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Sunken Galleon

Another fabled New York hedge fund investor has hit the skids, this time charged with insider trading. Billionaire founder of The Galleon Group, Raj Rajaratnam was arrested recently and charged with inside trading in such stocks as Hilton, Clearwire, Polycom, and Google. Rajaratnam was tipped off that a contact had been wearing a wire and was carrying a ticket to Switzerland for a few days later when arrested. Supposedly he made more than \$20 million in profit from 2006 to 2009. His fund, Galleon, was rumored to be a pressure cooker, with long hours and highly detailed research reports. Born in Sri Lanka, Rajaratnam became a technology analyst at Needham, eventually becoming president. Several others were also arrested and their firms, including Galleon, quickly expressed shock, promised cooperation, and distanced themselves from their errant employees. There are a lot of possibilities here and we would be the last to make excuses for crooks, but we are always confounded when people worth billions risk it all for a little bit more. We had that reaction when Michael Milken supposedly inside traded for an extra hundred thou, when Drexel was paying him half a billion a year, and this seems similar. Either people are really really really greedy or the government overstates the intent of the accused and its case. We suspect maybe a bit of both.

Fed Reverse Repos Fighting Inflation

The Fed is starting to fight inflation. One way it does that is to use repos as a way of draining liquidity off the market and halting the dollars slide. In a Fed repo, the Fed lends money to a selling bank holding Fed securities, against purchase of the securities, and the bank pays it back with interest a day later, receiving the securities back. In a reverse repo the Fed sells a security to a bank and agrees to buy it back later with interest. Reverse repos drain liquidity off the market. The buyer of a reverse repo, a bank, can use the security to enhance its balance sheet for a short term. When the security is repurchased that liquidity is gone. Many see the merit of taking liquidity out of the market. Inflation is too much cash; we already have that. But there are things to be done to keep that excess cash from turning into rising prices, a bad product of inflation. With the Fed unlikely to increase interest rates anytime soon because we are still seen by most as in an intractable recession, the Fed is left with things like reverse repos to try to curb the affects of inflation. However, markets have been scared by reverse repos, seeing any decrease in liquidity as ultimately bad for the economy. We are certainly in uncharted waters. Economists should get some new benchmarks and several theories about inflation will be tested and either confirmed or rejected by the time this economy is sorted out.

Forgery

What is it with all the people making stuff up? Is it just easier to create phony documents and signatures than it was twenty years ago? Maybe Dan Rather was the first victim of a wave of people creating phony stuff. If the legion of services offering to protect against identify theft could help out with forgeries, they'd really have a market. Exhibit A is a DLA Piper/Duane Morris Singapore lawyer who forged a pay stub so it looked like he was making \$65,000 a month rather than \$25,000, as he negotiated with a new employer. He's facing Singapore jail time for forgery. Exhibit B is a former judge working in Southern California as a supposed mortgage rehabilitation lawyer. He forged a judge's signature on an order to prevent a client from getting kicked out of a house. Exhibit C is a New York lawyer who forged a judge's signature on an order so he could keep \$35,000. It is the third time he has been charged with forgery. And there is more. What is it with people ginning up phony documents? The Buzz could show its age and claim that it's a decline in public character. But we suspect it has more to do with great looking forgeries being easy to create now due to great technology. Is it technology's fault? Of course not. Hmmm, all these guys are lawyers. Maybe that has something to do with it....

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Human Gene Patents

Patents are for "inventions" and many have argued that you can't invent someone else's genes so human genes shouldn't be patented. Nonetheless almost 20 percent of the human genome has been patented. Myriad Genetics has seven patents relating to human genes BRCA-1 and BRCA-2 which have to do with cancers in women. Myriad recently demanded that researchers and Universities stop testing women for risk-carrying mutations. Several interested plaintiffs, including women who can't get the therapies they need, sued Myriad claiming that they were trying to patent "products of nature." The plaintiffs also claimed that Myriad's patents violated the First Amendment to the US Constitution. Myriad moved to dismiss. In an 85 page opinion federal judge Robert Sweet denied Myriad's motion and ruled that the case can go forward.

Res Ipsa Loquitur

Dell is 25

Dell computers was founded on this day 25 years ago as PC's Limited. While a student at UT Austin, Michael Dell started making computers out of stock parts and selling them from his dorm room. He dropped out of school after getting about \$300,000 in expansion capital from his family. In 1985 Dell designed its first PC. Units were custom assembled, which gave flexibility to customers, and sold direct at lower prices than retail brands. Dell currently employs more than 75,000 people and recently announced it intended to acquire Perot Systems for \$3.9 billion. Dell is currently selling about 65,000 computers a year, making it third largest worldwide, and is second to HP in the US.

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