



**THE  
BILLIONAIRE'S  
APPRENTICE**

**THE RISE OF THE  
INDIAN-AMERICAN ELITE  
AND THE FALL OF THE  
GALLEON HEDGE FUND**



**ANITA RAGHAVAN**

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HEDGE FUND

ANITA RAGHAVAN



**BUSINESS  
PLUS**

New York Boston



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*To my loving parents  
for making their journey*

Brightest and best of the sons of the morning,  
Dawn on our darkness and lend us Thine aid.

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—Opening line from an epiphany hymn  
by the Right Reverend Reginald Heber,  
Anglican bishop of Calcutta, 1823–1833

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## Cast of Characters

*In September 2009, as Wall Street recovered from the worst financial crisis since the Great Depression, an insider trading case was brewing...*

### **The Leading Actors**

#### *The Guptas*

Rajat K. Gupta—former three-time head of McKinsey and board member for Goldman Sachs, Procter & Gamble, and AMR

Anita Mattoo Gupta—his wife

Geetanjali, Megha, Aditi, and Deepali Gupta—his daughters

Ashwini and Pran Kumari Gupta—his parents

Kanchan Gupta—his younger brother

Jayashree Chowdhury—his younger sister

#### *His Lawyers*

##### **Kramer Levin Naftalis & Frankel**

Gary P. Naftalis—Gupta's lead counsel; a former federal prosecutor turned A-list criminal defense attorney who has represented everyone from former Walt Disney CEO Michael Eisner to Wall Street legend Kenneth Langone

David S. Frankel—longtime litigation partner of Naftalis, who represented New York State Liberal Party leader Raymond Harding in an inquiry by New York attorney general Andrew Cuomo

Robin Wilcox

Alan R. Friedman

#### *The Kumars*

Anil Kumar—McKinsey consultant who was Raj Rajaratnam's classmate at Wharton and Gupta's protégé at McKinsey

Malvika Kumar—his wife

Aman Kumar—his son

## *His Lawyers*

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### **Morvillo Abramowitz Grand Iason & Anello**

Robert G. Morvillo—Kumar's lead counsel; he represented domestic goddess Martha Stewart

Gregory Morvillo—his son, who after his father's death would start his own firm and represent

Level Global cofounder Anthony Chiasson

### *The Rajaratnams*

Raj Rajaratnam—head of the Galleon Group

Asha Pabla Rajaratnam—his wife

Rengan Rajaratnam—former head of Sedna Capital and Raj's youngest brother

Ragakanthan Rajaratnam—Galleon portfolio manager and Raj's middle brother

### *His Lawyers*

### **Akin Gump Strauss Hauer & Feld**

John M. Dowd—Rajaratnam's lead counsel; a feisty ex-marine who also served as special counsel to three commissioners of Major League Baseball in the investigation of Pete Rose and others

Terence J. Lynam

Samidh Guha

Patricia A. Millett

## **The Sheriffs of Wall Street**

### *The Securities and Exchange Commission*

George S. Canellos—director, New York office

David A. Markowitz—former assistant regional director, New York office

Sanjay Wadhwa—assistant regional director, New York office

Jason E. Friedman—senior staff attorney

John P. Henderson—senior staff attorney

### *The FBI*

B. J. Kang—special agent who was one of the arresting agents of Bernie Madoff and also worked on the Galleon case

### *The US Attorney's Office, New York*

Preetinder S. Bharara—US attorney, Southern District of New York

Reed Brodsky—assistant US attorney

Andrew Z. Michaelson—special assistant US attorney on loan from the SEC

Jonathan R. Streeter—assistant US attorney

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## **The Galleon Circle**

### ***The Galleon Group***

Michael Cardillo—portfolio manager

Kris Chellam—former Xilinx executive turned Galleon portfolio manager

Caryn Eisenberg—Rajaratnam's executive assistant

Tom Fernandez—Rajaratnam's Wharton classmate and head of investor relations

Michael Fisherman—analyst

Ian Horowitz—trader

David Lau—Rajaratnam's Wharton classmate and Asia chief

George Lau—chief compliance officer

Ananth Muniyappa—trader

Gary Rosenbach—portfolio manager

Richard Schutte—chief operating officer

Leon Shaulov—portfolio manager

Adam Smith—Harvard Business School graduate, former Morgan Stanley investment banker, and portfolio manager at Galleon

