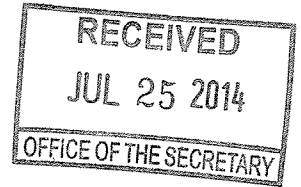


UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION



ADMINISTRATIVE PROCEEDING
File No. 3-15925

In the Matter of

MICHAEL S. STEINBERG,

Respondent.


**DIVISION OF ENFORCEMENT'S MOTION FOR
SUMMARY DISPOSITION AGAINST RESPONDENT MICHAEL S. STEINBERG**

Upon the accompanying memorandum of points and authorities and papers filed in support hereof, the Division of Enforcement respectfully moves for summary disposition pursuant to Rule 250 of the Securities and Exchange Commission's Rules of Practice against Respondent Michael S. Steinberg.

Dated: New York, NY
July 24, 2014

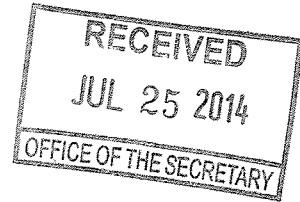
Respectfully submitted,

DIVISION OF ENFORCEMENT

By: 
Justin P. Smith
Daniel R. Marcus

Securities and Exchange Commission
New York Regional Office
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UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION



ADMINISTRATIVE PROCEEDING
File No. 3-15925

In the Matter of

MICHAEL S. STEINBERG,

Respondent.

MEMORANDUM OF POINTS AND AUTHORITIES IN SUPPORT OF THE
DIVISION OF ENFORCEMENT'S MOTION FOR SUMMARY DISPOSITION
AGAINST RESPONDENT MICHAEL S. STEINBERG

DIVISION OF ENFORCEMENT
Justin P. Smith
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Dated: July 24, 2014

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The Division of Enforcement (“Division”) moves, pursuant to Rule 250 of the Rules of Practice of the Securities and Exchange Commission (“Commission”), for summary disposition of the claims in the Order Instituting Proceedings (“OIP”) in this Administrative Proceeding, which was brought under Section 203(f) of the Investment Advisers Act of 1934 (“Advisers Act”) against Respondent Michael S. Steinberg (“Steinberg”). The Division respectfully requests that this Court issue an order barring Steinberg from association with any investment adviser, broker, dealer, municipal securities dealer, municipal advisor, transfer agent, or nationally recognized statistical rating organization (hereinafter a “collateral industry bar”). In support of its motion, the Division respectfully submits this memorandum of law.

PRELIMINARY STATEMENT

On December 18, 2013, after a five-week criminal trial, Steinberg, a portfolio manager at Sigma Capital Management LLC (“Sigma Capital”), a division of the Connecticut based hedge fund management firm S.A.C. Capital Advisors, L.P., was found guilty of insider trading. Specifically, Steinberg was convicted of one count of conspiracy to commit securities fraud and four counts of securities fraud based on his participation in an insider trading scheme that netted nearly one-and-a-half-million dollars in profits for Sigma Capital.

Because Steinberg’s conduct was egregious and intentional, and because Steinberg has not acknowledged his misconduct or indicated any willingness to refrain from future wrongdoing, this Court should impose a collateral industry bar against him.

STATEMENT OF FACTS

The Department of Justice's Criminal Case Against Steinberg

On March 29, 2013, the United States Attorney's Office for the Southern District of New York unsealed a superseding indictment that charged Steinberg with one count of conspiracy to commit securities fraud and four counts of securities fraud in violation of Section 10(b) of the Securities Exchange Act of 1934 ("Exchange Act") and Rule 10b-5 in *United States v. Steinberg*, S4:12-cr-121 (S.D.N.Y.) (RJS). The indictment is attached as Exhibit 1 to the Declaration of Justin P. Smith dated July 24, 2014 ("Decl."). Trial took place over a five-week period in November and December 2013.

The evidence adduced during the criminal trial established that, in 2008 and 2009, while serving as a portfolio manager at Sigma Capital, Steinberg traded in the securities of two publicly traded technology companies, Dell Inc. ("Dell"), and NVIDIA Corporation ("NVIDIA"), based on material nonpublic information that his research analyst, Jon Horvath, obtained from a circle of analyst friends at different investment firms. The circle of analysts obtained the inside information from insiders at Dell and NVIDIA, who breached duties they owed to their employers by disclosing their companies' confidential financial results before that information was released to the public. The inside information about Dell's and NVIDIA's upcoming earnings announcements was transmitted to Horvath, and from Horvath to Steinberg, who executed trades based on it while knowing that such information had been disclosed by company employees in violation of the duties of trust and confidence they owed to their employers. Steinberg's trades in Dell and NVIDIA securities resulted in more than \$1.4 million in illegal profits for the funds that Sigma advised. Decl. Ex. 1 at ¶¶ 17, 25.

Steinberg received and traded on material nonpublic information in advance of Dell's August 28, 2008, earnings announcement that indicated that Dell would report gross profit margins that were materially lower than market expectations. On August 18, following telephone calls from the Dell corporate insider to a member of the circle of analysts, Horvath called Steinberg. Within a minute, Steinberg's portfolio began shorting shares of Dell. One minute later, Horvath wrote an e-mail message to Steinberg stating: "Pls keep the DELL stuff especially on the down low... just mentioning that because [one of the members of the circle of analysts] asked me specifically to be extra sensitive with the info." Decl. Ex. 2. On August 26, Horvath sent an e-mail message to another Sigma portfolio manager, copying Steinberg, stating that his Dell information was based on a "2nd hand read from someone at the company." Decl. Ex. 3. Steinberg himself chimed in: "Yes normally we would never divulge data like this, so please be discreet." *Id.* On August 27, Steinberg sent an e-mail message to Horvath with the subject line, "Dell action," in which he asked, "Have u double checked [with one of the members of the circle of analysts] this week?" Decl. Ex. 4. Horvath responded, "Yes he checked in couple days ago, same read no change." *Id.* The next day, Steinberg executed additional short trades based on the Dell inside information. On August 28, Steinberg made additional pre-announcement short trades in Dell stock and options. After Dell's earnings announcement of gross margins that were substantially below market expectations, Steinberg closed out his short positions in Dell, resulting in an illegal profit for Sigma of approximately \$1 million. Decl. Ex. 1 at ¶ 17.

In advance of NVIDIA's May 7, 2009, earnings announcement, Steinberg also received and traded on material nonpublic information that indicated that NVIDIA would

report gross margins that were materially lower than market expectations. A corporate insider at NVIDIA disclosed the material nonpublic information to a friend, who provided it to a member of the circle of analysts, who forwarded it to Horvath (and others), who in turn shared it with Steinberg. Steinberg then sold NVIDIA securities short in advance of the May 7, 2009, earnings announcement. At the end of the trading day following the NVIDIA announcement, NVIDIA's stock price dropped by more than thirteen percent. Shortly thereafter, Steinberg closed his NVIDIA short position, resulting in an illegal profit for Sigma of more than \$400,000. Decl. Ex. 1 at ¶ 25.

On December 18, 2013, Steinberg was convicted on all counts. On May 16, 2014, a judgment in the criminal case was entered against Steinberg. Decl. Ex. 5. Steinberg was sentenced to a prison term of 42 months followed by three years of supervised release. He also was ordered to pay a fine of \$2 million and \$365,142.30 in criminal forfeiture. *Id.* Steinberg is appealing his conviction.¹

The Administrative Proceeding Against Steinberg

On June 11, 2014, the Commission issued the OIP in this matter, and Steinberg was served with the OIP shortly thereafter. At a prehearing conference on June 26, 2014, the Court granted the Division's request for leave to file this motion for summary disposition and waived the requirement that Steinberg file an Answer to the OIP.

¹ Steinberg has also been charged by the Commission with violations of Section 17(a) of the Securities Act of 1933, Section 10(b) of the Exchange Act, and Rule 10b-5 in a civil injunctive action, *SEC v. Steinberg*, 13-cv-2082 (S.D.N.Y.) (SAS), which was initiated on March 29, 2013. Decl. Ex. 6. The Commission alleges, among other things, that Steinberg is liable for insider trading based on the conduct that formed the basis of the criminal indictment, as well as additional insider trading conduct. That civil action is currently stayed, and no determination as to whether an injunction will be entered against Steinberg has been made.

ARGUMENT

I. SUMMARY DISPOSITION IS APPROPRIATE

Rule 250(a) of the Commission's Rules of Practice provides that a party may make a motion for summary disposition of any or all allegations contained in the OIP. 17 C.F.R. § 201.250(a). A motion for summary disposition may be granted if there is no genuine issue with regard to any material fact, and the party making the motion is entitled to summary disposition as a matter of law. 17 C.F.R. § 201.250(b).

The Commission has repeatedly upheld use of the summary disposition procedure in cases such as this one, in which a respondent affiliated with an investment adviser has been enjoined or convicted, and the sole determination concerns the appropriate sanction. *See In the Matter of Jeffrey L. Gibson*, 2008 SEC LEXIS 236, at *19-*20 (Feb. 4, 2008) (citing cases). The facts underlying a criminal conviction are immune from attack in a follow-on administrative proceeding. *See In the Matter of Ted Harold Westerfield*, 1999 SEC LEXIS 433, at *16 n.22 (Mar. 1, 1999) (citing cases). The Commission does not permit a respondent to relitigate issues that were addressed in a previous district court action against the respondent. *See In the Matter of James E. Franklin*, 2007 SEC LEXIS 2420, at *11-*12 and n.13-14 (Oct. 12, 2007) (citing cases). Nor does the pendency of an appeal preclude the Commission from taking action based on a district court judgment or from acting to protect the public interest. *See id.* at *12 n.15 (citing cases).

II. STEINBERG SHOULD BE BARRED FROM ASSOCIATION WITH ANY INVESTMENT ADVISER, BROKER, DEALER, MUNICIPAL SECURITIES DEALER, MUNICIPAL ADVISOR, TRANSFER AGENT, OR NATIONALLY RECOGNIZED STATISTICAL RATING ORGANIZATION

Under Section 203(f) of the Advisers Act, the Commission may impose a collateral industry bar against a person if the Commission finds that it is in the public interest to do so,

that the person has been convicted of a felony or misdemeanor involving the purchase or sale of securities, and that, at the time of the misconduct underlying the conviction, the person was associated with an investment adviser.

