement agents including myself, CW-2 began communicating with JAMES FLEISHMAN, the defendant, and other Firm officers, employees, and consultants. CW-2 communicated with Firm officers, employees, and consultants by email, as well as by telephone and in person. At the direction of law enforcement agents, in his communications with Firm officers, employees, and consultants, CW-2 sought out Firm consulting services as a Firm client. Unless otherwise noted, the telephone communications involving CW-2, FLEISHMAN, and other Firm officers and employees as described below were recorded. The telephone calls described below were routed through the FBI's recording facility located in New York, New York. CW-2 was not in the state of New York when he placed these telephone calls. I have also reviewed documents provided by the Firm, including email messages. From my review of these recordings and these documents, I have learned the following information:

**FLEISHMAN's Knowledge Of LONGORIA
And The Firm's Expert Networking Business**

a. On or about May 13, 2008, JAMES FLEISHMAN, the defendant, sent an email to another Firm employee. In the email, FLEISHMAN noted that MARK ANTHONY LONGORIA, a/k/a "Tony Longoria," a/k/a "Tony L.," the defendant, "is one of our best experts-in high demand from clients."

b. On or about June 13, 2008, a Firm employee sent an email to others at the Firm, including FLEISHMAN. The email stated that an employee of an investment firm, "was asking very inappropriate questions off of Tony Longoria (who is your boss? Etc.). Tony called [another Firm employee] to complain for the first time (and Tony does a lot of calls)."

c. On or about April 7, 2009, FLEISHMAN and another Firm employee sent multiple email messages to each other. In the emails, FLEISHMAN asked for a "call report for tony longoria." FLEISHMAN wanted to know "how many calls he has done in [the] past 60 days and how many clients have spoken to him more than once during that period." Later the same day, the Firm employee sent FLEISHMAN an email stating that LONGORIA had done "40 calls . . . 12 out of 15 clients did more than 1 call w/ him."

d. On or about May 22, 2009, there was a consensually recorded telephone conversation between CW-2 and FLEISHMAN. During this conversation, FLEISHMAN explained how [the Firm's] services could be used by its clients. Later during the call, CW-2 asked FLEISHMAN what level of detail he/she could obtain from [Firm] consultants, and FLEISHMAN stated: "[T]he service we provide is, you know, whatever you're looking for, whether it is short-term or long-term, we'll have people." CW-2 then stated that if the Firm was trying to add value to hedge fund managers, the Firm will want to have consultants who had a "pretty good handle on what's happening." FLEISHMAN responded that the Firm, "definitely is weighted on near term," and that "most of our clients are more focused on the quarterly trends." (Based on my training and experience, my conversations with other law enforcement agents, my review of publicly available information, and from my conversations with CW-2 and other cooperating witnesses, I believe that FLEISHMAN's statement that the Firm "definitely is weighted on near term" meant that the Firm employed consultants who provided information that was relevant to current trading decisions or events that would be relevant to members of the investment community in the near future, as opposed to longer-term information.) Later during the call, FLEISHMAN explained to CW-2 how the Firm logistically facilitated a consultation call. During this part of the conversation, FLEISHMAN said, "You know, there's a bridge number we, we use to facilitate the call. But, you know, we don't, of course we don't listen to the call or, or

record the call or anything. We just facilitate the call." Moments later, FLEISHMAN explained about contacting Firm consultants directly: "[I]f you want to contact them [consultants] directly, you can. Um, we just try to provide anonymity to some degree for the, for the experts. Like, you know, we don't give you their, their, uh, we don't typically give you their contact info or even their last name. Um, just as a, it's kind of a sales point with those folks when, when we're recruiting them. You know, 'hey, we don't even give out your last name so you don't worry, have to worry.'" Then CW-2 asked, "That's just to protect them from investor relations or whatever it is?" FLEISHMAN then replied, "Yeah." During the course of this investigation I have reviewed consultant agreements executed between the Firm and Firm consultants. The Firm's consultant agreements that I have reviewed do not state that the Firm consultant has received prior approval from his or her employer to engage in consultation calls.

FLEISHMAN Connected CW-2 And CW-3

e. On or about June 8, 2009, at approximately 1:12 p.m., there was a consensually recorded telephone conversation between FLEISHMAN and CW-2. During the call, CW-2 provided FLEISHMAN with a list of things that CW-2 wanted to learn from a consultation call about Marvell, including whether Marvell had obtained a "design win" at Western Digital and Seagate. (Based on my training and experience, and from my conversations with CW-2 and others, I have learned that the phrase, "design win" is used by people in the investment community to describe when a technology company has decided to use the product of another company in its products. For example, a company that manufactures cellular telephones may decide to use another company's computer chip as part of the design of its new cellular telephone. In certain situations, that could mean that the computer chip company had received a "design win.") CW-2 explained to FLEISHMAN that Marvell claimed to have "design wins" at both Western Digital and Seagate, but that CW-2 did not know if this was true. CW-2 concluded by saying, "Yeah, so, so that's why it's really important. That's why I was saying and the only way to really know is to get somebody at one of those companies, or at Marvell," and FLEISHMAN said, "Yeah."

f. Later the same day, on or about June 8, 2009, at approximately 1:47 p.m., a clerical employee of the