### ***Other Traders***

William J. Lyons III—former Sedna trader with a weakness for instant messaging

Matt Read—Lyons's cousin and instant-message partner

Frank "Quint" Slattery—manager of Symmetry Peak Capital

### ***Around the Galleon Ring***

Sunil Bhalla—Polycom executive

Danielle Chiesi—New Castle Funds consultant

Rajive Dhar—executive at Arris Group

Rajiv Goel—Wharton classmate of Raj Rajaratnam and Intel Treasury executive

Shammara Hussain—former investor relations associate at Market Street Partners

Roomy Khan—former Intel marketing employee and former Galleon trader

Deep Shah—credit analyst at Moody's Investors Service

Apjit Walia—RBC Capital Markets analyst

### ***Goldman Sachs***

Lloyd C. Blankfein—chief executive



Gary D. Cohn—president

John H. Bryan—board member

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William W. George—board member

Gregory K. Palm—general counsel

Steven R. Peikin—Goldman’s outside lawyer at Sullivan & Cromwell

John F. W. Rogers—Blankfein’s chief of staff and secretary to the Goldman board

Byron D. Trott—Warren E. Buffett’s banker

David A. Viniar—chief financial officer

Jon Winkelried—former president

### ***McKinsey***

Dominic Barton—managing director

Marvin Bower—former managing director (1950–1967)

D. Ronald Daniel—former managing director (1976–1988)

Ian Davis—former managing director (2003–2009)

Frederick W. Gluck—former managing director (1988–1994)

Herbert Henzler—former chairman of McKinsey Germany

David Palecek—McKinsey consultant

Anupam “Tino” Puri—former managing director of McKinsey

India

Paresh Vaish—former engagement manager on Hindustan Motors project

Donald C. Waite III—former head of McKinsey’s New York office

Adil Zainulbhai—chairman of McKinsey India

### ***Harvard Business School***

Walter J. Salmon—Gupta’s professor

John V. Carberry—Gupta’s suite mate

David Manly—Gupta’s late friend

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# Prologue

## The Twice Blessed

It was Tuesday, November 24, 2009, and Rajat Kumar Gupta was headed to the White House for the first state dinner hosted by President Barack Obama and his wife, Michelle, the most glamorous political couple since the Kennedys. Six years had passed since Gupta had stepped down as the three-term global managing director of consulting giant McKinsey & Co., but at sixty, he was busier than ever. He sat on a handful of corporate boards—Goldman Sachs & Co., Procter & Gamble Co., and American Airlines, to name a few. His wife, Anita, had hoped his retirement from the top job at McKinsey would slow him down, but he was in the throes of building his own private equity company from scratch. Jetting from continent to continent, living out of a suitcase, he was as intent on being a game changer in private equity and philanthropy as he had been during a storied career in consulting.

Dressed in a black Nehru suit, with a red handkerchief tucked in his pocket, Gupta made his way to the white tent on the South Lawn from the gilded East Room, which served as the staging area for the dinner. At every turn, he ran into friends. He chatted with Deepak Chopra, the new age physician, who was wearing his signature gem-studded eyeglasses for the glittering gala. He mingled with Preeti Bansal, a top lawyer in the new administration, and caught up with Bobby Jindal, a former McKinsey consultant and now the Republican governor of Louisiana. Jindal, whose given name is Piyush, was born in Baton Rouge; his parents migrated to America from the Indian state of Punjab six months before he was born.

Jindal was typical of the guests at the White House that night. While the ostensible purpose of the evening was to honor the Indian prime minister, Dr. Manmohan Singh, the event also served as a barometer for how far and how fast an immigrant group had risen. In one generation Indian Americans had vaulted from geeky outsiders to polished players in all facets of American society.

If Gupta wanted to make small talk in the security line with a Fortune 500 CEO, he could approach either GE's Jeffrey Immelt or Indra Nooyi, the CEO of PepsiCo, who was born and bred in Chennai. If he wanted to bask in the reflected glow of a TV presenter, he could chat with Katie Couric or the Mumbai-born Fareed Zakaria. Hollywood was represented at the event. Both Steven Spielberg and the Indian director of *The Sixth Sense*, M. Night Shyamalan, whose birthplace is Pondicherry, were in attendance that night.