A. Steinberg Was Convicted of a Felony Involving the Purchase or Sale of Securities and at the Time of His Illegal Conduct Was Associated with an Investment Adviser

Steinberg was convicted on December 18, 2013, of one count of conspiracy to commit securities fraud and four counts of securities fraud in violation of Section 10(b) of the Exchange Act and Rule 10b-5. The judgment against him was entered on May 16, 2014. Decl. Ex. 5. During the period of his illegal conduct, Steinberg was employed as a portfolio manager at Sigma Capital and had authority to trade in certain accounts of the hedge funds that Sigma Capital managed.

B. The Public Interest Requires a Collateral Industry Bar Be Imposed Against Steinberg

A collateral industry bar should be imposed against Steinberg. The criminal charges of which Steinberg was convicted confirm the necessity of a permanent bar to promote the public interest. *See In the Matter of Jerry W. Anderson and Robert M. Kerns*, 2000 SEC LEXIS 1092, at *12-14 (May 31, 2000) (holding bar to be in public interest when conduct was egregious and committed with “high degree of scienter”).

To determine whether imposition of a collateral industry bar is appropriate, the Commission considers six factors: (i) the egregiousness of the respondent’s actions; (ii) the isolated or recurrent nature of the infractions; (iii) the degree of scienter involved; (iv) the sincerity of the respondent’s assurances against future violations; (v) the respondent’s recognition of the wrongful nature of his conduct; and (vi) the likelihood that respondent’s occupation will present opportunities for future violations. No one factor is

controlling. *In the Matter of Kent D. Nelson*, 2009 SEC LEXIS 440, at *10 (Feb. 24, 2009) (citing *Steadman v. SEC*, 603 F.2d 1126, 1140 (5th Cir. 1979), *aff'd on other grounds*, 450 U.S. 91 (1981)). In this case, each of these factors favors imposition of a collateral industry bar against Steinberg.

1. Steinberg's Actions Were Egregious, Intentional, and Repeated

Steinberg's conviction on all counts of conspiracy to commit securities fraud and securities fraud, and the facts underlying his conviction, make plain that Steinberg's insider trading was egregious and involved a high degree of scienter. On multiple occasions during 2008 and 2009, Steinberg received material nonpublic information regarding Dell and NVIDIA—including quarterly earnings information—from Horvath. Steinberg used the Dell and NVIDIA inside information to trade Dell and NVIDIA securities in multiple quarters on behalf of hedge funds advised by Sigma, reaping nearly one-and-a-half-million dollars in illicit profits for those funds. Decl. Ex. 1 at ¶¶ 17, 25. In August 2008 alone, Steinberg made approximately \$1 million shorting Dell securities after receiving the material nonpublic information from Horvath. Decl. Ex. 1 at ¶ 17.

In addition to being egregious and intentional, Steinberg's illegal conduct was repeated and extended, occurring on at least two separate occasions from at least August 2008 through May 2009. Decl. Ex. 1 at ¶¶ 17, 25.

2. Steinberg Has Offered No Assurance Against Future Violations, and He Continues to Deny Any Wrongdoing

Steinberg's failure to accept the wrongful nature of his conduct or to provide any assurances against future misconduct also supports the imposition of a collateral industry bar against him. Steinberg refuses to acknowledge any wrongdoing and is appealing his criminal conviction. At no time has Steinberg indicated any remorse for his actions, nor

has he offered any assurance that he will not engage in future violations. Steinberg's failure to recognize the wrongfulness of his conduct presents a significant risk that, if given the opportunity, he would engage in additional misconduct in the future, further underscoring the need for a bar. *In the Matter of Michael J. Markowski*, 2001 SEC LEXIS 502, at *17 (Mar. 20, 2001). Moreover, the fact that Steinberg has been placed on leave by Sigma Capital, and even the possibility that Steinberg may already be "effectively barred" from the securities industry for the present and in the near future, are not relevant to the imposition of a collateral bar. A collateral bar is a "prospective remedy," and Steinberg "has provided no assurance that he will never return to work in the securities industry." *In the Matter of Anthony Chiasson*, 2014 SEC LEXIS 1366, at *21 (Apr. 18, 2014). If Steinberg were to reenter the securities industry upon the expiration of his prison sentence, his occupation would present the opportunity for future violations. *Id.*

CONCLUSION

For the foregoing reasons, the Division respectfully requests that its motion for summary disposition be granted and that this Court issue an order permanently barring Steinberg from association with any investment adviser, broker, dealer, municipal securities dealer, municipal advisor, transfer agent, or nationally recognized statistical rating organization.

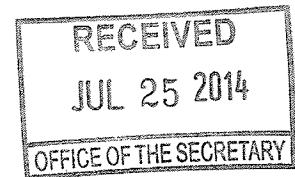
Dated: July 24, 2014.

Respectfully submitted,
DIVISION OF ENFORCEMENT



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UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION



ADMINISTRATIVE PROCEEDING
File No. 3-15925

In the Matter of

MICHAEL S. STEINBERG,

Respondent.

DECLARATION OF JUSTIN P. SMITH

I, Justin P. Smith, pursuant to 28 U.S.C. § 1746, declare as follows:

1. I am over 18 years old and a member of the bar of the State of New York.
2. I am employed as a Senior Attorney in the Division of Enforcement

("Division") at the New York Regional Office of the Securities and Exchange Commission ("Commission"). I make this declaration in support the Division's Motion for Summary Disposition against Respondent Michael S. Steinberg.

3. Attached as exhibits to this Declaration are true and correct copies of the following documents:

Exhibit 1: Superseding Indictment in *United States v. Michael Steinberg*, S4 12 Cr. 121 (RJS) (S.D.N.Y.), unsealed on March 29, 2013.

Exhibit 2: Government Exhibit 625 in *United States v. Michael Steinberg*, S4 12 Cr. 121 (RJS) (S.D.N.Y.), received in evidence on December 2, 2013.

Exhibit 3: Government Exhibit 634 in *United States v. Michael Steinberg*, S4 12 Cr. 121 (RJS) (S.D.N.Y.), received in evidence on December 2, 2013.

Exhibit 4: Government Exhibit 636 in *United States v. Michael Steinberg*, S4 12 Cr. 121 (RJS) (S.D.N.Y.), received in evidence on December 2, 2013.

Exhibit 5: Judgment in a Criminal Case as to Defendant Michael Steinberg, entered May 16, 2014, in *United States v. Michael Steinberg*, S4 12 Cr. 121 (RJS) (S.D.N.Y.).

Exhibit 6: Complaint in *Securities and Exchange Commission v. Michael S. Steinberg*, 13 Civ. 2082 (S.D.N.Y.).

I declare under penalty of perjury that the foregoing is true and correct.

Executed on July 24, 2014
New York, New York



Justin P. Smith

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

- - - - - x

UNITED STATES OF AMERICA :

-v.- :

MICHAEL STEINBERG, :

Defendant. :

SEALED
SUPERSEDING
INDICTMENT

S4 12 Cr. 121 (RJS)

- - - - - x

COUNT ONE

(Conspiracy to Commit Securities Fraud)

The Grand Jury charges:

Relevant Entities and Individuals

1. At all times relevant to this Indictment, MICHAEL STEINBERG, the defendant, was a portfolio manager at a hedge fund located in New York, New York ("Hedge Fund A"). STEINBERG managed a portfolio that was predominantly invested in technology stocks.

2. At all times relevant to this Indictment, Jon Horvath ("Horvath"), a coconspirator not named as a defendant herein, was an analyst at Hedge Fund A who worked for MICHAEL STEINBERG, the defendant.

3. At all times relevant to this Indictment, Jesse Tortora ("Tortora"), a coconspirator not named as a defendant herein, was employed as an analyst at a hedge fund located in Stamford, Connecticut ("Hedge Fund B").

4. At all times relevant to this Indictment, Danny Kuo ("Kuo"), a coconspirator not named as a defendant herein, was employed as an analyst at a wealth management company headquartered in South Pasadena, California ("Investment Firm C").

5. At all times relevant to this Indictment, Dell, Inc. ("Dell"), a public company whose stock was traded on the Nasdaq Stock Market, produced personal computers and provided technology services around the world. Further, at all times relevant to this Indictment, Dell's policies prohibited the unauthorized disclosure of Dell's confidential information.

6. At all times relevant to this Indictment, NVIDIA Corporation ("NVIDIA"), a public company whose stock was traded on the Nasdaq Stock Market, produced, among other things, graphics processors. Further, at all times relevant to this Indictment, NVIDIA's policies prohibited the unauthorized disclosure of NVIDIA's confidential information.

The Insider Trading Scheme

7. From in or about late 2007 through in or about 2009, MICHAEL STEINBERG, the defendant, obtained material, nonpublic information ("Inside Information") from his analyst, Horvath. Horvath, in turn, obtained the Inside Information directly and indirectly from employees of certain publicly traded technology companies ("Technology Companies"), including

information relating to the Technology Companies' earnings, revenues, gross margins, and other confidential and material financial information of the Technology Companies. Specifically, Horvath obtained Inside Information from his own sources at companies, as well as from analysts who worked at different hedge funds and investment firms in New York, New York and elsewhere (the "Analyst Coconspirators"), who, in turn, obtained the Inside Information directly or indirectly from employees of the Technology Companies. STEINBERG executed and caused to be executed securities transactions in certain of the Technology Companies based in whole or in part on the Inside Information Horvath provided to him, earning substantial sums in unlawful profits for the benefit of Hedge Fund A.

8. The Inside Information received by MICHAEL STEINBERG, the defendant, was obtained in violation of:

- (i) fiduciary and other duties of trust and confidence owed by the employees of the Technology Companies to their employers;
- (ii) expectations of confidentiality held by the Technology Companies;
- (iii) written policies of the Technology Companies regarding the use and safekeeping of confidential business information; and
- (iv) agreements between the Technology Companies and their employees to maintain information in confidence.