Firm sent an e-mail to CW-2, copying FLEISHMAN on the e-mail. The email included the following information: "Hi [CW-2], I am confirming the call between you and our expert [CW-3] on 06/11 at 4:00 PM Eastern Standard Time. Topic: Industry Trends for [CW-2] - [CW-3][.] . . . [CW-3] is a Global Supply Manager working at one of the top 3 OEM [Original Equipment Manufacturer] PC [Personal Computer] MFG [Manufacturer] starting from January 1996. In this position, [CW-3] works on the demand/supply for all worldwide factories-support Hard Disk Drive demand. [CW-3] can talk about WDC [Western Digital], SCTL [Seagate], Hitachi and Samsung Electronics Co., Ltd. [CW-3] can also talk about PC [personal computer] demand, HDD's [hard disc drives]." Based on my review of documents obtained from the Firm, and my conversations with CW-2 and CW-3, I have learned that the Firm used an abbreviated name supplied in this message to refer to CW-3.

g. On or about June 11, 2009, there was a consensually recorded call between CW-2 and CW-3. Among other things, the following took place during the conversation:

(i). CW-3 stated that he was a "global supply manager" at Dell who was focused on "notebook hard drives," which was his "commodity," and that he works with the supply base which manufactures hard disc drives for use in Dell notebook computers. CW-3 stated that he has done all the lines of business as far as desktops, notebooks, and enterprise. CW-3 also said that most of the conversations that he had with people like CW-2 were about hard disc drive demand and pricing. CW-2 stated that CW-3 "must have reasonable visibility into Dell's business," and CW-3 responded affirmatively.

(ii). CW-3 discussed the actual results of Dell's business, starting in January 2009 relating to Dell's notebook business, which CW-3 said was about 55% of Dell's overall "PC" business. CW-3 gave specific Dell unit sales figures and also stated sales in relative terms, comparing the unit sales figures to publicly stated forecasts. CW-3 also gave CW-2 Dell's hard disc drive forecasts for July, September, October, and November. Based on my training and experience, and from my conversations with CW-2, CW-3, and other law enforcement agents, I believe that certain information that CW-3 provided CW-2 during this conversation relating to Dell sales units and forecast information was Inside Information.

(iii). CW-3 provided CW-2 with monthly unit sales forecast information for Dell's desktop business. During this call, CW-3 stated that he was taking the numbers from Dell's master planning report that he received every week, and that the numbers he was providing came from his most recent report. Based on my training, experience, and conversations with CW-2, CW-3, and other law enforcement agents, I believe that certain information that CW-3 provided during this conversation from Dell's master planning report was Inside Information.

(iv). CW-3 discussed the market share of Dell's hard drive suppliers with CW-2. CW-3 indicated what the current percentage of market share was for each of Dell's harddrive suppliers, as well as the forecast of the allocation of market share for the month of June, as well as July through September.

(v). CW-3 told CW-2 that Dell shipped around 4.8 million units for the first quarter of 2009, representing 12 percent growth. CW-3 also told CW-2 that Dell expected to ship between 1.9 and 2 million units for the second quarter of 2009 ending in July. Based on my training, experience, and conversations with CW-2, CW-3, and other law enforcement agents, I believe that certain information that CW-3 was providing in this part of the call was Inside Information.

FLEISHMAN's Knowledge Of The Dell Inside Information

h. On or about June 12, 2009, there was a consensually recorded telephone conversation between CW-2 and FLEISHMAN. During this conversation, FLEISHMAN asked CW-2 about his call with CW-3 the other day. CW-2 stated that it went very well and that it was very helpful. FLEISHMAN responded, "Oh, perfect." CW-2 stated that CW-3 gave CW-2 good information on Marvell, PCs, hard drives, and, "even Dell. He gave me some great information on Dell." FLEISHMAN replied, "Oh, good. Yeah, he's definitely one of our top guys in terms of, you know, everything that we look for, like, you know." CW-2 continued, "Yeah, no, and he, uh, he seemed to, uh, be willing to share a lot of, uh, you know, very interesting information on units . . . from their [Dell's] notebooks [division] and forecasts and that kind of thing, which is really helpful." FLEISHMAN responded, "Mm-hmm," and "Oh, good. OK."

i. On or about July 17, 2009, at approximately 9:37 a.m., CW-4 sent an email to FLEISHMAN, and other Firm employees, with the subject line of "handle with care - notebook hdd [hard disc drive] update." In the text of the email, CW-4 wrote "Notebook hdd update below. Please don't just blindly blast out." CW-4 then set forth detailed information regarding Dell's unit numbers, and forecasts, inventory levels, pricing, and the market share of Dell's hard drive suppliers, and how that market share would be changing in the next quarter. FLEISHMAN responded to CW-4 on or about July 17, 2009 at approximately 9:42 a.m., asking: "This is what [a named analyst] wanted, right?" CW-4 responded affirmatively in a reply email to FLEISHMAN. Based on my conversations with CW-4, I have learned that CW-4 titled the email "handle with care" because CW-4 believed it was inappropriate to obtain this information and provide it to Firm clients.

FLEISHMAN Connected LONGORIA And CW-2

j. On or about July 20, 2009, there was a consensually recorded telephone conversation between FLEISHMAN and CW-2. During this conversation, CW-2 told FLEISHMAN that CW-4 talked about a consultant named "Tony L." at AMD, and that CW-2 wanted to speak with Tony no later than tomorrow morning because CW-2 had "a big bet going on AMD right now . . . and I wanted to just touch base, and they report tomorrow afternoon." FLEISHMAN replied that he would try to set up a call between "Tony L." and CW-2 for the following morning.

k. On or about July 21, 2009, at approximately 9:06 a.m., there was a consensually recorded telephone conversation between LONGORIA and CW-2. During this conversation, LONGORIA provided the following information:

(i). LONGORIA stated that he was in Austin, Texas. LONGORIA stated that he has been in the industry for at least 13 years, that he worked for Dell and Western Digital, and that he is now in "processors" at AMD where he gets to see "build plans," forecasts from OEMs [Original Equipment Manufacturers] from around the world and distributors, desktop servers, notebook(s), and forecasts from the GPU and chipset side as well. LONGORIA stated that he has "quite a bit of insight as to how things are trending and, uh, you know when things are bad and when things are good."