As one of the pioneering Indian success stories in the United States, Gupta knew almost all the Indian invitees and, as a McKinsey legend, their non-Indian counterparts too. He had worked with many and served as a mentor to others. When Neal Kumar Katyal, the principal deputy solicitor general, was in high school and getting pressure from his Indian parents to study medicine, Gupta advised him to follow his dreams. Katyal's position in the Justice Department as one of the chief

attorneys representing the government before the US Supreme Court was a testament to the heights which Indians had risen in American society.

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“As you looked around the room that night, it was breathtaking to see the diversity and depth of talent,” says Timothy J. Roemer, at the time the US ambassador to India. “There were CEOs and entrepreneurs, there were doctors, hotel owners, and writers. There were aspiring office seekers and office holders. There were people who had grown up poor in India but now they were the CEO of the company. You could feel how alive the American dream was in that room,” exults Roemer.

Gupta and the other Indian-American luminaries were either part of or the children of a generation that academic Vijay Prashad has dubbed the “twice blessed.” The first blessing was to be born after India had achieved its independence from Great Britain at the stroke of midnight on August 15, 1947. The blessing of this freedom was not just political; it was cultural too. The end of the Raj made the educational and social advancement possible to a young nation throbbing with 340 million people.

The second blessing was the culmination of the civil rights struggle in the United States and the passing in 1965 of the now largely overlooked Hart-Cellar Act into law. The act—an outward-looking follow-up to the 1964 Civil Rights Act—did away with long-standing isolationist policies that severely restricted Indian immigration to one hundred people each year. Hart-Cellar meant that future immigrants would be allowed into America based on their skills and not just their countries of origin, race, or ancestry. For a generation of Indians weaned on a strict diet of education, it was a momentous breakthrough with far-reaching implications.

In the wake of the act, Indian immigration into America grew from a trickle to a torrent. Unlike the previous waves of huddled masses who took several generations to make their way from digging ditches to holding office in the statehouse, Indian immigrants were highly educated and brimming with ambition. “There is an immense, immense selectivity in the pattern of Indian migration to the United States,” says Professor Marcelo M. Suarez-Orozco, an expert on immigration and dean of UCLA’s Graduate School of Education and Information Studies. The average Indian in the United States is “ten thousand times more likely to have a doctorate” than the average Indian in India. In other words, the Indians who come to America are by and large the country’s “brightest and best,” an observation borne out even today by hard facts.

Of the 3.2 million Indians in the United States, 70 percent have bachelor’s degrees compared to just 28 percent nationally. Their median annual household income of \$88,000 is almost twice what most Americans earn each year and 33 percent higher than the average income of Asians in the United States. Most of the overachievers are immigrants. In the new millennium, Gupta and other Indian-born natives were ubiquitous in every sphere of American life. They were among the country’s most promising doctors and engineers and its most successful bankers and lawyers. Some ran or were poised to run the nation’s biggest corporations—Citigroup and MasterCard. Others were contenders for top jobs at all-American companies like Warren Buffett’s Berkshire Hathaway.

None of this would have been possible had it not been for the path staked out by the likes of Raj Kumar Gupta. He was the most accomplished representative of an entire generation of strivers. He cleared an eight-thousand-mile path to the United States for hardworking Indian émigrés. Through his exemplary career—and without ever consciously choosing to do so—he broke down America’s prejudicial business barriers and served as a model not only for his peers but for their sons and daughters too.

In the weeks before the White House dinner, there was much handicapping about who would be asked and whether previous guests to state dinners with Indian prime ministers would be asked again. In the bruising politics of the Beltway, the drop-offs were more widely publicized than the invitees.

and the absences—the most notable being Citigroup chief Vikram Pandit—talked about in hushed, funereal tones.

