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SAC Capital Portfolio Manager Michael Steinberg Sentenced In Manhattan Federal Court To 42 Months In Prison For Insider Trading

FOR IMMEDIATE RELEASE

Friday, May 16, 2014

Michael Steinberg Earned \$1.8 Million in Illegal Profits for His Hedge Fund

Preet Bharara, the United States Attorney for the Southern District of New York, announced that MICHAEL STEINBERG, a portfolio manager of Sigma Capital Management, LLC ("Sigma"), a division of the Connecticut based hedge fund S.A.C. Capital, was sentenced today in Manhattan federal court to 42 months in prison for crimes stemming from his involvement in an insider trading scheme. STEINBERG was convicted of various securities fraud charges on December 18, 2013. He was sentenced today by United States District Judge Richard J. Sullivan, who presided over the trial.

Manhattan U.S. Attorney Preet Bharara said: "Michael Steinberg traded on information from company insiders at Dell and NVIDIA to reap nearly \$2 million in illegal profits. Today he has learned the steep cost of those transactions."

According to the Superseding Indictment filed in Manhattan federal court, other court documents, and the evidence presented at trial:

STEINBERG traded in the securities of two publicly traded technology companies, Dell, Inc. ("Dell"), and NVIDIA Corporation ("NVIDIA"), based on inside information that his research analyst Jon Horvath obtained from a circle of analyst friends at different investment firms. Horvath previously pled guilty to insider trading, as did analysts Jesse Tortora, formerly of Diamondback Capital, Spyridon "Sam" Adonakakis, formerly of Level Global, Danny Kuo, formerly of Whittier Trust, and Sandeep Goyal, formerly of Neuberger Berman. STEINBERG's trading in Dell and NVIDIA resulted in approximately \$1.8 million in illegal profits for his hedge fund.

In particular, Tortora provided Horvath and others with Inside Information related to Dell's quarterly earnings (the "Dell Inside Information"), which Tortora obtained from Goyal who, in turn, had obtained the information from an employee at Dell (the "Dell Insider"). For example, for Dell's quarter which was announced by Dell on August 28, 2008 (the "Dell Announcement"), the Dell Inside Information indicated that Dell would report gross margins that were materially lower than market expectations. In advance of the Dell Announcement, Horvath reported this negative inside information to STEINBERG.

On August 18, 2008, after a series of calls from the Dell Insider to Goyal and from Goyal to Tortora and Horvath, Horvath then called STEINBERG. Within a minute of the telephone call between STEINBERG and Horvath, STEINBERG's portfolio began shorting shares of Dell. One minute later, Horvath wrote an email to STEINBERG stating: "Pls keep the DELL stuff especially on the down low . . . just mentioning that because JT [Jesse Tortora] asked me specifically to be extra sensitive with the info." By the end of the day on August 18, 2008, STEINBERG had accumulated a net short position of over 167,000 shares of Dell. On August 26, 2008, Horvath confirmed in an email to STEINBERG and another portfolio manager at Sigma that Horvath's Dell information had been based on a "2nd hand read from someone at the company." STEINBERG responded: "Yes normally we would never divulge data like this, so please be discreet." And on August 27, 2008, STEINBERG sent an email to Horvath with the subject line, "Dell action," in which he asked, "Have u double checked [with] JT this week?" Horvath responded, "Yes he [Tortora] checked in [a] couple days ago, same read no change." The following day, STEINBERG executed additional short trades based on the Dell Inside Information.

On August 28, 2008, before Dell's Announcement, STEINBERG executed or caused to be executed additional short trades. STEINBERG also executed or caused to be executed options trades in Dell in advance of the Dell Announcement.

After the close of the market on August 28, 2008, Dell publicly announced gross margins that were

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substantially below market expectations. At the end of the next trading day following Dell's Announcement, its stock price dropped by nearly 14%. Shortly thereafter, STEINBERG covered his short position, and closed out his position in Dell option contracts, resulting in an illegal profit for Sigma of approximately \$1 million.

In addition, in 2009, Kuo obtained inside information regarding NVIDIA's financial results (the "NVIDIA Inside Information") in advance of NVIDIA's quarterly earnings announcements. The NVIDIA Inside Information indicated, among other things, that NVIDIA's gross margins would be lower than market expectations. Kuo obtained the NVIDIA Inside Information from a friend, Hyung Lim, who received it from an employee at NVIDIA (the "NVIDIA Insider"). In advance of NVIDIA's May 7, 2009, quarterly earnings announcement (the "NVIDIA Announcement"), Kuo provided the NVIDIA Inside Information, which he had obtained from Lim, to Tortora, Horvath, and others. Horvath, in turn, provided the NVIDIA Inside Information to STEINBERG, who executed or caused to be executed transactions in NVIDIA in advance of the NVIDIA Announcement.

On May 7, 2009, NVIDIA publicly announced gross margins that were substantially lower than the market expected. At the end of the trading day following the NVIDIA Announcement, NVIDIA's stock price dropped by more than 13%. Shortly thereafter, STEINBERG caused Sigma to liquidate its position in NVIDIA, resulting in an illegal profit for Sigma of approximately \$350,000.

At trial, STEINBERG, 42, of New York, New York, was convicted of conspiracy to commit securities fraud and four counts of securities fraud.

* * *

In addition to the prison term, STEINBERG was sentenced to three years of supervised release. STEINBERG was also ordered to pay \$365,142.30 in forfeiture and a \$2 million fine.

Mr. Bharara praised the investigative work of the FBI. He also thanked the U.S. Securities and Exchange Commission.

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.

This case is being handled by the Office's Securities and Commodities Fraud Task Force. Assistant U.S. Attorneys Antonia M. Apps and Harry A. Chernoff are in charge of the prosecution.

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