The Dell Inside Information

9. From in or about 2008 through in or about 2009, in advance of Dell's quarterly earnings announcements, Tortora provided Inside Information regarding Dell's financial performance (the "Dell Inside Information") to Horvath and to the portfolio manager for whom Tortora worked, among others. Tortora obtained the Dell Inside Information from Sandeep Goyal, a/k/a "Sandy Goyal" ("Goyal"). At all times relevant to this Indictment, Goyal worked as an associate analyst for a global asset management firm based in New York, New York. Goyal, in turn, obtained the Dell Inside Information from an employee at Dell (the "Dell Insider").

10. At certain times relevant to this Indictment, the Dell Insider worked in Dell's investor relations department, and had access to confidential financial information concerning Dell's quarterly earnings announcements before it was publicly announced. The disclosure by the Dell Insider of the Dell Inside Information in advance of Dell's public earnings announcements violated Dell's policies and the Dell Insider's fiduciary and other duties of trust and confidence owed to Dell.

August 28, 2008 Earnings Announcement

11. Dell announced its earnings for the quarter ended August 1, 2008 shortly after the close of the market on or about August 28, 2008 (the "August 28 Earnings Announcement"). On

multiple occasions in advance of the August 28, 2008 Earnings Announcement, the Dell Insider provided to Goyal, who, in turn, provided to Tortora, Inside Information concerning Dell's financial results for the quarter ended August 1, 2008. That Inside Information reflected, among other things, that Dell's gross margins would be materially lower than market expectations. As such, the Inside Information was negative news concerning the upcoming August 28 Earnings Announcement.

12. Tortora then provided this negative Inside Information to Horvath, among others, and Horvath, in turn, provided the Inside Information to MICHAEL STEINBERG, the defendant. STEINBERG executed or caused to be executed transactions in securities of Dell based in whole or in part on the Dell Inside Information.

13. Specifically, on or about August 18, 2008, after receiving the Dell Inside Information, MICHAEL STEINBERG, the defendant, executed or caused to be executed short sales of Dell stock. The following events, among others, led to the August 18, 2008 short sales:

a. On or about Friday, August 15, 2008, Tortora obtained the Dell Inside Information from Goyal, who had, in turn, obtained the information from the Dell Insider in the evening on or about August 14, 2008.

b. On or about Monday, August 18, 2008, at approximately 12:20 p.m., Tortora and Horvath spoke by telephone for approximately 10 minutes.

c. On or about Monday, August 18, 2008, at approximately 12:34 p.m. - a few minutes after Horvath completed his telephone call with Tortora - Horvath had a telephone conversation with STEINBERG that lasted approximately 2 minutes.

d. At approximately 12:37 p.m. on or about August 18, 2008, the portfolio at Hedge Fund A over which STEINBERG had sole trading discretion ("STEINBERG's Portfolio") started to sell short shares of Dell.

e. At approximately 12:38 p.m. on August 18, 2008, Horvath wrote in an email to STEINBERG: "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."

f. By the end of the trading day on or about August 18, 2008, STEINBERG's Portfolio had acquired a net short position of 167,368 shares of Dell stock.

14. Similarly, on or about August 28, 2008, MICHAEL STEINBERG, the defendant, executed or caused to be executed short sales of Dell stock based in whole or in part on the Dell Inside Information. The following events, among others, led to the August 28, 2008 short sales:

a. On or about August 26, 2008, at approximately 1:09 p.m., Horvath sent an email to STEINBERG and another portfolio manager at Hedge Fund A stating, in relevant part, that, based on a "2nd hand read from someone at the company," Horvath learned that Dell would report a "GMs [gross margins] miss by 50-80 bps due to poor mix, opex [operating expenses] in-line and a little revenue upside netting out to an EPS [earnings per share] miss." Horvath further stated in the email: "Please keep to yourself as obviously not well known."

b. On or about August 26, 2008, at approximately 1:12 p.m., STEINBERG responded to Horvath's email, stating, in relevant part: "Yes normally we would never divulge data like this, so please be discreet."

c. On or about August 27, 2008, at approximately 1:11 p.m., STEINBERG sent an email to Horvath with the subject line "Dell action," stating, in relevant part: "Have u double checked [with] JT [Jesse Tortora] this week?" At approximately 1:15 p.m. the same day, Horvath responded: "Yes he [Tortora] checked in couple days ago, same read no change."

d. On or about August 28, 2008, at approximately 3:56 p.m., STEINBERG executed or caused to be executed an additional short sale of approximately 30,000 shares of Dell.

15. Between on or about August 19, 2008 and on or about August 28, 2008, MICHAEL STEINBERG, the defendant, also

executed or caused to be executed securities transactions in Dell option contracts based in whole or in part on the Dell Inside Information.

16. The August 28 Earnings Announcement included gross margin numbers for Dell that were materially below market expectations. As a result, at the close of the trading day following the August 28 Earnings Announcement, Dell's stock price dropped by more than 13%, from approximately \$25.21 at the close on August 28, 2008 to \$21.73 at the close on August 29, 2008.

17. Between on or about August 29, 2008 and September 2, 2008, MICHAEL STEINBERG, the defendant, covered or caused to be covered his portfolio's entire short position in Dell shares and closed out or caused to be closed out the portfolio's position in Dell option contracts, earning an illegal profit for Hedge Fund A of approximately \$1 million.

The NVIDIA Inside Information

18. In or about 2009, Kuo obtained Inside Information regarding NVIDIA's financial results (the "NVIDIA Inside Information") in advance of NVIDIA's quarterly earnings announcements. Kuo obtained the NVIDIA Inside Information from a friend, Hyung Lim ("Lim"), who, in turn, obtained the NVIDIA Inside Information from an employee at NVIDIA (the "NVIDIA Insider").

19. At certain times relevant to this Indictment, the NVIDIA Insider worked in NVIDIA's finance department, and had access to confidential financial information concerning NVIDIA's quarterly earnings announcements before the information was publicly announced. The disclosure by the NVIDIA Insider of the NVIDIA Inside Information in advance of NVIDIA's public earnings announcements violated NVIDIA's policies and the NVIDIA Insider's fiduciary and other duties of trust and confidence owed to NVIDIA.

20. Kuo passed the NVIDIA Inside Information to the portfolio manager at Investment Firm C for whom he worked, and to Tortora and Horvath, among others.

May 7, 2009 Earnings Announcement

21. NVIDIA announced its earnings for the quarter ended April 26, 2009 shortly after the close of the market on or about May 7, 2009 (the "May 7 Earnings Announcement"). In advance of the May 7 Earnings Announcement, the NVIDIA Insider provided to Lim, who, in turn, provided to Kuo, Inside Information concerning NVIDIA's financial results for the quarter ended April 26, 2009. That Inside Information reflected, among other things, that NVIDIA's gross margins would be lower than market expectations. As such, the Inside Information was negative news concerning the upcoming May 7 Earnings Announcement.

22. Kuo provided this NVIDIA Inside Information to Horvath, among others, who then provided it to MICHAEL STEINBERG, the defendant. STEINBERG executed or caused to be executed transactions in securities of NVIDIA in advance of the May 7 Earnings Announcement based in whole or in part on the NVIDIA Inside Information.

23. Specifically, on or about April 27, 2009 and May 4, 2009, Horvath received emails from Kuo that contained Inside Information concerning the May 7 Earnings Announcement. Horvath provided this Inside Information to MICHAEL STEINBERG, the defendant. Subsequently, on or about May 5, 2009 and May 7, 2009, STEINBERG executed or caused to be executed securities transactions that were the economic equivalent of a short sale of 160,000 shares and 100,000 shares, respectively, of NVIDIA stock, based in whole or in part on the NVIDIA Inside Information.

24. The May 7 Earnings Announcement included gross margin numbers for NVIDIA that were materially below market expectations. As a result, at the close of the trading day following the May 7 Earnings Announcement, NVIDIA's stock price dropped by more than 13%, from approximately \$10.73 at the close on May 7, 2009 to \$9.25 at the close on May 8, 2009.

25. Shortly after the May 7 Earnings Announcement, MICHAEL STEINBERG, the defendant, liquidated or caused to be

liquidated his portfolio's entire position in NVIDIA securities, earning an illegal profit for Hedge Fund A of over \$400,000.

The Conspiracy

26. From in or about late 2007 through in or about 2009, in the Southern District of New York and elsewhere, MICHAEL STEINBERG, the defendant, and others known and unknown, willfully and knowingly did combine, conspire, confederate and agree together and with each other to commit an offense against the United States, to wit, securities fraud, 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.

Object of the Conspiracy

Securities Fraud

27. It was a part and an object of the conspiracy that MICHAEL STEINBERG, the defendant, and others known and unknown, willfully and knowingly, directly and indirectly, by the use of the means and instrumentalities of interstate commerce, and of the mails, and of the 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 any person, 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.

Means and Methods of the Conspiracy

28. Among the means and methods by which MICHAEL STEINBERG, the defendant, and others known and unknown, would and did carry out the conspiracy were the following:

a. STEINBERG received Inside Information from Horvath which Horvath obtained directly and indirectly from employees of public companies who disclosed such information in violation of fiduciary and other duties of trust and confidence that they owed to their employers.

b. Horvath obtained the Inside Information either from his own sources at the Technology Companies or indirectly through one or more of the Analyst Coconspirators.

c. STEINBERG executed and caused others to execute securities transactions for the benefit of Hedge Fund A in various Technology Companies based in whole or in part on the Inside Information provided by Horvath, knowing that the Inside Information had been disclosed by public company employees in

violation of duties of trust and confidence owed to their employers.

Overt Acts

29. In furtherance of the conspiracy, and to effect the illegal object thereof, MICHAEL STEINBERG, the defendant, and his coconspirators committed the following overt acts, among others, in the Southern District of New York and elsewhere:

a. On or about August 5, 2008, Tortora sent an email to Horvath that contained certain of the Dell Inside Information.

b. On or about August 18, 2008, Tortora had a telephone conversation with Horvath.

c. On or about August 18, 2008, Horvath had a telephone conversation with STEINBERG, who was in New York, New York at the time.

d. On or about August 26, 2008, Horvath sent an email to STEINBERG and another portfolio manager at Hedge Fund A that contained certain of the Dell Inside Information.

e. On or about May 4, 2009, Kuo sent an email to Horvath and others that contained certain of the NVIDIA Inside Information.

