

Former Marvell Analyst Gets Probation on Insider Scheme

Stanley Ng, an accountant at Marvell Technology, had access to financial (earnings) information while he worked for the high tech company. One of his responsibilities at Marvell was filing the company's quarterly financial information to the Securities & Exchange Commission meaning that he was holding information that many investors would be tempted to take a peek at before anyone else. One of his friends, Winifred Jiau, wanted that type of information as well so that she could share it with eager hedge fund managers looking for an edge on their trades. Jiau was able to coerce this information from Ng and pass it on to aggressive edge fund managers who traded on the information. They made millions. For the passing of the Marvell information, Ng received payment of a few restaurant outings and yesterday was sentenced to two (2) years of probation no jail time, but a felony record nonetheless.

It all sounds like such high-tech espionage but it hardly reflects reality. Ng and Jiau met through a mutual friend, Sonny Nguyen. Nguyen, Jiau and Ng formed an "investment" club to share information about the high tech firms where they had worked or were currently working. The initial

purpose of the club was to share information that would give these novice stock traders a way to make a few bucks to supplement their salary. As wrong as that was, it represented what many know about the passing of information among

analysts and traders; you make the most money on trading stocks when you have

information that nobody else does. Surely, the well-connected on Wall Street do the same thing on a daily basis what could it hurt.

Jiau, however, was the person who could monetize the shared information from the investment club very quickly, because she was being paid as a consultant by Primary Global, an expert network firm feeding information to hedge funds. The hedge fund clients, Samir Barai and Noah Freeman made trades off of that information and made millions. For the investment club, it meant the possibility of having a few extra dollars for some hard working finance folks and an all-expense outing at the Cheese Cake Factory. But it all ended when the FBI got involved and the investment club took on a new moniker, "conspiracy."

Hedge fund manager Barai and Freeman have pled guilty and are cooperating with

"We are delighted that our client received probation in this matter. This is a great result."

Silvia L. Serpe, Partner
Serpe Ryan LLP

authorities neither has been sentenced yet. Jiau's pay for the information she pried from Nguyen and Ng, was about \$10,000/month. The sentencing guidelines used to punish Jiau with prison time, was pegged on the millions of dollars reaped by the hedge fund managers and not her relatively small "consulting" fee. In fact, Jiau had no control or input into how much stock Barai and Freeman purchased, or shorted, in order to make their millions. Nguyen and Ng were even more in the dark because they had no idea who Jiau was passing this information to. Jiau, Ng and Nguyen were all arrested. Jiau took her case to court and is currently appealing her case. Ng and Nguyen pled guilty with Nguyen testifying against Jiau at her trial. Friendships are the first casualties of a federal investigation. Nguyen received probation in exchange for his plea and cooperation.

Ng and Nguyen did what anyone would do when faced with prison time and an opportunity to reduce it, they threw Ms. Jiau under the bus. Jiau has been demonized in the press and in the courtroom as an overbearing personality who would hound her investment club members for information in order to feed her Ivy League hedge fund

managers with inside information. Not only has her character been shattered, her punishment has been the most severe of any of those arrested in the insider trading scandal. Not even Raj Rajaratnam, who received an 11 year sentence, has seen the conditions that have befallen Ms. Jiau. Since being arrested at her home in Cupertino, CA in December 2010, she was denied bail and held in maximum security facilities for the majority of her time in prison. She is destitute, has lost all of her possessions and her only companion, a golden retriever named Hunter, was given away to a compassionate family. Subjected to being handcuffed, shackled and caged in a locked cell, Jiau was finally transferred to a federal prison camp in Dublin, CA after a year of incarceration where she will serve the remainder of her 48 month prison term.

As for Ng and Nguyen, they too have been punished, despite the punishment of probation, and have likely seen the last of working in any financial role within a large company. However, the disparity of punishment for Ms. Jiau is disconcerting and the convenience of the story that has framed her character seems to have benefited some while punishing her more than is necessary.