



## SAC Capital Management Companies Sentenced In Manhattan Federal Court For Insider Trading

**FOR IMMEDIATE RELEASE**

Thursday, April 10, 2014

### *Guilty Plea of SAC Capital Management Companies Accepted*

Preet Bharara, the United States Attorney for the Southern District of New York, announced today that S.A.C. CAPITAL ADVISORS, L.P. ("SAC Capital LP"), S.A.C. CAPITAL ADVISORS, LLC ("SAC Capital LLC"), CR INTRINSIC INVESTORS, LLC ("CR Intrinsic"), and SIGMA CAPITAL MANAGEMENT, LLC ("Sigma Capital") (collectively, the "SAC Companies"), which are responsible for the management of a group of affiliated hedge funds, (collectively the "SAC Hedge Fund" or "SAC"), were sentenced today by U.S. District Judge Laura T. Swain. The District Court accepted the guilty plea entered by the defendants on November 8, 2013, and approved the parties' Plea Agreement. The Court imposed a sentence that included a criminal fine of \$900 million (which is not tax-deductible), a statutory maximum five-year term of probation for each of the SAC Companies, the condition that the SAC Hedge Fund terminate its investment advisory business, effectively closing the hedge fund to outside investors, and a requirement that the defendants, and any successor entities, employ the compliance procedures necessary to identify and prevent insider trading, and that the defendants retain an independent compliance consultant, who will review, revise, and report to the Government on those compliance procedures. Together with the settlement of the civil forfeiture action, which was approved by U.S. District Judge Richard J. Sullivan on November 6, 2013, the SAC Hedge Fund is required to pay an additional \$1.184 billion financial penalty on top of the \$616 million the SAC Companies have already agreed to pay to the U.S. Securities & Exchange Commission ("SEC").

Manhattan U.S. Attorney Preet Bharara said: "After due consideration, the Court has accepted the guilty plea and imposed sentence on SAC, including the payment of \$1.184 billion in financial penalties. Today marks the day of reckoning for a fund that was riddled with criminal conduct. SAC fostered pervasive insider trading and failed, as a company, to question or prevent it. So far, this Office has successfully convicted eight SAC employees of insider trading, and when so much criminal conduct takes place within one institution, it is appropriate to impose criminal liability on the institution itself. Today's sentence affirms that when institutions flout the law in such a colossal way, they will pay a heavy price."

As alleged in the Indictment, the forfeiture Complaint filed against the funds, other court documents filed in the case, and statements made during the guilty plea and sentencing proceedings:

From 1999 through at least 2010, numerous employees of the SAC Companies obtained and traded on material, non-public information that they were not permitted to have ("Inside Information"), or recommended trades based on such information to SAC Portfolio Managers ("SAC PMs") or the SAC Owner. Specifically, the Indictment charges the SAC Companies with insider trading offenses committed by numerous employees, occurring over the span of more

than a decade, and involving the securities of more than 20 publicly-traded companies across multiple sectors of the economy. As charged in the Indictment, the systematic insider trading engaged in by SAC PMs and Research Analysts was the predictable and foreseeable result of multiple institutional failures. The failures alleged included hiring practices heavily focused on recruiting employees with networks of public company insiders, the failure of SAC management to question employees about trades that appeared to be based on Inside Information, and ineffective compliance measures that failed to prevent or detect such trading, particularly prior to late 2009.

At the guilty plea hearing on November 8, 2013, the SAC Companies pled guilty to all five Counts in the Indictment, and admitted that the six employees who had previously pled guilty to insider trading engaged in that criminal conduct while acting within the scope of their employment of the SAC Companies and for the benefit of the firm. The Plea Agreement does not provide immunity from prosecution for any individual and does not restrict the Government from charging any individual for any criminal offense and seeking the maximum term of imprisonment applicable to any such violation of criminal law. In fact, since the time of the guilty plea and prior to today's sentencing, two additional SAC portfolio managers, Michael Steinberg and Matthew Martoma, were convicted of insider trading after separate jury trials.

Indeed, the total criminal fine imposed by the Court exceeded a Sentencing Guidelines range that was, in turn, based on all of the illicit profits gained and losses avoided resulting from all of the insider trading alleged in the Indictment. Neither the criminal fine nor the forfeiture amount to be paid in the civil forfeiture case can be claimed as a tax deduction or credit by the SAC Companies or their owner.

The Court further imposed a series of non-financial penalties on the SAC Companies that include the following:

- The SAC Companies will no longer accept third party investor funds and will terminate operations as an investment adviser.
- The SAC Companies were each sentenced to a five-year term of probation – the maximum allowed by law – with a provision to end probation earlier if the SAC Companies cease operating entirely. The terms of probation require, among other conditions, that the SAC Companies employ appropriate compliance measures to identify and prevent insider trading. Additionally, the insider trading compliance measures of the SAC Companies and any related entities trading securities will be reviewed by an independent compliance expert who will direct the SAC Companies to correct identified deficiencies, and who will report to the United States Attorney's Office as to the progress of the corrective measures undertaken.

Mr. Bharara praised the efforts of the Federal Bureau of Investigation and also thanked the SEC for its assistance in the investigation.

Today's announcement is part of efforts underway by President Obama's Financial Fraud Enforcement Task Force (FFETF) which was created in November 2009 to wage an aggressive, coordinated and proactive effort to investigate and prosecute financial crimes. With more than 20 federal agencies, 94 U.S. attorneys' offices and state and local partners, it's the broadest coalition of law enforcement, investigatory and regulatory agencies ever assembled to combat fraud. Since its formation, the task force has made great strides in facilitating increased investigation and prosecution of financial crimes; enhancing coordination and cooperation among federal, state and local authorities; addressing discrimination in the lending and financial markets and conducting outreach to the public, victims, financial institutions and other organizations. Since the inception of FFETF in November 2009, the Justice Department has filed more than 12,841 financial fraud cases against nearly 18,737 defendants including nearly 3,500 mortgage fraud defendants. For more information on the task force, visit [www.stopfraud.gov](http://www.stopfraud.gov).

This case is being handled by the Office's Securities and Commodities Fraud Task Force.

Assistant U.S. Attorneys Antonia M. Apps, Arlo Devlin-Brown, and John T. Zach are in charge of the prosecution, and Assistant U.S. Attorneys Sharon Cohen Levin, Chief of the Asset Forfeiture Unit, Micah Smith, and Christine Magdo are responsible for the forfeiture aspects of the case.

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