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

COUNTS TWO THROUGH FIVE

(Securities Fraud)

The Grand Jury further charges:

30. The allegations contained in paragraphs 1 through 25 and 28 through 29 are repeated and realleged as though fully set forth herein.

31. On or about the dates set forth below, in the Southern District of New York and elsewhere, MICHAEL STEINBERG, the defendant, willfully and knowingly, directly and indirectly, by use of the means and instrumentalities of interstate commerce, and of the mails, and of the facilities of national securities exchanges, in connection with the purchase and sale of securities, did use and employ 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 facts 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, to wit, STEINBERG executed or caused others to execute the securities transactions listed below based in whole or in part on Inside Information provided to him by Horvath:

COUNT	DATE	SECURITY	TRANSACTION
TWO	August 18, 2008	Dell, Inc.	short sale of at least 167,368 shares of common stock
THREE	August 28, 2008	Dell, Inc.	short sale of 30,000 shares of common stock
FOUR	May 5, 2009	NVIDIA Corporation	a swap transaction equivalent to a short sale of 160,000 shares of common stock
FIVE	May 7, 2009	NVIDIA Corporation	a swap transaction equivalent to a short sale of 100,000 shares of common stock

(Title 15, United States Code, Sections 78j(b) & 78ff; Title 17, Code of Federal Regulations, Sections 240.10b-5 and 240.10b5-2; and Title 18, United States Code, Section 2.)

FORFEITURE ALLEGATION

32. As a result of committing one or more of the foregoing conspiracy and securities fraud offenses alleged in Counts One through Five of this Indictment, MICHAEL STEINBERG, the defendant, shall forfeit to the United States pursuant to Title 18, United States Code, Section 981(a)(1)(C) and Title 28, United States Code, Section 2461, all property, real and personal, that constitutes or is derived from proceeds traceable to the commission of the securities fraud offenses.

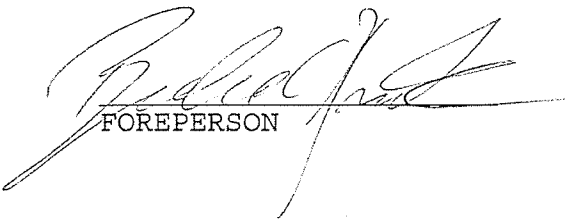
Substitute Assets Provision

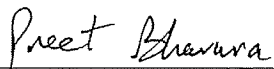

33. If any of the above-described forfeitable property, as a result of any act or omission of the defendant:

- a. cannot be located upon the exercise of due diligence;
 - b. has been transferred or sold to, or deposited with, a third party;
 - c. has been placed beyond the jurisdiction of the court;
 - d. has been substantially diminished in value;
- or
- e. has been commingled with other property which cannot be divided without difficulty;

it is the intent of the United States, pursuant to Title 21, United States Code, Section 853(p), to seek forfeiture of any other property of the defendant up to the value of the forfeitable property described above.

(Title 18, United States Code, Section 981; Title 28, United States Code, Section 2461; Title 18, United States Code, Sections 371 and 2; 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.)


FOREPERSON


PREET BHARARA 
United States Attorney

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

UNITED STATES OF AMERICA

- v. -

MICHAEL STEINBERG,

Defendant.

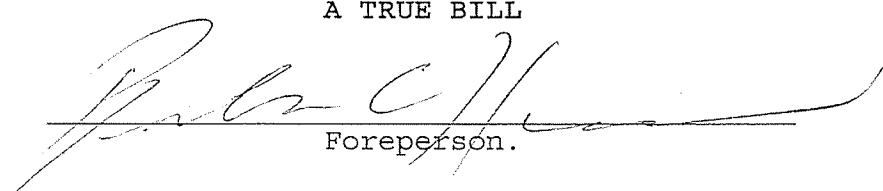
SUPERSEDING
INDICTMENT

S4 12 Cr. 121 (RJS)

(18 U.S.C. §§ 2, 371; Title 15, United
States Code, Sections 78j(b) & 78ff;
Title 17, Code of Federal Regulations,
Section 240.10b-5)

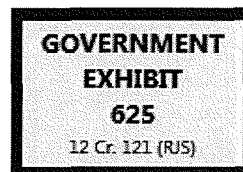
PREET BHARARA
United States Attorney.

A TRUE BILL


Foreperson.

2

From: Steinberg, Mike
Sent: Monday, August 18, 2008 1:07 PM
To: Horvath, Jon
Subject: RE: Pls keep the DELL stuff especially on the down low...



DP said that he has heard a regular bear call that topline will miss but he was pretty confident on bottomline. I told him that we did not agree and that got him going in a big way. Says he is going to call his guy. He also said he has been hearing that HPQ is going to talk down revs - basically theyve decided too - or been forced too cede mkt share to DELL this qtr. Which, irnoically, would jive with DELL having a mix problem, rt!?

From: Horvath, Jon
Sent: Monday, August 18, 2008 1:00 PM
To: Steinberg, Mike
Subject: RE: Pls keep the DELL stuff especially on the down low...

I think more consensus is long mainly due to the IDC nums tho- I don't know guys short it other than JT and it doesn't come up that often in conversation. When I spoke with long guys I go to lunch with like Fayad (who upgraded it before last quarter) they were not too excited about the DELL setup at these levels into this quarter. I'll try to find out more.

From: Steinberg, Mike
Sent: Monday, August 18, 2008 12:56 PM
To: Horvath, Jon
Subject: RE: Pls keep the DELL stuff especially on the down low...

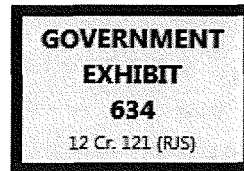
I will
I was just talking to dp to hear his perspective, didnt give any detail other than told him we are shorting it. He says he thinks consensus is short, but I disagree. U?

From: Horvath, Jon
Sent: Monday, August 18, 2008 12:38 PM
To: Steinberg, Mike
Subject: Pls keep the DELL stuff especially on the down low...

...just mentioning that because JT asked me specifically to be extra sensitive with the info

*Jon P. Horvath, CFA
Sigma Capital Management
540 Madison Ave
New York, NY 10022
Direct: 212 756-1574*

From: Steinberg, Mike
Sent: Tuesday, August 26, 2008 1:12 PM
To: Horvath, Jon; Plotkin, Gabriel
Subject: RE: DELL



Yes normally we would never divulge data like this, so please be discreet. Thanks

From: Horvath, Jon
Sent: Tuesday, August 26, 2008 1:09 PM
To: Plotkin, Gabriel; Steinberg, Mike
Subject: RE: DELL

I have a 2nd hand read from someone at the company- this is 3rd quarter I have gotten this read from them and it has been very good in the last two quarters. They are saying GMs miss by 50-80 bps due to poor mix, opex in-line and a little revenue upside netting out to an EPS miss. Even if they have some flexibility in the opex/other income to offset the light GMs and report in-line EPS or even a penny upside I think the stock goes down (I know they said the headcount reductions last quarter were backend loaded). Please keep to yourself as obviously not well known.

From: Plotkin, Gabriel
Sent: Tuesday, August 26, 2008 12:54 PM
To: Steinberg, Mike; Horvath, Jon
Subject: RE: DELL

I do think that is the biggest risk. I am modeling gm% of 18.1% basically flat sequentially with the following:

- 1) component pricing - positive on LCD panels, neg on DRAM
- 2) mix - positive on services, neg on retail roll-out
- 3) some early impact from their manufacturing shift to ODMs and products designed more for retail...

I balance these risks out to about flat on gm% but certainly agree that is the biggest risk. I do think however that 2h gm% should improve given their focus on shifting to ODMs and shifting laptops that are designed/customized for the retail channel...

Where are you modeling gm%? What are your insights...?

Thx,
 gabe

From: Steinberg, Mike
Sent: Tuesday, August 26, 2008 12:37 PM
To: Horvath, Jon; Plotkin, Gabriel
Subject: DELL

Guys,

I was talking to Steve about DELL earlier today, and he asked me if to get the two of you to compare notes before the print, as we are on opposite sides of this one.

Gabe - we think GMs are at risk this qtr, that they may be able to offset a weak GM with better Opex, but even if they do, its unlikely to produce the EPS upside that the entire sellside is calling for. Any thoughts on this - or related points?

Thanks,

Mike

From: Porterfield, Alfred
Sent: Wednesday, August 27, 2008 2:31 PM
To: Steinberg, Mike; Horvath, Jon
Subject: RE: Dell action

GS saying 7.7%
BOFA saying 7.5%
My sheet 8.5%

-----Original Message-----

From: Steinberg, Mike
Sent: Wednesday, August 27, 2008 1:30 PM
To: Horvath, Jon; Porterfield, Alfred
Subject: Re: Dell action

At what pct move are DELL options showing?

----- Original Message -----

From: Horvath, Jon
To: Steinberg, Mike
Sent: Wed Aug 27 13:15:49 2008
Subject: Re: Dell action

Yes he checked in couple days ago, same read no change.

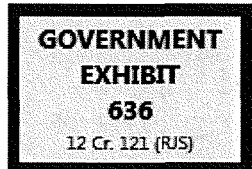
Jon P. Horvath
Sigma Capital Management
(212) 756-1574

----- Original Message -----

From: Steinberg, Mike
To: Horvath, Jon
Sent: Wed Aug 27 13:11:26 2008
Subject: Dell action

Very remiscient of last qtr, up everyday into the print. Were near \$10mln. Have u double checked JT this week?

Thanks



5

AO 245B (Rev. 09/08) Judgment in a Criminal Case Sheet 1

UNITED STATES DISTRICT COURT

Southern District of New York

UNITED STATES OF AMERICA

v.