(ii). LONGORIA told CW-2 that demand for AMD's products was pretty strong and people were wondering whether AMD will report as strongly on earnings as Intel did. LONGORIA then stated that he was going to "rattle off some numbers here real quick because I have my report." Based on my training, and experience, and from my conversations with other FBI agents and CW-2, as well as my review of this recording, I believe that LONGORIA was reviewing an internal report at AMD that contained Inside Information.

(iii). LONGORIA then provided specific AMD sales numbers to CW-2, looking at AMD overall, for the following categories: (a) desktop units shipped in the first and second quarters of 2009; (b) notebook units shipped in the first and second quarters of 2009; (c) server units shipped in the first and second quarters of 2009; (d) embedded processors shipped in the first and second quarters of 2009; and (e) graphics units shipped in the first and second quarters of 2009. Based on my training, experience, and conversations with CW-2 and other law enforcement agents, as well as my review of publicly available information, I believe that the information that LONGORIA was providing to CW-2 was Inside Information.

(iv). LONGORIA stated that AMD was going to show flat or slightly upward earnings. LONGORIA stated that AMD reported 1.17 billion in revenue in the first quarter of 2009, and that he thought that "we're goin' be about 1.18 [billion in the second quarter], so just slightly up maybe about 10 to 15 million dollars." CW-2 asked if LONGORIA was fairly confident in the \$1.18 billion revenue number for the second quarter of 2009, and LONGORIA said "yes." LONGORIA stated, "Yeah, I've got a buddy that works in, in finance, that, uh, gives, uh, me all the, uh, nitty gritty details, probably more than I can understand." LONGORIA provided gross margin forecast figures to CW-2 as well. Based on my training, experience, my conversations with other law enforcement agents, my review of this and other consensually recorded calls, and my review of AMD's press release and a transcript of the earnings call between AMD's executives and analysts that occurred after the close of the market on July 21, 2009, I have learned that LONGORIA was correct regarding the \$1.18 billion revenue number for the second quarter of 2009, and that AMD reported revenue of \$1.184 billion. Accordingly, I know that LONGORIA provided Inside Information in providing AMD's revenue number for the second quarter of 2009 to CW-2 in advance of AMD's public

announcement of its finances. Furthermore, I believe that LONGORIA was telling CW-2 that LONGORIA obtained Inside Information relating to AMD through a friend who worked in AMD's finance department.

(v). LONGORIA provided specific unit sales forecast information for AMD relating to the third quarter of 2009, including desktop, notebook, server, embedded processor, graphics, and chipset categories. LONGORIA stated that these numbers were based on forecasts which were usually lower than the actual results. LONGORIA also provided gross margin forecast information for the third quarter of 2009. Based on my training and experience, my review of this and other consensually recorded calls, and conversations with CW-2 and other FBI agents, I believe that the information that LONGORIA provided during this portion of the call was Inside Information.

FLEISHMAN's Knowledge Of The AMD Inside Information

1. On or about August 13, 2009, FLEISHMAN had a face-to-face meeting with CW-4 and CW-2 in California. At one point during this meeting, CW-2 told FLEISHMAN and CW-4 that CW-2 had spoken to LONGORIA, and that LONGORIA, "immediately went into how they're doing [at AMD] and, I didn't even have to [ask], which is great." FLEISHMAN answered, "Yeah, wasn't too great what happened to the stock the next day, but," and FLEISHMAN laughed.² CW-2 then pointed out to FLEISHMAN that others like CW-2 have spoken with LONGORIA, "so that, what happens is the news gets out . . . before the, quote, unquote, event," and FLEISHMAN stated, "Yeah." CW-2 clarified further, stating, "Right, but his information was spot on," and FLEISHMAN responded, "Oh, good." CW-2 then explained, "I mean, that's my job to figure out what to do with the stock," and FLEISHMAN said, "Yeah." Moments later, CW-2 explained to FLEISHMAN and CW-4 that he gets access to "all of the sell-side research Everybody gets that and that's not necessarily something that's uh, actionable today You can pretty much assume, I see all that. So then, the differentiator is the proprietary

² During the course of this investigation I have reviewed historical stock prices for AMD, and I have learned the following information: on July 21, 2009, AMD stock closed at a price of \$4.08 per share. On July 22, 2009, after AMD had publicly announced its results for the second fiscal quarter of 2009, AMD stock opened at a price of \$3.54 per share.

information. Where can I have an edge? And, you know I have my own sources. I have kind of my, you know, a lot of people I talk to on a regular basis. I don't just rely on you guys," and FLEISHMAN responded, "Yeah," and CW-2 continued, "or, you know, somebody else, or whatever . . . I got my own. So sometimes I'm looking for a piece of information that kind of puts me over the edge and take a position in the stock, one way or another." At that point, FLEISHMAN stated, "Yeah, like validate something you heard from one of your own contacts," and CW-2 replied, "Yeah, exactly. Yeah," and FLEISHMAN finished, saying, "Right. Yeah. Um-hum." Later during the meeting, when FLEISHMAN, CW-2, and CW-4 were discussing how to utilize multiple sources of information, CW-2 stated, "[Y]ou don't want your information from your experts [to] become commoditized . . . so you don't want guys who're gonna talk to you, talk to me . . . pick up the phone and blast it out to . . . 10 other guys." At that point, FLEISHMAN stated, "I mean, that's our, that's our sales point against [name of competitor expert networking firm], right?"