There was never any question that Gupta would be invited. He was one of the few Indians in America who waltzed through vastly different worlds, business and philanthropy, in India and America, without ever losing a step. He was friends with almost all the Indian businessmen accompanying Dr. Singh on his trip to the United States. He was close to Mukesh Ambani, the head of the powerful Indian conglomerate Reliance Industries, who viewed Gupta as one of India's most treasured exports, someone who had reached the pinnacle of corporate and public life in the United States but had never lost his affection for his homeland. He knew Ratan Tata, often described as the David Rockefeller of India. Tata, whose holdings run the gamut from cars—Jaguar Land Rover—hotels—Mumbai's iconic Taj Mahal Palace hotel—had worked early on to help Gupta turn his dream of an Indian business school into reality.

But Gupta's most important relationship—one that certainly helped secure an invitation that evening—was his friendship with the guest of honor, Dr. Singh. Gupta was one of the few Indian executives in America who could get the Indian prime minister on the phone on short notice. Despite McKinsey's prominence in India, the two were not acquainted in the early 1990s when Gupta was a rising star at McKinsey, and Singh, then a little-known finance minister in a previous Indian government, was the architect of a fusillade of economic reforms that dismantled the Red Tape Regime and ushered in an era of entrepreneurial freedom. But when India prospered in the wake of Singh's moves, McKinsey thrived, advising a raft of Indian companies on restructuring moves and playing a pivotal role in building "Offshore-istan."

It was during Gupta's time as managing director that McKinsey opened its groundbreaking "Knowledge Center" in a suburb of New Delhi, hiring a fleet of Indian researchers, many with MBAs, to analyze important trends such as cellular phone penetration for McKinsey consultants.

When the McKinsey Knowledge Center turned out to be a huge hit, Gupta went global with the idea. He preached the sermon of offshoring to American companies eager to cut costs and pushed them to send more and more of their back-office and support work—corporate research, legal transcription, and financial analysis—to India. Clients were thrilled, and in India, Gupta was a corporate rock star, just as recognizable in Mumbai as Jamie Dimon is in New York.

It was no small irony, then, that one of his dinner companions at the White House that evening was labor leader Andy Stern, the president of the country's second-largest union (the Service Employees International Union). Stern, whose organization spent the most money supporting Obama, sat between Gupta and his wife, Anita, at a table sumptuously decorated with gold charger plates and purple and magenta arrangements of roses, sweet peas, and hydrangeas on green-apple tablecloths. Over a dinner of green curry prawns, collard greens, and coconut-aged basmati rice, Stern took the opportunity to nudge a key party some consider responsible for the fading prospects of the American worker. He pressed Gupta on why companies like Goldman, whose investors include public pension plans, didn't have more regard for the worker. In his soft-spoken but firm way, Gupta insisted they did. They gave a lot of money away to needy organizations. But Stern had something more radical in mind—profits more broadly distributed to rank-and-file employees.

Overhearing the debate were Gupta's dinner companions Treasury secretary Timothy Geithner and North Dakota senator Kent Conrad. It was heady company. If anyone had told Gupta back when he was a little boy in Calcutta that he would someday work at—let alone run—McKinsey & Co. and be invited to the White House for dinner, they might have had an easier time convincing him that he would walk on the moon. The heights he had attained would only serve to make the events that

followed all the more unfathomable.

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Seventeen days later, as Gupta rushed through airport security with his carry-on in tow, his cell phone rang. The caller on the morning of Friday, December 11, 2009, was Gregory K. Palm, the general counsel to Goldman Sachs & Co. Gupta had been a board member since 2006, and at least once a quarter, he would hear from Lloyd Blankfein, Goldman's chief executive. Blankfein considered it a key part of his job to post his board of directors on the quarterly goings-on at the bank. But it was rare for Gupta to hear from Palm alone.

At Wall Street investment banks, general counsels are often among the most powerful (yet invisible) members of the leadership team. They are the keepers of secrets. They know where the corporate bodies are buried. Palm was extraordinarily discreet. Even though he was one of the firm's most influential and highest paid executives—since 2002, Goldman had awarded him stock and options worth \$67.3 million—Palm kept a very low profile. Many of the bank's thirty-three thousand employees didn't even know who he was.

Like Blankfein and Gupta, Palm came from modest means, a case study in American meritocracy. He was an electrician's son who won the National Science Foundation fellowship award at the Massachusetts Institute of Technology. After MIT, Palm headed to Harvard, where he enrolled in its joint JD/MBA program. He was actually in Gupta's class at Harvard Business School. (The two were in different sections and didn't know each other.) In 1992, after a decade working for Goldman outside legal counsel, the whitest of white-shoe firms, Sullivan & Cromwell, Palm joined Goldman.