Michael Steinberg

JUDGMENT IN A CRIMINAL CASE

Case Number: 12 Cr. 121

USM Number: 68375-054

Barry Berke

Defendant's Attorney

THE DEFENDANT:

- pleaded guilty to count(s)
pleaded nolo contendere to count(s) which was accepted by the court.
was found guilty on count(s) 1-5 after a plea of not guilty.

The defendant is adjudicated guilty of these offenses:

Table with 4 columns: Title & Section, Nature of Offense, Offense Ended, Count. Row 1: 18 USC 371, Conspiracy to commit securities fraud, 6/1/2009, 2-5. Row 2: 15 USC 78j(b), Securities fraud, 6/1/2009, 2-5.

The defendant is sentenced as provided in pages 2 through 6 of this judgment. The sentence is imposed pursuant to the Sentencing Reform Act of 1984.

- The defendant has been found not guilty on count(s)
Count(s) is are dismissed on the motion of the United States.

It is ordered that the defendant must notify the United States attorney for this district within 30 days of any change of name, residence, or mailing address until all fines, restitution, costs, and special assessments imposed by this judgment are fully paid.

5/16/2014 Date of Imposition of Judgment

Signature of Judge [Handwritten Signature]

Richard J. Sullivan Name of Judge USDJ Title of Judge

5/16/2014 Date

USDS SDNY DOCUMENT ELECTRONICALLY FILED DOC #: DATE FILED: 5/19/14

DEFENDANT: Michael Steinberg
CASE NUMBER: 12 Cr. 121

IMPRISONMENT

The defendant is hereby committed to the custody of the United States Bureau of Prisons to be imprisoned for a total term of:

42 months on all counts, to be served concurrently. The Court granted bail pending appeal.

The court makes the following recommendations to the Bureau of Prisons:

The Court recommends that Defendant be designated to serve his sentence at the camp at FCI Otisville.

The defendant is remanded to the custody of the United States Marshal.

The defendant shall surrender to the United States Marshal for this district:

at _____ a.m. p.m. on _____

as notified by the United States Marshal.

The defendant shall surrender for service of sentence at the institution designated by the Bureau of Prisons:

before 2 p.m. on _____

as notified by the United States Marshal.

as notified by the Probation or Pretrial Services Office.

RETURN

I have executed this judgment as follows:

Defendant delivered on _____ to _____

a _____, with a certified copy of this judgment.

UNITED STATES MARSHAL

By _____
DEPUTY UNITED STATES MARSHAL

DEFENDANT: Michael Steinberg
CASE NUMBER: 12 Cr. 121

SUPERVISED RELEASE

Upon release from imprisonment, the defendant shall be on supervised release for a term of :
3 years

The defendant must report to the probation office in the district to which the defendant is released within 72 hours of release from the custody of the Bureau of Prisons.

The defendant shall not commit another federal, state or local crime.

The defendant shall not unlawfully possess a controlled substance. The defendant shall refrain from any unlawful use of a controlled substance. The defendant shall submit to one drug test within 15 days of release from imprisonment and at least two periodic drug tests thereafter, as determined by the court.

- The above drug testing condition is suspended, based on the court's determination that the defendant poses a low risk of future substance abuse. *(Check, if applicable.)*
- The defendant shall not possess a firearm, ammunition, destructive device, or any other dangerous weapon. *(Check, if applicable.)*
- The defendant shall cooperate in the collection of DNA as directed by the probation officer. *(Check, if applicable.)*
- The defendant shall comply with the requirements of the Sex Offender Registration and Notification Act (42 U.S.C. § 16901, *et seq.*) as directed by the probation officer, the Bureau of Prisons, or any state sex offender registration agency in which he or she resides, works, is a student, or was convicted of a qualifying offense. *(Check, if applicable.)*
- The defendant shall participate in an approved program for domestic violence. *(Check, if applicable.)*

If this judgment imposes a fine or restitution, it is a condition of supervised release that the defendant pay in accordance with the Schedule of Payments sheet of this judgment.

The defendant must comply with the standard conditions that have been adopted by this court as well as with any additional conditions on the attached page.

STANDARD CONDITIONS OF SUPERVISION

- 1) the defendant shall not leave the judicial district without the permission of the court or probation officer;
- 2) the defendant shall report to the probation officer and shall submit a truthful and complete written report within the first five days of each month;
- 3) the defendant shall answer truthfully all inquiries by the probation officer and follow the instructions of the probation officer;
- 4) the defendant shall support his or her dependents and meet other family responsibilities;
- 5) the defendant shall work regularly at a lawful occupation, unless excused by the probation officer for schooling, training, or other acceptable reasons;
- 6) the defendant shall notify the probation officer at least ten days prior to any change in residence or employment;
- 7) the defendant shall refrain from excessive use of alcohol and shall not purchase, possess, use, distribute, or administer any controlled substance or any paraphernalia related to any controlled substances, except as prescribed by a physician;
- 8) the defendant shall not frequent places where controlled substances are illegally sold, used, distributed, or administered;
- 9) the defendant shall not associate with any persons engaged in criminal activity and shall not associate with any person convicted of a felony, unless granted permission to do so by the probation officer;
- 10) the defendant shall permit a probation officer to visit him or her at any time at home or elsewhere and shall permit confiscation of any contraband observed in plain view of the probation officer;
- 11) the defendant shall notify the probation officer within seventy-two hours of being arrested or questioned by a law enforcement officer;
- 12) the defendant shall not enter into any agreement to act as an informer or a special agent of a law enforcement agency without the permission of the court; and
- 13) as directed by the probation officer, the defendant shall notify third parties of risks that may be occasioned by the defendant's criminal record or personal history or characteristics and shall permit the probation officer to make such notifications and to confirm the defendant's compliance with such notification requirement.

AO 245B (Rev. 09/08) Judgment in a Criminal Case
Sheet 3A — Supervised Release

Judgment—Page 4 of 6

DEFENDANT: Michael Steinberg
CASE NUMBER: 12 Cr. 121

ADDITIONAL SUPERVISED RELEASE TERMS

The defendant shall provide the probation officer with access to any requested financial information.

The defendant shall not incur new credit charges or open additional lines of credit without the approval of the probation officer.

The defendant is to report to the nearest Probation Office within 24 hours of release from custody.

The defendant shall be supervised by the district of residence.

DEFENDANT: Michael Steinberg
CASE NUMBER: 12 Cr. 121

SCHEDULE OF PAYMENTS

Having assessed the defendant's ability to pay, payment of the total criminal monetary penalties is due as follows:

- A Lump sum payment of \$ 500.00 due immediately, balance due
 not later than 8/16/2014, or
 in accordance C, D, E, or F below; or
- B Payment to begin immediately (may be combined with C, D, or F below); or
- C Payment in equal _____ (e.g., weekly, monthly, quarterly) installments of \$ _____ over a period of _____ (e.g., months or years), to commence _____ (e.g., 30 or 60 days) after the date of this judgment; or
- D Payment in equal _____ (e.g., weekly, monthly, quarterly) installments of \$ _____ over a period of _____ (e.g., months or years), to commence _____ (e.g., 30 or 60 days) after release from imprisonment to a term of supervision; or
- E Payment during the term of supervised release will commence within _____ (e.g., 30 or 60 days) after release from imprisonment. The court will set the payment plan based on an assessment of the defendant's ability to pay at that time; or
- F Special instructions regarding the payment of criminal monetary penalties:

Unless the court has expressly ordered otherwise, if this judgment imposes imprisonment, payment of criminal monetary penalties is due during imprisonment. All criminal monetary penalties, except those payments made through the Federal Bureau of Prisons' Inmate Financial Responsibility Program, are made to the clerk of the court.

The defendant shall receive credit for all payments previously made toward any criminal monetary penalties imposed.

Joint and Several

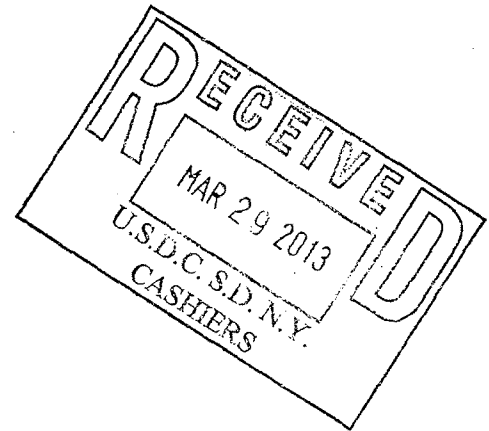
Defendant and Co-Defendant Names and Case Numbers (including defendant number), Total Amount, Joint and Several Amount, and corresponding payee, if appropriate.

- The defendant shall pay the cost of prosecution.
- The defendant shall pay the following court cost(s):
- The defendant shall forfeit the defendant's interest in the following property to the United States:
\$365,142.30, as set forth in a separately docketed order.

Payments shall be applied in the following order: (1) assessment, (2) restitution principal, (3) restitution interest, (4) fine principal, (5) fine interest, (6) community restitution, (7) penalties, and (8) costs, including cost of prosecution and court costs.

13 CIV 2032

Sanjay Wadhwa
Attorney for Plaintiff
SECURITIES AND EXCHANGE COMMISSION
New York Regional Office
3 World Financial Center, Suite 400
New York, NY 10281-1022
(212) 336-0181



UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

-against-

MICHAEL S. STEINBERG,

Defendant.

COMPLAINT

ECF CASE

Plaintiff Securities and Exchange Commission ("Commission"), for its Complaint against defendant Michael S. Steinberg ("Steinberg"), alleges as follows:

SUMMARY

1. This case involves insider trading by defendant Steinberg, a portfolio manager at Sigma Capital Management, LLC ("Sigma Capital"), who executed trades in the securities of public companies Dell, Inc. ("Dell") and Nvidia Corporation ("Nvidia") based on material nonpublic information concerning both companies' quarterly financial results that Steinberg received from his analyst, Jon Horvath ("Horvath"), at Sigma Capital. Based on this inside information, Steinberg executed illegal trades in advance of at least four quarterly earnings announcements during 2008 and 2009 and, on at least one occasion, arranged to share the Dell inside information with another portfolio manager at

Sigma Capital (“Portfolio Manager B”).¹ As a result of Steinberg and Portfolio Manager B’s trading, a hedge fund that Sigma Capital managed, Sigma Capital Associates, LLC (the “Sigma Capital Fund”), and the S.A.C. Select Fund, LLC (“S.A.C. Select Fund”), a hedge fund managed by an affiliated investment adviser, generated over \$6.4 million in profits and loss avoidance.