**FLEISHMAN's Conversations About
The Firm And The Galleon Group Hedge Fund**

m. Between on or about September 30, 2009, and on or about October 6, 2009, CW-4 and others at the Firm sent each other a series of email messages. FLEISHMAN was copied on all of these email messages. In sum and substance, these email messages discussed the subject of the Firm's "expert matching"—or matching up appropriate consultants with clients. In one of these email messages, Firm Employee-3 noted: "One thing we [the Firm] . . . do differently is stay ahead of our clients interests . . . We are different in knowing what our experts are saying and specifically who is 'good- eg 'accurate'."

n. On or about October 16, 2009, during a recorded telephone conversation over the Longoria Cellphone, LONGORIA and FLEISHMAN discussed what they had been hearing and reading about the investigation and prosecution of employees from the Galleon Group hedge fund ("Galleon").³ Early in the call, when FLEISHMAN assured LONGORIA that Galleon was "definitely not a [Firm] client," LONGORIA responded, "Okay. Good. I wasn't sure. I was like really getting nervous. . . ."

³ On or about October 16, 2009, FBI agents arrested the founder of Galleon, Raj Rajaratnam, and others as part of an ongoing insider trading investigation.

And then it even said in there that they were trading AMD, and I was like, 'Oh crap!'" FLEISHMAN then said, "I saw that." LONGORIA followed up, stating, "It made me extremely nervous." Moments later, FLEISHMAN reassured LONGORIA again: "I can tell you point [unintelligible], they are not a client. Absolutely not [unintelligible]," and LONGORIA replied, "Okay. Okay, good. So there's no way they can tie 'em back to me." Later during the call, LONGORIA asked FLEISHMAN to "I mean keep, keep, this between us. I don't want [an officer of Firm] freaking out and, you know, him calling me and then . . . I just wanted to talk to someone at [the Firm] and kind of get a . . . you know, we're okay." Later during this conversation, LONGORIA asked FLEISHMAN about Hedge Fund-1, and whether Hedge Fund-1 stopped using the Firm's services or went out of business. FLEISHMAN stated that Hedge Fund-1 was not one of his clients, and therefore he did not know a lot about Hedge Fund-1. Moments later, LONGORIA told FLEISHMAN that the reason he was asking about Hedge Fund-1 was because LONGORIA's friend in AMD's finance department mentioned that Hedge Fund-1 had AMD's revenue number, "which really freaked people out before it came out." LONGORIA then added, "But I, I, never speak exact," and FLEISHMAN answered, "Okay. Okay. Yeah."

**Statements Made by WALTER SHIMOON
About the Firm's Expert Network,
Flextronics, and Apple Inside Information**

41. Based on my review of information from Flextronics and Apple, and from my conversations with representatives of both companies, I have learned the following:

a. In or about 2009, Flextronics had a business relationship with Apple pursuant to which Flextronics supplied certain electronic components to Apple. As part of this business relationship, Flextronics supplied specifically-engineered camera and charger components to Apple that Apple used for its "iPhone" cellular telephones and "iPod" portable media players. For example, Flextronics supplied Apple with camera components and electricity chargers that were paired and utilized with Apple iPhones. Flextronics was Apple's "sole source" for the iPhone charger.

b. As part of the ongoing business relationship between Flextronics and Apple, Flextronics and certain Flextronics employees were provided with information and

forecasts regarding Apple purchase or shipping orders regarding certain Flextronics components, as well as information regarding alternative suppliers for Apple products. The disclosure of this kind of information was governed by non-disclosure agreements executed between Flextronics and Apple.

c. As part of the ongoing business relationship between Flextronics and Apple, Apple often shared information with Flextronics about future Apple products under development. The disclosure of this information was also governed by a separate non-disclosure agreement executed between Flextronics and Apple. For example, in or about 2009, Apple informed Flextronics about a highly secretive project being developed that was known internally at Apple as "K48." Apple's K48 project ultimately resulted in the public product launch of the "iPad" tablet computer by Apple in or about April 2010 in the United States.

d. Based on my conversations with a representative of Flextronics and from my review of documents provided by Flextronics, I have learned that Flextronics and Apple had executed a non-disclosure agreement that covered certain information discussed ~~above~~ ^{below} by SHIMOON during the recorded conversations described ~~above~~ ^{JRN}. I have also learned that SHIMOON participated in contract negotiations with Apple, and that many of these contracts contain non-disclosure agreements.

42. During the course of this investigation, I have reviewed consensually-recorded telephone conversations, intercepted conversations from the Firm Phones, and intercepted conversations from the Shimoon Cellphone, all involving WALTER SHIMOON, a/k/a "Walter S.," the defendant. From my review of these conversations, I have learned the following:

a. On or about October 1, 2009, there was a consensually recorded telephone conversation between CW-2 and SHIMOON. During this telephone conversation, SHIMOON provided the following information to CW-2:

(i.) Actual sales figures for Apple "iPhone" cellular telephone units for the third quarter of 2009; forecast sales figures for Apple "iPhone" cellular telephone units for the fourth quarter of 2009; and forecast sales figures for Apple "iPod" portable media players for the fourth quarter of 2009. Based on my training and experience, my conversations

with representatives of Flextronics and Apple, and my conversations with other law enforcement agents, I believe that the information SHIMOON provided to CW-2 during this conversation relating to the third and fourth quarters of 2009 was Inside Information.

