



Accused hedge fund manager to shut down Galleon Group funds

By [Kevin McCoy](#), USA TODAY

NEW YORK — Galleon Group founder Raj Rajaratnam's plans to wind down his hedge funds as he faces inside-trading charges that have spurred redemption requests probably won't hurt his investors, financial industry experts said Wednesday.

But it's far less certain the Manhattan-based business will attract a buyer, the experts said, citing what they predicted would be the exit of many Galleon managers and employees and the flight of investors even before the shutdown plan.

In a one-page letter announcing the closing, Rajaratnam wrote that he wanted to "reassure investors of the liquidity of our funds and assure Galleon employees that we are seeking the best way to keep together what I believe is the best long/short equity team in the business."

He is one of six accused in an inside-trading scheme that federal investigators say generated more than \$25 million in illegal profits. The defendants exchanged non-public information to guarantee winning trades in shares of Google, Hilton, [Sun Microsystems](#) and other firms, federal court complaints filed last week charged.

Rajaratnam, 52, a [Sri Lanka](#) native ranked by [Forbes](#) magazine as one of the world's wealthiest individuals, wrote that he was "innocent of all charges and will defend myself against these accusations with the same intensity and focus I have brought to managing our investors' capital."

Most of Galleon's holdings, at one point \$7 billion in assets, are in "extremely liquid" large- and midcap equities, said Robert Olman of Alpha Search Advisory Partners, a Roslyn, N.Y., firm that advises hedge funds on consolidation and other issues.

"The entire portfolio can be liquidated in three or four days without overwhelming the market or punishing investors," Olman said.

Any investor losses would result not from the criminal charges but from the market plunge after last year's financial meltdown and other factors, said Ron Geffner, a partner at Sadis & Goldberg, a New York law firm that represents hedge funds.

Investors in Galleon's funds have a Nov. 15 deadline to submit redemption requests. Under the funds' regular procedures, they would receive their money by Jan. 1, according to a source with direct knowledge of the company's plans. The source spoke on condition of anonymity because the person was not authorized to comment publicly.

Rajaratnam wrote that Galleon is exploring "various alternatives for our business." The alternatives include a sale to at least one potential buyer who expressed recent interest, the source said.

Olman said suitors would likely pursue parts of Galleon, such as the technology infrastructure used to manage billions of dollars in equity investments.

Geffner predicted most employees would depart in part because Rajaratnam's legal battle leaves the firm without influential management. "With the expected departure of most employees, Galleon will have lost its crown jewel," Geffner said.