Insider Trading in the Securities of Dell

2. During at least 2008 and 2009, a Dell insider (the “Dell Insider”) passed material nonpublic information regarding Dell to Sandeep Goyal (“Goyal”), an analyst at Investment Adviser A who previously worked at Dell. This material nonpublic information included quarterly earnings information and other performance data regarding Dell that the Dell Insider obtained in advance of Dell’s quarterly earnings announcements.

3. Goyal, in turn, passed this material nonpublic information to Jesse Tortora (“Tortora”), who at the time was an analyst at the investment adviser firm Diamondback Capital Management, LLC (“Diamondback”).

4. Tortora, who was a member of a group of hedge fund analysts who regularly shared material nonpublic information regarding technology companies, passed the material nonpublic information that he received from Goyal to other members of the group, including Horvath, an analyst who reported to Steinberg at Sigma Capital.

¹ This complaint and the SEC’s complaint in *SEC v. Sigma Capital Management, LLC*, 13 CIV 1740 (S.D.N.Y.) (HB) include related allegations concerning insider trading in Dell and Nvidia securities by portfolio managers at Sigma Capital. To avoid confusion, this complaint refers to the other portfolio manager as “Portfolio Manager B,” the same label used to refer to such individual in the *SEC v. Sigma Capital Management, LLC* complaint.

5. Soon after Horvath received the Dell inside information from Tortora – in some instances just minutes after Tortora passed the information to Horvath – Horvath communicated the information to Steinberg, who then executed trades in Dell securities based on the information that Tortora had provided to Horvath. Those trades generated approximately \$2.6 million in profits and avoided losses for the Sigma Capital Fund. On at least one occasion in August 2008, Horvath and Steinberg also passed the Dell inside information that Horvath received from Tortora to Portfolio Manager B, who placed trades that allowed the Sigma Capital Fund to avoid losses of approximately \$2 million. Steinberg’s and Portfolio Manager B’s trading of Dell securities also caused the S.A.C. Select Fund to execute similar trades and to avoid additional losses of over \$1 million.

Insider Trading in the Securities of Nvidia

6. During at least 2009 and 2010, Danny Kuo (“Kuo”), a vice-president and fund manager at Investment Adviser B, who was also a member of the group of hedge fund analysts that regularly shared information, obtained material nonpublic information concerning Nvidia’s calculation of its revenues, gross profit margins and other financial metrics prior to the company making these figures public in its quarterly earnings announcements. Kuo obtained this information from Hyung Lim, who had himself obtained the inside information from a friend who was an employee in Nvidia’s finance department (the “Nvidia Insider”).

7. Kuo passed the information to Horvath, who then relayed it to Steinberg. Based on this information, Steinberg caused the Sigma Capital Fund to execute trades in Nvidia securities that resulted in profits of more than \$500,000 in May 2009.

NATURE OF THE PROCEEDINGS AND RELIEF SOUGHT

8. The Commission brings this action pursuant to the authority conferred upon it by Section 20(b) of the Securities Act of 1933 (“Securities Act”) [15 U.S.C. § 77t(b)] and Section 21(d) of the Securities Exchange Act of 1934 (“Exchange Act”) [15 U.S.C. § 78u(d)]. The Commission seeks permanent injunctions against the Defendant, enjoining him from engaging in the transactions, acts, practices, and courses of business alleged in this Complaint, and a civil penalty pursuant to Section 21A of the Exchange Act [15 U.S.C. § 78u-1]. The Commission also seeks disgorgement of ill-gotten gains or losses avoided from the unlawful insider trading activity set forth in this Complaint, together with prejudgment interest. Finally, the Commission seeks any other relief the Court may deem appropriate pursuant to Section 21(d)(5) of the Exchange Act [15 U.S.C. § 78u(d)(5)].

JURISDICTION AND VENUE

9. This Court has jurisdiction over this action pursuant to Sections 20(b), 20(d), and 22(a) of the Securities Act [15 U.S.C. §§ 77t(b), 77t(d), and 77v(a)] and Sections 21(d), 21(e), and 27 of the Exchange Act [15 U.S.C. §§ 78u(d), 78u(e), and 78aa].

10. Venue lies in this Court pursuant to Sections 20(b) and 22(a) of the Securities Act [15 U.S.C. §§ 77t(b) and 77v(a)], and Sections 21(d), 21A, and 27 of the Exchange Act [15 U.S.C. §§ 78u(d), 78u-1, and 78aa]. Certain of the acts, practices, transactions, and courses of business alleged in this Complaint occurred within the Southern District of New York. Defendant Steinberg resides in New York, New York, and also worked in New York, New York during the period relevant to this Complaint.

Many of the communications described herein took place while at least one of the parties to the communication was physically located in New York, New York and Steinberg placed many of the relevant securities trades while he was located in New York, New York.

DEFENDANT

11. **Steinberg**, 40, resides in New York, New York. Steinberg has been employed at Sigma Capital since 1996 and worked as a portfolio manager at Sigma Capital during the relevant time period. During the relevant period, Steinberg controlled a portfolio of approximately \$100 million and supervised a team of analysts and traders. Steinberg previously held Series 7 and 63 licenses while employed at Sanford C. Bernstein & Co., Inc.

RELEVANT ENTITIES AND INDIVIDUALS

12. **Dell** is a Delaware corporation headquartered in Round Rock, Texas. Dell develops and sells computers and related products and services. Dell securities are registered with the Commission pursuant to Section 12(b) of the Exchange Act and its stock is traded on the Nasdaq under the symbol "DELL."

13. **Diamondback** was a registered investment adviser based in Stamford, Connecticut that employed Tortora. On December 6, 2012, Diamondback announced that it would be ceasing investment operations and returning the assets that it managed to its investors.

14. **Goyal**, age 40, resides in Princeton, New Jersey. From July 2007 to January 2012, Goyal worked as an analyst for Investment Adviser A. In 2006 and 2007, Goyal worked as a research analyst at Prudential Equity Group ("Prudential") in San

Francisco. While at Prudential, he held Series 7, 63, and 87 licenses. Immediately prior to working at Prudential, Goyal worked as a manager of corporate planning at Dell for approximately three years.

15. **Horvath**, age 43, resides in San Francisco, California. From September 2006 to September 2012, Horvath was employed as a research analyst at Sigma Capital and reported directly to Steinberg.

16. **Kuo**, age 37, resides in Los Angeles, California. From April 2008 until approximately January 2012, Kuo was a vice-president and fund manager at Investment Adviser B, an unregistered asset management firm. Kuo previously held Series 7, 86 and 87 licenses, which he obtained while employed as an analyst at Bear Stearns & Co., and a Series 63 license, which he obtained while employed at J.P. Morgan Securities, Inc.

17. **Lim**, age 46, resides in Los Altos, California. From 2008 to 2012, Lim was employed in a division of Broadcom Corporation responsible for developing and marketing components of satellite set-top boxes.

18. **Nvidia** is a Delaware corporation headquartered in Santa Clara, California. It develops and sells graphics processors used in smart phones, tablets, video game systems, and other computing devices. Nvidia's securities are registered with the Commission pursuant to Section 12(b) of the Exchange Act and its stock is traded on the NASDAQ under the symbol "NVDA."

19. **Sigma Capital** is a New York limited liability corporation and unregistered investment advisory firm based in New York, New York. Sigma Capital advises the Sigma Capital Fund, a hedge fund with approximately \$2 billion worth of assets under management. Sigma Capital has been affiliated with Stamford, Connecticut-

based investment advisers S.A.C. Capital Advisors, LLC and S.A.C. Capital Advisors, LP.

20. **Sigma Capital Fund** is a hedge fund that is affiliated with Sigma Capital and that benefited from illegal insider trades in Dell and Nvidia securities set forth in this Complaint.

21. **S.A.C. Select Fund** is a hedge fund that was affiliated with S.A.C. Capital Advisors, LLC during the relevant period and that benefited from the illegal insider trades in Dell securities set forth in this Complaint.

22. **Tortora**, age 35, resides in Pembroke Pines, Florida. From late 2007 until early 2010, Tortora worked as an analyst at Diamondback. Prior to working at Diamondback, Tortora was a research analyst at Prudential in San Francisco from 2004 to mid-2007. While at Prudential, Tortora held Series 7, 63, 86, and 87 licenses.

23. **Investment Adviser A** is a registered investment adviser based in New York, New York. It manages the assets of individuals, a family of mutual funds, and other investment vehicles with assets under management worth approximately \$88 billion.

24. **Investment Adviser B** is an unregistered asset management firm based in South Pasadena, California and Reno, Nevada.

25. **Portfolio Manager B** is a portfolio manager at Sigma Capital.

FACTS

INSIDER TRADING IN THE SECURITIES OF DELL

26. During at least 2008 and 2009, the Dell Insider regularly provided material nonpublic information concerning Dell's quarterly financial results to Goyal, an analyst at Investment Adviser A.

27. Goyal, who previously worked at Dell, was friends with the Dell Insider and during the period that the Dell Insider was providing Goyal with inside information about Dell, the Dell Insider sought and received career advice from Goyal.

28. The Dell Insider's provision of this information to Goyal was in clear violation of the Dell Code of Conduct, which specifically prohibited "using any material inside information about Dell or any other company (such as [a] supplier or vendor) to trade any stock," and also prohibited "provid[ing] 'tips' or shar[ing] material inside information with any other person who might trade the stock."

29. Goyal passed the information that he received from the Dell Insider to his friend Tortora, an analyst at Diamondback. In exchange for Goyal providing material nonpublic information regarding Dell, Tortora and his supervisor at Diamondback arranged for Diamondback to make soft dollar payments² totaling at least \$175,000 to a brokerage account maintained by a nominee of Goyal. Goyal's nominee never performed any services for Diamondback that would warrant soft-dollar payments by Diamondback.