(ii.) Later in the call, SHIMOON told CW-2 that Apple was going to be producing a new "iPhone" cellular telephone that would be "coming out early next year," and that the new iPhone "is gonna have two cameras." When SHIMOON told CW-2 this information, CW-2 asked when the new iPhone was coming to market. SHIMOON replied: "I was being asked the same question by my boss this morning. Um, 'cause we're working with them on the camera. They [Apple], you know, they're very secretive, right? . . . So, I don't have [an] exact time frame but I've concluded we'll start building modules probably in March. Um, so you give it one to two months, April, May. So probably sometime in May, um, they'll have a big, you know, big launch." Later in the call, SHIMOON explained to CW-2, "It'll be a neat phone 'cause it's gonna have five megapixel auto-focus camera and it will have a VGA forward-facing video conferencing camera." Based on my training and experience and my conversations with employees from Flextronics and Apple, and my conversations with other law enforcement agents, I believe that this information was Inside Information.

(iii.) Later in the call, SHIMOON told CW-2 about an Apple product in development. "They [Apple] have a code name for something new," SHIMOON explained to CW-2. "It's, it's totally . . . it's a new category altogether. And, uh, I speculate, it doesn't have a camera in it, what I figured out. So, I speculated that it's probably a reader. . . . Something like that. Um, let me tell you. It's a very secretive program but I'm not involved. So, uh, you know, I don't really care. . . . Yeah, I believe it's called K, K48. That's the internal name. . . . So, you can get, at Apple you can get fired for saying K48 . . . outside of a, you know, outside of a meeting that doesn't have K48 people in it. That's how crazy they are about it." When asked by CW-2 when the project was coming to market, SHIMOON answered that he was told by "[s]omeone else who was asked to quote on, on part of it," that it would be out in December.

b. On or about October 15, 2009, there was an intercepted communication on one of the Firm Phones between

SHIMOON and an employee ("Hedge Fund Employee-1") of a hedge fund with an office located in New York, New York. Due to technical difficulties, portions of this call were not recorded. During the call, SHIMOON provided Hedge Fund Employee-1 with sales forecast information for the next-generation iPhone cellular telephone. Later in the call, SHIMOON told Hedge Fund Employee-1 that the next-generation iPhone cellular telephone was going to have two cameras on it, and that it would have video-conferencing capability. Based on my training and experience and my conversations with employees from Flextronics and Apple, and my conversations with other law enforcement agents, I believe that certain information provided by SHIMOON to Hedge Fund Employee-1 during this call was Inside Information.

c. On or about November 5, 2009, there was an intercepted communication on one of the Firm Phones between SHIMOON and CW-4. (At the time of this call, CW-4 was not cooperating with the Government.) During the call, SHIMOON and CW-4 discussed the recent investigation and prosecution of employees from Galleon for illegal insider trading. During this portion of the call, CW-4 stated, "if you think maybe you, um, you shouldn't be talking about it - don't. Or maybe give vague answers or however . . . you want to approach it, but I mean, you've been doing this for a while So however, sort, of, however you want to take that." SHIMOON then replied, "Well, no that's good, and also this is all done over, it's all done via voice, there's no real record of information." CW-4 then said, "Yeah, I mean we don't record, um, or monitor your call between you and our clients, so I actually, you know, again it's sort of up to you to figure out when you talk to clients." Moments later, SHIMOON stated, "that would really suck if you recorded all the calls."

d. On or about March 18, 2010, there was an intercepted communication on the Shimoon Cellphone between SHIMOON and an individual who worked at Flextronics ("the Flextronics Employee"). During the conversation, the Flextronics Employee stated that he wanted to speak with SHIMOON because he knows that Flextronics was going to do business with Apple, and the Flextronics Employee wanted SHIMOON to find out what he could tell the customer. SHIMOON responded that he did not know what that meant and asked the Flextronics Employee for the name of the customer. The Flextronics Employee provided the name of the customer and stated that he would like to tell the

customer that Flextronics was doing specific business with Apple and nothing else. The Flextronics Employee did not know whether he could disclose any additional information to the customer or if he was already disclosing too much by mentioning the Apple business relationship to the customer. SHIMOON replied that SHIMOON thought the Flextronics Employee was disclosing too much information, and SHIMOON did not think that there was anything else that the Flextronics Employee could tell the customer. The Flextronics Employee then asked, "I shouldn't, I should, if they ask me what kind of business, I can't tell them well, we are supplying some camera modules to them [Apple]?" SHIMOON replied: "We shouldn't. No, don't say that." SHIMOON stated that he did not know what the customer might do or say with that information. SHIMOON then agreed with the Flextronics Employee that if that kind of disclosure was learned by Apple, Apple would be upset. The Flextronics Employee then asked: "So Apple is very concerned with other companies knowing who their vendors are? Is that basically the bottom line?" SHIMOON responded: "Bottom line. Yeah."

e. On or about March 29, 2010, there was an intercepted call over the Shimoon Cellphone between SHIMOON and an employee ("Hedge Fund Employee-2") of a hedge fund located in New York, New York. Due to technical difficulties, only SHIMOON's voice can be heard during this conversation. However, during a portion of the conversation that was recorded, SHIMOON provided certain information about RIMM. SHIMOON stated, "I can't answer. I do not know. I can, I can probe. I mean, I can find out. Um, but I don't know that for sure. Let me just take a note. . . . So the June quarter, the June quarter . . . Oh, that's right, okay, actually, May quarter. Okay . . . so I don't have it, but I just took a note to try to get it, so, um, I'll get back to you on it." (From my review of public documents, I have learned that RIMM's first fiscal quarter of ended on May 29, 2010.) Later SHIMOON stated to Hedge Fund Employee-2, "Let me see. I might actually be able to figure it out. Give me a second. . . . okay . . . I don't have that info, so let me take a note. I think I actually can get that. . . . Next, phone, win? What is today? Monday? So, I'd say by Thursday, when do you need it by? Ok, ok. So, let's try for that. Um, let me see if I can get something then, I'll send you a text and we can set up a quick call, and we can go over whatever I got." Later in the call, the discussion turned to the new Apple iPhone cellular telephone, and SHIMOON told Hedge Fund Employee-2, "Production starts now. We are starting to