When Palm reached Gupta, his tone was unusually serious; he said there was something important he wanted to discuss with the respected Goldman director.

The night before, Palm had been sitting in his corner office overlooking the Statue of Liberty, on the thirty-seventh floor of One New York Plaza, wrapping up for the day. It was dark and most of his colleagues had left when Goldman's outside lawyer from Palm's old firm, Steven R. Peikin, called. Like many before him, Peikin worked for nearly a decade in the US attorney's office for the Southern District of New York. He rose to head the Securities and Commodities Fraud Task Force before moving to Sullivan & Cromwell, where he now guarded the interests of one of the banks he used to scrutinize. Peikin told Palm that he had learned through the legal grapevine that there was evidence floating around that could draw Goldman director Rajat Gupta into an insider trading case.

The next morning, as Gupta prepared to catch a plane, Palm went to brief his boss at the bank's headquarters, then at 85 Broad Street. Blankfein was surprised to hear what Palm had to say. Gupta had impeccable credentials and a sterling reputation. "We need to figure this out," Blankfein told Palm. Goldman was under considerable scrutiny after the 2008 financial crisis. More bad press was the last thing the firm needed. "This is something that is obviously serious, but we don't know a lot here.

"[Whatever you do], let's make sure we don't ruin Gupta's reputation."

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Part One

Discovery

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## Chapter One

### “Who Will Show Me the Way in the World?”

Ever since he was born, Rajat Kumar Gupta was likened to his father. He was as handsome as his father, with the same strikingly chiseled jawline that gave both men a distinguished air, a sense that they belonged to a secret world of privilege that went beyond wealth, intellect, or bloodline. In a society where skin color was a defining force, both Rajat and his father, Ashwini, were fair-skinned, a clear advantage that afforded them a natural superiority. Both were known for their generosity of spirit—an obliging way that over the course of their lives would win them steadfast friends and loyal followers. But beneath the surface the similarities ended.

Unlike his son, Ashwini Kumar Gupta came of age in an occupied country, seemingly fated by his birth in 1908 to live in deference to an imperial power. As a descendant of one of India's oldest bloodlines, Ashwini was also, ironically, one of the chosen ones. He would be tapped and trained to deny his Indianness and perform like a faux Englishman, all in the service of India's emperor, His Majesty the king. While he would receive a proper British education like the other esteemed members of his family, Ashwini Kumar Gupta rejected intellectual servitude.

When the British East India Company first settled in India in 1612—in hot pursuit of black pepper and cinnamon—few expected that England would one day turn its adventure in commerce into a chapter in conquest. Other European nations—France, Portugal, the Netherlands, and Denmark—were already well ensconced in the critical trading territory of India's northeastern Bengal. It was not until the tail end of the seventeenth century, when Job Charnock, an enterprising agent of the East India Company, pitched stakes on the banks of the Hooghly River, a fast-flowing tributary of the mighty Ganges, that England began its rise to power.

Under the East India Company's aegis, Calcutta grew into a thriving commercial hub, a hive of activity trading in spices and the other riches of the East: opium, jute, and muslin. Along with commerce, the English imported their way of life. Besides gin and tonics and golf (a sport that arrived in Calcutta in 1829, some sixty years before it reached New York), they introduced English education. Offering formal higher education to natives did not come from a sense of altruism; rather, as Thomas Babington Macaulay, a member of the Supreme Council for India, put it: “We must at present do our best to form a class who may be interpreters between us and the millions whom we govern; a class of persons, Indian in blood and color, but English in taste, in opinions, in morals, and in intellect.”

With Macaulay's urging, Governor-General William Bentinck introduced English as the official language for Indian higher education, a move that would have momentous consequences a hundred

years later.

As of 1858, though, the educated Indian class had not fully embraced their inner Englishman. While receiving the finest Western tutoring elevated their social position, education did not bestow a significant economic advantage. Poverty and scarcity were the norm for Indian natives, regardless of academic proficiency. After a bloody native Indian uprising—called the Sepoy Mutiny by the British and the First War of Indian Independence by the native nationalists—the Crown relieved the East India Company of rule and took complete control of India. Queen Victoria ultimately became the empress of the South Asian jewel.

