

Ex-Trader Cops To \$37M Scheme With Wilson Sonsini Atty

By Carolina Bolado

Law360, New York (December 8, 2011, 7:40 PM EST) -- Former stock trader Garrett Bauer pled guilty Thursday in New Jersey federal court to participating in a 15-year, \$37 million insider trading scheme that relied on information from a former Wilson Sonsini Goodrich & Rosati PC attorney.

Bauer, 44, pled guilty to counts of conspiracy to commit securities fraud, securities fraud, conspiracy to commit money laundering and obstruction of justice, according to prosecutors. As part of the plea deal, the New York-based trader also agreed to forfeit \$23 million, which includes the contents of his bank accounts and two homes he purchased with proceeds from the alleged scheme.

"Bauer admitted that he used confidential information, stolen from major law firms, to make tens of millions in one of the largest, longest-running insider trading schemes ever prosecuted," U.S. Attorney Paul J. Fishman said. "After taking the lion's share of the \$37 million in profits, Bauer now faces punishment for conduct that undermines the fairness of our financial markets and the public's trust in the safety of its investments."

The former trader allegedly traded on tips from Matthew Kluger, 50, a former senior associate in the mergers and acquisitions practice in Wilson Sonsini's Washington office. Kluger also pilfered sensitive information from his former employers Cravath Swaine & Moore LLP, Skadden Arps Slate Meagher & Flom LLP and Fried Frank Harris Shriver & Jacobson LLP, prosecutors say.

While working as a corporate attorney between 1994 and 2011 at some of the most prominent M&A practices in the U.S., Kluger regularly stole material, nonpublic information about upcoming corporate mergers and passed the tips through middleman Kenneth Robinson to Bauer, the government alleges.

The three men allegedly invested more than \$109 million, netting more than \$37 million, of which about \$30 million went to Bauer, according to prosecutors.

Among the major deals on which the three individuals allegedly traded were Oracle Corp.'s proposed acquisition of Sun Microsystems Inc. and Adobe Systems Inc.'s proposed purchase of Omniture Inc.

In Thursday's plea, Bauer admitted to using untraceable prepaid cellphones to discuss the scheme. Prosecutors say Bauer also admitted to telling Robinson to burn \$175,000 in cash that Bauer had paid him because of a concern that his fingerprints would be found on the money.

"Mr. Bauer is truly remorseful for his conduct," his attorney Michael Bachner of Bachner & Associates PC said. "Since his arrest he has lectured to hundreds of business students, professionals and in business ethics classes all over the East Coast about his conduct and warned his listeners to avoid breaking the law."

Bachner said Bauer hopes his sentence will reflect not just the seriousness of the crime, but also the positive efforts he has made since then to deter others. Bauer's sentencing is scheduled for March 13.

Robinson, a mortgage broker, in April copped to two counts of securities fraud and a conspiracy charge for his role as middleman in the alleged scheme.

The U.S. Securities and Exchange Commission also filed a civil complaint against Kluger and Bauer in New Jersey federal court, alleging two counts of federal securities law violations tied to a combined total of 11 M&A transactions for clients of Kluger's employers between April 2006 and March.

Bauer is represented by Michael F. Bachner, Scott J. Splittgerber and Howard Weiner of Bachner & Associates PC and William J. Davis of Scheichet & Davis PC.

The case is U.S. v. Bauer et al., case number 2:11-mj-03536, in the U.S. District Court for the District of New Jersey.