load the supply chain up. Well, they are planning, they are telling everyone, they are telling their core suppliers to plan for 6 million a month. Well, so that is yielded first so, . . . I think that their real number is more like 5 million, 4.5 to 5 million. I think you could average over the next 12 months— to between 4 and 5 million a month, for the next 12 months." Later in the conversation, SHIMOON stated: "So I see this quarter, the number I see this quarter is about 8.8 million. Well, I am not manufacturing the phone. I just happen to know what the total number is. I don't know about sell through, well that is production."

43. During the course of this investigation I have reviewed documents provided by Apple, and I have spoken with representatives of Apple. From my review of these documents, and from my conversations with Apple representatives and other law enforcement agents, I have learned the following information:

a. On or about August 4, 2009, an Apple employee sent an email to WALTER SHIMOON, a/k/a "Walter S.," the defendant. The email stated, "New cost is [a certain price] for the [iPod Nano camera] sensor," for the third quarter of 2009, and, "Price for [fourth quarter] is [a certain price]." I note that during the October 1, 2009 telephone conversation described above in paragraph 42, SHIMOON stated the following to CW-2 about the iPod Nano camera sensor: "Uh . . . really depends . . . like for instance on the iPod Nano, that's a VGA camera. The sensor is about [a certain price]."

b. On or about August 27, 2009, an employee from a Flextronics business unit sent an email to SHIMOON and others. The email contained an attached file that included a manufacturing production schedule for Apple's iPod Nano camera. The file provided weekly manufacturing production units from July 2009 through January 2010. The total units for August through December 2009 totaled 11,086,000 units. I note that during the October 1, 2009 telephone conversation described above in paragraph 42, SHIMOON stated the following to CW-2 about iPod Nano sales unit forecasts: "[U]m, they're gonna do . . . I wanna just pull up the forecast I just got. We're gonna do about 10 million . . . we're gonna do about 12 million module or iPods between August and December, and Christmas."

c. On or about November 17, 2009, SHIMOON sent an email both to Apple employees and a specific Flextronics business unit. In the email, SHIMOON wrote: "I am sending this email as a gentle reminder to all of us that [the Flextronics business unit] and Apple are covered under both an NDA [non-disclosure agreement] and MDSA [Master Development and Supply Agreement]. This . . . will protect the work we have done with them up until now as well as the joint work we are doing with Apple . . . on process improvements for the N90 [next-generation iPhone] program."

**MANOSHA KARUNATILAKA Provided Inside Information
To CW-2, CW-4, and Others in Violation of His
Fiduciary and Other Duties of Trust and Confidence**

44. Based on my review of consensual recordings between MANOSHA KARUNATILAKA, "Manosha K.," the defendant, and cooperating witnesses, and from my conversations with another law enforcement agent involved in this investigation, I believe that on or about July 27, 2009, KARUNATILAKA provided Inside Information regarding TSMC and TSMC's customers to CW-2. The telephone calls described below were routed through the FBI's recording facility located in New York, New York. CW-2 was not in the state of New York when CW-2 placed these calls.

a. On or about July 27, 2009, at approximately 3:03 p.m., KARUNATILAKA had a recorded conversation with CW-2. CW-2 asked KARUNATILAKA what he did at TSMC and how long he had been there. KARUNATILAKA explained that he had been at TSMC for about three years and that he worked with the "capacity allocation side" and looked at "incoming orders." KARUNATILAKA indicated that he had access to data on a weekly basis regarding wafer "bookings" information for North America, which is "the very first step in the wafer ordering process."⁴ KARUNATILAKA

⁴ From my training and experience, my review of publicly available information, and my conversations with CW-2 and others, I have learned that a "wafer" is a thin, round slice of semiconductor material, typically silicon, from which microchips are made. Silicon is processed into large cylindrical ingots, sliced into ultra-thin wafers and then implanted with transistors before being cut into smaller semiconductor chips. Moreover, from my conversations with TSMC representatives, current and former members of the investment community, and other law enforcement agents, I believe that certain wafer data,

explained that TSMC customers provide monthly forecasts, and every month place a purchase order against those forecasts. Based on the wafer bookings information, "you can kind of estimate what will be the shippings, you know, based upon that." KARUNATILAKA stated that he "get[s] bookings numbers every week." CW-2 then asked if the bookings numbers were broken down by customer, and KARUNATILAKA stated, "typically, yeah, I would see about the top 10 customers." KARUNATILAKA later stated that he had access to the top 10 to 15 customers. CW-2 then asked if KARUNATILAKA was "talking [to] other hedge funds and mutual fund guys that, uh, that use [the Firm]," and KARUNATILAKA responded affirmatively. KARUNATILAKA proceeded to provide specific numbers as to how much TSMC's different customers had forecast and what the actual wafer bookings numbers were. In addition, KARUNATILAKA provided the total wafer bookings numbers for TSMC North America for the second quarter of 2009, and the target wafer bookings number for the third quarter of 2009. Furthermore, KARUNATILAKA provided the forecast numbers for TSMC customers for the third quarter of 2009. Based on my training and experience, and based on my conversations with cooperating witnesses and law enforcement agents, and conversations with TSMC representatives, I believe that the information provided by KARUNATILAKA to CW-2 was Inside Information.

b. On or about July 27, 2009, at approximately 3:31 p.m., KARUNATILAKA and CW-2 had another conversation. During this second call, KARUNATILAKA discussed TSMC's pricing and margin information for various customers for Q2 [second fiscal quarter] and Q3 [third fiscal quarter]. In addition, KARUNATILAKA provided information concerning "the inventory situations" of various customers.

