

To the Editor,

Sangeeth Peruri , a candidate for Los Altos School District Board, was implicated for receiving insider information from Doug Whitman.¹ Federal Judge Rakoff ruled on July 27, 2012 that “Defendant's motion to exclude evidence that Whitman provided inside information about Marvell to Sangeeth Peruri is hereby denied.”² Doug Whitman, a resident of Atherton, was convicted of insider trading and is scheduled to begin a two-year sentence this month according to court documents.³ Mr. Peruri has not been indicted, but has been terminated by his employer for failing to follow company procedures, according to BrokerCheck, while he was an investment manager at Columbia Investments, a subsidiary of Ameriprise.⁴ The termination followed four days after the evidence Judge Rakoff described was presented in pretrial proceedings for Mr. Whitman.

Each member of the Los Altos community must now decide whether Mr. Peruri’s conduct rises to the level that would prevent his faithful execution of the duties of LASD Board member. The LASD Board has fiduciary responsibility for hundreds of millions of dollars in revenue and assets, requiring the highest ethical standards.⁵

Insider trading, a form of financial fraud, is defined by the SEC as the wrongful use of nonpublic information, such as pre-release earnings.⁶ Over 50 people have been convicted or plead guilty of insider trading since 2009 and studies reveal it’s even more widespread.⁷ The cases involving Marvell began with the guilty plea in 2011 by Stanley Ng, a former employee.⁸ In 2012, Wesley Wang, a consultant to hedge funds, pleaded guilty to insider tips involving Marvell according to the New York Times.⁹ The Wall Street Journal reported that “Wang would get information from Whitman relating to Polycom and Marvell, which Whitman indicated was from his 'contacts' and, in exchange, Wang would provide Whitman with inside information on Cisco and other companies.”¹⁰ Whether or not Mr. Peruri had a similar *quid pro quo* with Whitman is not yet publicly disclosed. However, Judge Rakoff allowed evidence to be introduced that “...Whitman provided inside information about Marvell to Sangeeth Peruri ...”.

As reported by the Wall Street Journal, the list of names that were involved in insider trading linked to Whitman includes Dipak Patel, Donald Longueuil and Noah Freeman all formerly fund managers with SAC Capital Advisors. Mr. Whitman’s conviction also involved “...secret tips about technology companies he received from Roomy Khan, a former technology-company employee and his onetime neighbor; and Karl Motey, an independent research consultant who taped phone calls as part of his cooperation with the government.”¹¹

Investment companies require that employees report potential wrongdoing internally to compliance officers.¹² These rules, required by FINRA¹³, are not discretionary for NYSE¹⁴ members, as was Mr. Peruri’s employer. Disclosure is mandatory as taught in Series 7 exams, a requirement for Mr. Peruri.¹⁵ When Mr. Peruri’s firm terminated his employment, they filed a U5 form with FINRA¹⁶ explaining the reasons for the termination, which included “failure to escalate”. FINRA rules also govern accurate U5 filing, so Columbia’s termination reason for Mr. Peruri has a strong presumption of credibility.

LASD needs Board members who are above reproach. Mr. Peruri needs to publically address the implications of his involvement with Mr. Whitman and others. What inside information about Marvell did he receive from Whitman? What other companies did he discuss with Whitman? What information did he give to Whitman in return? How did he use the inside information to benefit the investment funds he managed? What reports did he make to his compliance officer? What cooperation has he volunteered to prosecutors? LASD needs Board members who recognize wrongdoing and have the moral courage to promptly report the misconduct.

Sincerely, Bill Balson

Mr. Balson is a certified Financial Risk Manager with the Global Association of Risk Professionals and a 26-year resident of Los Altos School District. Mr. Balson maintains an IRA with Ameriprise. The author contacted Carlos Melville, Ameriprise and Katherine Goldstein, AUSA who each had no comment; and Sangeeth Peruri, LASD candidate who denied any wrongdoing.

¹ Case 1:12-cr-00125-JSR, Document 85, Filed 07/27/12

² Marvell refers to Marvell Technology Group Ltd., a semiconductor company with U.S. headquarters in Santa Clara, CA (<http://investor.marvell.com/phoenix.zhtml?c=120802&p=irol-irhome>)

³ Case 1:12-cr-00125-JSR Document 166 Filed 04/21/14

⁴ BrokerCheck Report for Sangeeth Peruri, CRD # 3088584, Report #62661-49695, downloaded Sept. 12, 2014

⁵ <http://www.losaltos.k12.ca.us/files/user/1/file/Signed%20Resolution%20-%20Bond%20Measure%20Nov%202014.pdf>

⁶ <http://www.sec.gov/answers/insider.htm>, "trade while in knowing possession of nonpublic information material to those trades" (United States v. Royer)

⁷ <http://irrcinstitute.org/projects.php?project=70>

⁸ http://dealbook.nytimes.com/2011/12/07/former-marvell-employee-expected-to-plead-guilty-to-insider-trading/?_php=true&_type=blogs&_r=0

⁹ <http://online.wsj.com/news/articles/SB10001424052702303933704577533241246134250>

¹⁰ Ibid, WSJ

¹¹ Ibid, WSJ

¹² Rule 3100 replaces substantially similar requirements imposed by the NYSE.

http://finra.complinet.com/en/display/display.html?rbid=2403&record_id=15446&element_id=11345&highlight=supervision#r15446

¹³ Financial Industry Regulatory Authority (<http://www.finra.org/>)

¹⁴ New York Stock Exchange, all member companies permitted to submit orders must follow the rules of the exchange

¹⁵ <http://www.sec.gov/answers/series7.htm>

¹⁶ <http://www.finra.org/web/groups/industry/@ip/@comp/@regis/documents/appsupportdocs/p015114.pdf>