² "Soft dollars" are created when an investment firm causes its trading activity to be directed through a designated broker-dealer, and, in return, the broker-dealer credits the investment firm with a portion of the commissions or fees from the executed trading activity. These credits can then be used to pay for goods and services consumed by the investment firm, such as third-party research. The investment firm can direct the broker-dealer to pay a third-party research consultant directly (thereby utilizing the soft dollar credits it has accumulated with the broker-dealer).

30. After receiving the Dell information from Goyal, Tortora passed the information to several other hedge fund analysts – including Horvath – with whom Tortora regularly exchanged information regarding various technology companies.

31. Tortora informed Horvath that the information had come from a source within Dell. Horvath then passed the information to Steinberg, his supervisor at Sigma Capital, and told Steinberg that the information had come from a Dell employee. On at least one occasion, Horvath – at the direction of Steinberg – also passed this information to another Sigma Capital portfolio manager, Portfolio Manager B.

32. Shortly after receiving the information from Horvath, Steinberg and Portfolio Manager B executed trades in Dell securities on behalf of the Sigma Capital Fund. As a result of Steinberg and Portfolio Manager B's trading, the S.A.C. Select Fund, a hedge fund managed by a Sigma Capital affiliate, executed similar trades in the securities of Dell in August 2008.

Dell's May 2008 Earnings Announcement

33. In the weeks leading up to Dell's May 29, 2008 announcement of its first quarter financial results (the three-month period from February 2, 2008 to May 2, 2008), the Dell Insider had several telephone calls with Goyal in which the Dell Insider provided Goyal with material nonpublic information. Beginning in at least early May, as Dell was in the initial stages of computing its financial results, the Dell Insider provided Goyal with preliminary estimates of the company's revenues and gross profit margin. Over time, as the company got closer to finalizing its earnings report, the information that the Dell Insider provided to Goyal became more precise.

34. Soon after each of Goyal's calls with the Dell Insider, Goyal called

Tortora and passed along the information that the Dell Insider had provided. And soon after speaking with Goyal, Tortora passed the information to Horvath.

35. On the evening of May 11, 2008, Goyal and the Dell Insider had a 32-minute phone call. During that call, the Dell Insider provided details about Dell's first quarter results. Shortly after that call ended, Goyal spoke to Tortora and provided the information he had just received from the Dell Insider.

36. The next morning, May 12, Tortora spoke to Horvath via telephone for 14 minutes, passing along the information regarding Dell that Tortora had received from Goyal. About nine minutes later, Horvath telephoned Steinberg, and the two spoke for ten minutes.

37. Twenty minutes later, Horvath posted a note to an internal research tracking system maintained by Sigma Capital, which was accessible to Steinberg and the analysts and traders working under him. That research note stated that Horvath had received information regarding Dell from "JT" (meaning Tortora) which indicated that Dell's quarterly revenues and gross margins would be slightly above analysts' consensus expectations.

38. Following another telephone call between Tortora and Horvath later that day, Horvath called Steinberg. The next morning, May 13, 2008, Steinberg purchased 1,000 Dell call options³ with a strike price of \$20 for the Sigma Capital Fund.

³ A call option is a financial contract between two parties that gives the buyer the right, but not the obligation, to buy an agreed quantity of stock during a specified time period for a specified price, known as the strike price. A buyer pays a fee, or premium, to purchase this right. A buyer of a call option generally stands to gain if the price of the stock increases.

39. Goyal had another call with the Dell Insider on the evening of May 15, 2008. Minutes after completing his call with the Dell Insider, Goyal telephoned Tortora and provided Tortora with the Dell inside information that Goyal had just received. The following morning, May 16, 2008, Tortora spoke with Horvath (among others) and conveyed the Dell inside information to him.

40. That same morning, Goyal and Tortora had a brief email exchange in which they agreed that the numbers received from the Dell Insider indicated that Dell's earnings per share of common stock ("EPS") for the first quarter would be three cents above the then-current consensus among Wall Street analysts.

41. On May 28, 2008 (the day before Dell's earnings release), Goyal spoke to the Dell Insider and received a final update regarding Dell's first quarter performance. Consistent with prior tips, the information indicated that Dell's first quarter earnings per share would surpass analysts' expectations. Minutes after completing his call with the Dell Insider, Goyal called Tortora and passed the Dell Insider's updated information to him. The next morning, May 29, 2008, Tortora spoke with Horvath by telephone and passed the information to him.

42. Approximately 45 minutes after Tortora spoke with Horvath, Steinberg sold the Dell call options with a strike price of \$20 that he had purchased on behalf of the Sigma Capital Fund on May 13, netting profits of over \$126,000, and staked a more aggressive long position by purchasing 1,750 Dell call options with a strike price of \$22. Later that day, Steinberg bought 1,000 Dell call options with a strike price of \$21 on behalf of the Sigma Capital Fund.

43. After market close on May 29, 2008, Dell announced its first quarter financial results. The company reported adjusted earnings of \$0.38 per share, a number which – as Goyal’s inside information had indicated – substantially exceeded analysts’ consensus estimate of \$0.34 per share. The next day, Dell’s share price, which had closed at \$21.81 just before the announcement, increased more than 5 percent to a close at \$23.06.

44. After Dell announced its first quarter earnings, Steinberg sold the Dell options position he had acquired for the Sigma Capital Fund. Including the approximately \$126,000 in profits that Steinberg generated by readjusting Sigma Capital’s options positions on May 28, the Sigma Capital Fund realized profits of approximately \$430,000.

Dell’s August 2008 Earnings Announcement

45. The Dell Insider once again provided Goyal with inside information concerning Dell’s revenues and gross profit margin in advance of the company’s August 28, 2008 announcement of its financial results for its second quarter (the period from May 3, 2008 to August 1, 2008).

46. As in the prior quarter, Goyal received updates as Dell revised its calculations in the weeks leading up to the announcement of its quarterly results. And, as in the prior quarter, Goyal provided the Dell inside information to Tortora, who passed it to Horvath, who then passed it to Steinberg.

47. On the evening of August 4, 2008, during a 40-minute telephone call between the Dell Insider and Goyal, the Dell Insider provided Goyal with inside information concerning Dell’s second quarter financial results. Early the following

morning, August 5, 2008, Goyal telephoned Tortora and the two spoke for approximately ten minutes. During this call, Goyal communicated to Tortora the inside information he had received from the Dell Insider.

48. At 8:41 a.m., Tortora sent an email to Horvath (and others), in which he conveyed the inside information he had just received, including Dell's calculation of its revenues and gross margins.

49. Among other information, Tortora's email conveyed that Dell's then-current calculation of its gross profit margin for the second quarter was 17.5 percent, which was significantly worse than the 18.3 percent figure that analysts were expecting at that time.

50. On the evening of August 14, 2008, the Dell Insider placed a fifty-minute telephone call to Goyal and passed Goyal material nonpublic information, including that Dell's second quarter gross margin was still expected to be lower than analysts were predicting.

51. The following morning, August 15, a telephone number associated with Goyal's office at Investment Adviser A placed a call to Tortora's mobile phone that lasted for approximately three minutes. At approximately 2:00 pm that afternoon, Tortora spoke with Goyal again.

52. On the next trading day, Monday, August 18, 2008, Tortora passed the update concerning Dell's disappointing gross margin results to Horvath during a ten minute telephone call that began at approximately 12:20 p.m.

53. Three minutes after Horvath's call with Tortora had ended, Horvath called Steinberg and the two spoke for approximately two minutes. One minute after that call

ended, Steinberg began short selling⁴ Dell stock, amassing a substantial short position for the Sigma Capital Fund that day. Over the next few trading days, Steinberg also purchased Dell put options and short sold Dell call options.

54. On the evening of August 24, 2008, Goyal received another update from the Dell Insider. The following day, August 25, Goyal placed a telephone call to Tortora. During this call, which lasted approximately two minutes, Goyal informed Tortora that Dell was still planning to announce a worse-than-expected gross margin.

55. Approximately 20 minutes after that call, Tortora sent an email to Horvath (and others) indicating that Tortora had done a new “dell check” and that it was the “same as before” and sounded bad for Dell.

56. On August, 26, 2008, Horvath sent an email to Portfolio Manager B stating that:

“I have a 2nd hand read *from someone at the company* – this is 3rd quarter I have gotten this read from them and it has been very good in the last quarters. They are seeing GMs miss by 50-80 [basis points] due to poor mix, [operating expenses] in-line and a little revenue upside netting out to an [earnings per share] miss. . . . Please keep to yourself as obviously not well known.” (emphasis added).

Two minutes later, Steinberg, who had been copied on the above email, added: “yes, normally we would never divulge data like this, so please be discreet.”

⁴ “Shorting” or “short selling” is the practice of selling a security that one does not own, but rather has arranged to borrow from a third party, with the intention of purchasing (also called “covering”) the security at a later date. A short seller stands to gain if the price of the security declines between the short sale and the purchase because the short seller has sold the security at a price that is greater than the purchase price.

57. Twenty-four minutes after Horvath's email, Portfolio Manager B began selling shares of Dell stock on behalf of the Sigma Capital Fund. By the time of Dell's August 28 earnings announcement, Portfolio Manager B had reduced his portfolio's Dell holdings by 600,000 shares. As a result of Steinberg and Portfolio Manager B's trading in Dell securities, the S.A.C. Select Fund, a hedge fund managed by a Sigma Capital affiliate, also decreased its holdings of Dell stock.

58. After the close of trading on August 28, 2008, Dell announced its second quarter financial results. Its announcement of a gross margin of 17.2 percent was substantially worse than the 18.4 percent that analysts had expected just prior to the announcement. The following day, Dell's share price dropped more than 13 percent, from \$25.21 at the close of trading on August 28, 2008 to \$21.73 at the close of trading on August 29.