45. Based on my review of recordings intercepted over the Firm Phones, I have learned the following:

a. On or about October 8, 2009, a technology analyst at a financial institution located in New York, New York ("Technology Analyst-1") spoke to MANOSHA KARUNATILAKA, "Manosha K.," the defendant. Due to technical difficulties, portions of this call were not recorded. KARUNATILAKA and Technology Analyst-1 greeted each other, and Technology Analyst-1 asked whether KARUNATILAKA generally talked to "the same people

including the amount of monthly wafer starts to be produced, is Inside Information.

quarter after quarter," to which KARUNATILAKA responded affirmatively. KARUNATILAKA added that some people called him on almost a weekly basis, while others called him once or twice a month. Technology Analyst-1 asked KARUNATILAKA about wafer "starts or sales" for the fourth quarter. KARUNATILAKA stated that wafer "bookings" would be down anywhere from five to ten percent, but wafer shipments would be "slightly up in Q4 [fourth fiscal quarter]" by about two or three percent over Q3 [third fiscal quarter]. KARUNATILAKA then provided specific wafer bookings numbers for various customers of TSMC for the fourth quarter of 2009. In addition, at the request of Technology Analyst-1, KARUNATILAKA provided specific pricing information, and where pricing was headed for the next year. Based on my training and experience, and based on my conversations with other FBI Agents and cooperating witnesses, and my conversations with TSMC representatives, I believe that the information provided by KARUNATILAKA to Technology Analyst-1 was Inside Information.

b. On or about November 5, 2009, CW-4 spoke to KARUNATILAKA over one of the Firm Phones. (At the time of this call, CW-4 was not cooperating with the Government.) KARUNATILAKA and CW-4 talked about increasing KARUNATILAKA's client base and expanding the Firm's business. KARUNATILAKA offered that he had a couple of clients in New York, and named a particular hedge fund in New York, New York, that was a client. CW-4 then asked KARUNATILAKA to provide "specifics" regarding TSMC's various customers. KARUNATILAKA provided specific information concerning TSMC's customers' wafer bookings and forecasts. Later in the call, KARUNATILAKA said he would be willing to drive to New York if he could meet multiple clients and stated, "actually, I have a couple of clients right now in New York." Based on my training and experience, and based on my conversations with other FBI Agents and cooperating witnesses, I believe that the information provided by KARUNATILAKA to CW-4 was Inside Information.

**CW-4's Statements About The Firm's
Expert Network And Inside Information**

46. During the course of this investigation, I have spoken with CW-4 on several occasions. From these conversations, and from my review of Firm records, I have learned the following information:

a. CW-4 worked at the Firm from in or about January 2008 through in or about February 2010. While at the Firm, CW-4 was a Technology Analyst and the Semiconductor Vertical Manager. As part of his duties, CW-4 spoke with MARK ANTHONY LONGORIA, a/k/a "Tony Longoria," a/k/a "Tony L.," the defendant on several occasions.

b. LONGORIA worked for AMD and provided specific unit sales and pricing information to CW-4, other Firm employees, and Firm clients. LONGORIA also provided AMD revenue information that LONGORIA obtained from someone in AMD's finance department.

c. At various times, Firm clients requested that Firm employees obtain information directly from Firm consultants, rather than the clients talking to the consultant directly. Firm client requests for information were usually made through JAMES FLEISHMAN, the defendant, and another Firm employee. CW-4, as part of his duties at the Firm, contacted the Firm consultants and reported the information back to the Firm clients.

d. As part of CW-4's duties at the Firm, CW-4 spoke with CW-3 on several occasions. CW-3 worked for Dell and provided hard drive information to Firm employees and Firm clients. CW-3 also provided hard drive information relating to Western Digital and Seagate, both of which were Dell suppliers. CW-3 also provided Dell pricing information and forecasts.

e. On certain occasions, CW-4 summarized the information provided by CW-3 regarding the specific topics requested by Firm clients. CW-4 provided these information summaries in emails titled, "Handle With Care" to FLEISHMAN and Firm Employee-3. Both FLEISHMAN and Firm Employee-3 told CW-4 that the clients liked the information and thought it was "great." CW-4 titled the emails "Handle With Care" because CW-4 realized that it was inappropriate to provide the information supplied by CW-3 to Firm clients.

**CW-5's Statements About The Firm's
Expert Network And LONGORIA's Inside Information**

47. During the course of this investigation, another FBI agent has spoken with CW-5 on multiple occasions. Based upon my conversations with this FBI Agent, and from my review of

reports prepared by him, I have learned the following information:

a. When CW-5 worked at Hedge Fund-2, Hedge Fund-2 was a client of the Firm. Hedge Fund-2 paid for the Firm's consultation services by placing trades through the Firm's broker-dealer.

b. In consultation calls on a few occasions, LONGORIA provided CW-5 with AMD's unit sales numbers and top-line revenue information. LONGORIA told CW-5 that the top-line revenue numbers came from LONGORIA's friend in AMD's finance department.

c. CW-5 believed that the AMD information provided by LONGORIA was Inside Information. The information CW-5 received from LONGORIA was passed to the portfolio manager of Hedge Fund-2. Hedge Fund-2 executed securities transactions in AMD securities based, in part, on AMD Inside Information received from LONGORIA.