59. In the days following the announcement, Steinberg closed out both his short position in Dell stock and his multiple options positions, reaping total profits of approximately \$1 million for the Sigma Capital Fund. Portfolio Manager B's sale of Dell stock allowed the Sigma Capital Fund to avoid losses of approximately \$2 million. In addition, as a result of Steinberg and Portfolio Manager B's trading, the S.A.C. Select Fund also sold Dell stock in advance of Dell's disappointing earnings announcement and avoided losses of more than \$1 million.

Dell's August 2009 Earnings Announcement

60. Dell's second fiscal quarter of its 2010 fiscal year closed on July 31, 2009, and the company announced its earnings results on August 27, 2009.

61. As in prior quarters, the Dell Insider provided Goyal with the company's initial calculations of its results, and then followed up with updates as Dell finalized its quarterly numbers in advance of announcing these figures to the public. As in prior quarters, Goyal passed the information to Tortora, and Tortora passed the information to Horvath, who relayed it to Steinberg. In this particular quarter, the material nonpublic information that the Dell Insider provided indicated that Dell would beat analyst expectations concerning the company's EPS.

62. On the morning of August 12, 2009 – just hours after the Dell Insider had spoken to Goyal regarding Dell's second quarter results – Tortora telephoned Horvath and passed the Dell inside information to him. Later that morning, Horvath and Steinberg spoke by phone for five minutes. Approximately one minute later, Steinberg began covering shares of a Dell short position that he had previously established on behalf of the Sigma Capital Fund. Steinberg covered 200,000 shares of Dell stock that day and covered an additional 50,000 shares the next day.

63. In the days leading up to the August 27, 2009 announcement, the Dell Insider provided additional updates, which Tortora relayed to Horvath, and Horvath passed to Steinberg. Based on this information, Steinberg accumulated a significant quantity of Dell stock on behalf of the Sigma Capital Fund.

64. When Dell announced its results on the afternoon of August 27, 2009, the company's reported EPS beat analysts' forecast by four percent and the stock price rose 7 percent in the final minutes of trading, ending the day 8.6 percent above the prior day's closing price. (While Dell usually announced its results right after the close of regular market trading, the August 27, 2009 announcement was made just prior to the close.)

65. As a result of Steinberg's trading, the Sigma Capital Fund reaped almost \$500,000 in profits and also avoided losses of more than \$700,000 on the short position Steinberg covered based on that same information.

INSIDER TRADING IN THE SECURITIES OF NVIDIA

66. During at least 2009 and 2010, Lim obtained material nonpublic information concerning Nvidia's anticipated quarterly earnings announcements from his friend, the Nvidia Insider, and relayed it to Kuo.

67. As an employee of Nvidia's finance department, the Nvidia Insider had access to Nvidia's calculation of its quarterly financial results. The Nvidia Insider regularly provided Lim with nonpublic information concerning Nvidia's quarterly results prior to the company announcing this information to the public.

68. The Nvidia Insider's provision of this information to Lim was a clear violation of the company's policy, which specifically forbade employees from discussing material nonpublic information about Nvidia with anyone outside the company. The policy specifically listed financial results as an example of information that the company considered to be material.

69. In addition to using the Nvidia Insider's data to trade in his own account, Lim also passed the Nvidia Insider's information to Kuo, who relayed the information to his supervisor at Investment Adviser B and other investment professionals including Horvath.

70. Kuo compensated Lim by paying him \$15,000 through direct and indirect means. On one occasion, Kuo wired \$5,000 to a Las Vegas bookmaker to pay off a debt of Lim's. On two other occasions, Kuo paid Lim by giving him cash.

71. On Saturday, May 2, 2009, just days before Nvidia's first quarter 2010 earnings announcement, the Nvidia Insider called Lim twice and spoke to him for a total of about three minutes. One minute after this call ended, Lim telephoned Kuo and spoke to him for over eight minutes.

72. On Monday, May 4, 2009, Kuo sent an email to Horvath (and others), relaying the information he obtained during his May 2 call with Lim, stating: "NVDA checks over the weekend . . . April quarter revenues around \$668 million; Came in better than the last read (mid April) . . . April quarter GM 30%." Horvath relayed this information to Steinberg who understood that the information had originated from a source inside Nvidia. Based on this information, Steinberg began short selling Nvidia securities on May 5, 2009.

73. On May 5, 2009, the Nvidia Insider called Lim and spoke to him for over a minute. The next morning, May 6, 2009, Kuo telephoned Lim and spoke to him for over 12 minutes.

74. Shortly after that call, Kuo began relaying the updated Nvidia information to others. Kuo emailed Horvath (and others), stating, "I know I just send [sic] you guys an update on NVDA but call me." Approximately five minutes later, Kuo telephoned Horvath and they spoke for ten minutes. Minutes after that call ended, Horvath sent Steinberg an instant message asking Steinberg to call him. Steinberg called Horvath approximately one minute later and they spoke for nine minutes. Approximately one hour after that call ended, Steinberg short sold additional Nvidia securities.

75. Later that day, Kuo sent an email to other employees of Investment Adviser B, conveying the updated information, including that Nvidia expected to report

quarterly revenues of \$664 million and a gross margin of 29 percent. The numbers Kuo provided in his May 6, 2009 email accurately anticipated the quarterly figures that Nvidia announced to the public the next day.

76. On the morning of May 7, 2009, Steinberg added to the Sigma Capital Fund's Nvidia short position.

77. After the market close on May 7, 2009, Nvidia issued a press release announcing its worse-than-expected financial results for the first quarter of 2010, including revenues of \$664.2 million and a gross profit margin of 28.6 percent. On May 8, 2009, Nvidia stock, which had closed at \$10.73 per share on the previous day, fell as low as \$9.11 per share and closed at \$9.25 per share.

78. By trading on the basis of inside information in anticipation of Nvidia's May 7, 2009 earnings announcement, the Sigma Capital Fund reaped profits of over \$500,000.

CLAIMS FOR RELIEF

CLAIM I

Violations of Section 10(b) of the Exchange Act and Rule 10b-5 Thereunder

79. The Commission realleges and incorporates by reference paragraphs 1 through 78, as though fully set forth herein.

80. The information the Dell Insider provided to Goyal and was later passed to Horvath, Steinberg, Portfolio Manager B, and Sigma Capital, was, in each case, material and nonpublic. In addition, the information was, in each case, considered confidential by Dell, the company that was the source of the information, and Dell had policies protecting confidential information.

81. The information that the Nvidia Insider provided to Lim regarding Nvidia and was later passed to Horvath, Steinberg, and Sigma Capital was material and nonpublic. In addition, the information was considered confidential by Nvidia, the company that was the source of the information and which had policies protecting confidential information.

82. Steinberg knew, recklessly disregarded, or should have known, that the Dell Insider owed a fiduciary duty, or obligation arising from a similar relationship of trust and confidence, to keep the information confidential.

83. Steinberg knew, recklessly disregarded, or should have known, that the Nvidia Insider owed a fiduciary duty, or obligation arising from a similar relationship of trust and confidence, to keep the information confidential.

84. Steinberg knew, recklessly disregarded, or should have known, that the material nonpublic information concerning Dell and Nvidia that he received from Horvath was disclosed or misappropriated in breach of a fiduciary duty, or similar relationship of trust and confidence.

85. Steinberg is liable for the trading of the Sigma Capital Fund and the S.A.C. Select Fund because he directly or indirectly effectuated trades by the funds and/or unlawfully disclosed material nonpublic information to the funds.

86. By virtue of the foregoing, Steinberg, in connection with the purchase or sale of securities, by the use of the means or instrumentalities of interstate commerce, or of the mails, or a facility of a national securities exchange, directly or indirectly: (a) employed devices, schemes or artifices to defraud; (b) made untrue statements of material fact or omitted 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; or (c) engaged in acts, practices or courses of business which operated or would have operated as a fraud or deceit upon persons.

87. By virtue of the foregoing, Steinberg directly or indirectly, violated, and unless enjoined, will again violate, Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5].

CLAIM II
Aiding and Abetting Violations of Section 10(b) of the Exchange Act
and Rule 10b-5 Thereunder

88. The Commission realleges and incorporates by reference paragraphs 1 through 87 as though fully set forth herein.

89. By knowingly or recklessly passing material nonpublic information that he knew had been disclosed or misappropriated in breach of a fiduciary duty, or obligation arising from a similar relationship of trust and confidence, Steinberg, by use of the means or instrumentalities of interstate commerce, or of the mails, with scienter, aided and abetted violations of Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5] by Horvath and Sigma Capital, in contravention of Section 20(e) of the Exchange Act [15 U.S.C. § 78t(e)].

CLAIM III
Violations of Section 17(a) of the Securities Act

90. The Commission realleges and incorporates by reference paragraphs 1 through 87, as though fully set forth herein.

91. By virtue of the foregoing, in the offer or sale of securities, by the use of means or instruments of transportation or communication in interstate commerce or by the use of the mails, directly or indirectly, Steinberg: (a) employed devices, schemes or

artifices to defraud; (b) obtained money or property by means of an untrue statement of a material fact or omitted to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; and (c) engaged in transactions, practices or courses of business which operate or would operate as a fraud or deceit upon a purchaser.

92. By reason of the conduct described above, Steinberg directly or indirectly violated, and unless enjoined will again violate, Section 17(a) of the Securities Act [15 U.S.C. § 77q(a)].

RELIEF SOUGHT

WHEREFORE, the Commission respectfully requests that this Court enter a Final Judgment:

I.

Permanently restraining and enjoining defendant Steinberg from violating Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)], and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5];

II.

Permanently restraining and enjoining defendant Steinberg from violating Section 17(a) of the Securities Act [15 U.S.C. § 77q(a)];

III.

Ordering defendant Steinberg to disgorge, with prejudgment interest, all ill-gotten gains received as a result of the conduct alleged in this Complaint, including the ill-gotten gains, and the illicit trading profits, other ill-gotten gains, and/or losses avoided of his direct and downstream tippees;

IV.

Ordering defendant Steinberg to pay a civil monetary penalty pursuant to Section 21A of the Exchange Act [15 U.S.C. § 78u-1]; and

V.

Granting such other and further relief as this Court may deem just and proper

Dated: New York, New York
March 29, 2013



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