**MARK ANTHONY LONGORIA's Statements About
The Firm's Expert Network And Inside Information**

48. On or about October 12, 2010, another FBI agent approached MARK ANTHONY LONGORIA, the defendant. Based upon my review of reports prepared by this FBI Agent, and from my conversations with the FBI Agent, I have learned that among other things, LONGORIA stated, in substance and in part, the following information:

a. In or around 2008 and 2009, LONGORIA received AMD's top-line revenue numbers from a friend who worked in AMD's finance department. LONGORIA did not pay his friend for the top-line revenue numbers he received. LONGORIA specifically received AMD top-line revenue numbers from his friend to pass that information along to hedge funds that LONGORIA spoke to through the Firm.

b. In addition to calls with Firm clients, LONGORIA had quarterly telephone calls with Firm employees, including JAMES FLEISHMAN, the defendant. During these telephone calls, LONGORIA provided AMD Inside Information, including AMD unit forecast numbers. Firm employees probed LONGORIA for AMD average sales price information during these

calls, and LONGORIA shared AMD's average sales price information for different AMD product segments with Firm employees. The AMD Inside Information that LONGORIA provided to Firm employees was generally the same information that LONGORIA provided to Firm hedge fund clients.

c. LONGORIA had to give out AMD Inside Information to hedge funds, or the hedge funds would no longer call LONGORIA and LONGORIA would not make any money. LONGORIA knew that providing AMD Inside Information to hedge funds and expert networking firms was wrong.

**MANOSHA KARUNATILAKA's Statements About
The Firm's Expert Network And Inside Information**

49. On or about July 15, 2010, I and another FBI agent interviewed MANOSHA KARUNATILAKA, "Manosha K.," the defendant. Among other things, KARUNATILAKA stated, in substance and in part, the following information:

a. KARUNATILAKA was employed by TSMC, and as part of his job KARUNATILAKA worked directly with several customers of TSMC in the United States. TSMC was not aware that KARUNATILAKA did consulting work with the Firm. KARUNATILAKA stated that he received approximately \$200 per consultation call from the Firm.

b. The Firm connected KARUNATILAKA with analysts and investors who asked him questions over the phone. KARUNATILAKA stated that he had been advised by TSMC that he was not allowed to provide information about TSMC to anyone outside of TSMC.

c. KARUNATILAKA stated that he had been providing information about TSMC and TSMC's customers to both Firm employees and Firm clients. KARUNATILAKA stated that he knew what he was doing was wrong and that it was wrong to provide information regarding TSMC and TSMC's customers to Firm employees and Firm clients. When specifically asked about TSMC wafer bookings data, KARUNATILAKA stated that he provided this information to Firm clients and Firm employees and that he knew it was wrong to do so. KARUNATILAKA stated that KARUNATILAKA believed that Firm clients were using the data he provided to make trades and investment decisions about TSMC and TSMC's customers.

d. KARUNATILAKA stated that he engaged in approximately 100 calls as a Firm consultant, and received over \$20,000 from the Firm for his consultation work.

Firm Records

50. During the course of this investigation I have reviewed records provided by the Firm, and I have learned the following information:

a. WALTER SHIMOON, a/k/a "Walter S.," the defendant, began making consultation calls with the Firm in or about September 2008.

b. MARK ANTHONY LONGORIA, a/k/a "Tony Longoria," a/k/a "Tony L.," the defendant, began making consultation calls with the Firm in or about January 2008.

c. MANOSHA KARUNATILAKA, "Manosha K.," the defendant, began making consultation calls with the Firm in or about September 2008.

d. Between in or about January 2008 and in or about June 2010, the Firm paid WALTER SHIMOON, a/k/a "Walter S.," the defendant, more than \$22,000 for consultation services he provided.

e. Between in or about January 2008 and in or about March 2010, the Firm paid LONGORIA more than \$200,000 for consultation services he provided. On or about July 22, 2009, the Firm paid \$700 to LONGORIA for certain consultation calls. The notation corresponding to this payment entry indicates that the calls took place on July 21, 2009, and lists the first names of Lee and CW-2.

f. Between in or about January 2008 and in or about June 2010, the Firm paid MANOSHA KARUNATILAKA, "Manosha K.," the defendant, more than \$35,000 for consultation services he provided.

g. In or about 2008, the Firm paid JAMES FLEISHMAN, the defendant, more than \$310,000 in total gross compensation. In or about 2009, the Firm paid FLEISHMAN more than \$275,000 in total gross compensation.

h. In 2009, Hedge Fund-1 paid the Firm more than \$25,000 for the Firm's consultation services.

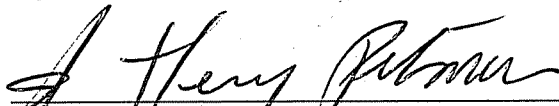
i. In 2008 and 2009, Hedge Fund-2 paid the Firm more than \$310,000 for the Firm's consultation services.

WHEREFORE, deponent prays that arrest warrants be issued for WALTER SHIMOON, a/k/a "Walter S.," MARK ANTHONY LONGORIA, a/k/a "Tony Longoria," a/k/a "Tony L.," MANOSHA KARUNATILAKA, a/k/a "Manosha K.," and JAMES FLEISHMAN, the defendants, and that they be imprisoned or bailed, as the case may be.



JAMES HINKLE
Special Agent
Federal Bureau of Investigation

Sworn to before me this
15th day of December 2010



HONORABLE HENRY B. PITMAN
UNITED STATES MAGISTRATE JUDGE
SOUTHERN DISTRICT OF NEW YORK