Fifty years later, when Ashwini Gupta was born, the British Raj was firmly in control, and Ashwini's birthplace—Bengal—was its seat of power. At the vanguard of almost every major social, intellectual, political, and economic movement in India, Bengal was New York, Paris, London, and Hong Kong all rolled into one. So powerful was its sway that one Indian National Congress leader quipped, "What Bengal thinks today, India thinks tomorrow."

The Guptas were an old and distinguished Bengali family who counted themselves among India's English-educated elite, a rarefied group at the turn of the century, representing less than 0.1 percent of the country's total population. Their roots lay in Goila, a village then part of East Bengal, now Bangladesh. Despite their education, the Guptas struggled financially. They settled in North Calcutta, colloquially known as "Blacktown" because it was the domain of the city's dark-skinned native population. South Calcutta, which the English appropriated, was labeled "Whitetown." For native Indians, shut out as they were from economic opportunity, learning, not lucre, conferred status. And the Guptas were very learned. Education for them was a vocation, not just a profession.

Given the family's intellectual pedigree, Ashwini Gupta was expected to have a celebrated academic career too. He did not disappoint. He had a fine mind and was a "brilliant student" at Calcutta University, where he received a master of arts in economics. But even though he was raised and educated as a fluent English speaker, Ashwini Gupta did not aspire to become a British dandy. He was a fiery Bengali at heart. He thought like one, lived like one, and even dressed like one.

"Like all Bengalis at the time, he was a leftist," says the journalist Inder Malhotra, who got to know Gupta when he was in New Delhi in the 1950s. In the bitterly cold winters commonplace in Delhi, Gupta donned a khadi dhoti—a garment popular among Bengali men. It was a rectangular piece of white cloth that wrapped around his waist and stretched to his feet and was made of khadi—a coarse fabric woven from hand-spun yarn. Gupta was rarely seen without it.

Khadi was one of the most powerful visual symbols of the burgeoning freedom movement. It was the cloth of choice for hard-core Indian nationalists. First championed by an English-educated Indian barrister named Mohandas Karamchand Gandhi, who urged Indians to boycott foreign cloth in favor of khadi, it soon became the leitmotif of the pro-independence Congress Party. It happened to be the cloth that meshed perfectly with Gupta's political sensibilities.

Ashwini was one of India's fervent freedom fighters who stridently rejected the native "interpreter" role he had been born into. He longed to stand out among the hundreds of thousands of khadi-wearing nationalists. In 1929, while studying in Calcutta, he joined the All-Bengal Students' Association, an innocuous-sounding group that on its face had seemingly little to do with India's struggle for independence. In reality, it was an organization brimming with revolutionary resolve.

Ashwini Gupta immersed himself in the association, often skipping classes to attend its meetings. His close friend Apurba Maitra, whose roll call number was next to his at the university, would cover for him, pretending to be Gupta at the customary call-outs at the start of each class. Maitra viewed his friend Ashwini, then all of twenty-two, as something of a senior statesman among student activists.



On January 26, 1932, Maitra was studying law at Calcutta University when an edict was imposed forbidding students from flying the Indian national flag in any university building. If they did, they would face “unpleasant consequences.” At that time, Calcutta’s police commissioner, Sir Charles Augustus Tegart, was notorious for torturing political prisoners (even young students) and for his uncanny ability to avoid assassination. But patriotic Indians viewed January 26 as the country’s show-your-colors day: were you an independent Indian or a pawn of the British Empire? Two years earlier the Indian National Congress had passed a resolution fixing the day for countrywide protests in support of complete independence. For khadi wearers, kowtowing in fear of British retaliation was ignoble and cowardly. For them, flying the flag separated the truly possessed from the poseurs.

Overcome with nationalist fervor, Maitra and nineteen of his friends flew the flag and then signed a declaration of opposition as required by the university. Not long after, while Maitra was at the university cricket field, an envelope addressed to him arrived at his dormitory. It was marked “On Her Majesty’s Service.”

The terrified men, disregarding their collective code of conduct respecting individual privacy, tore open Maitra’s letter. Inside they found a summons demanding that Maitra appear before the powerful chief secretary to the government of Bengal at the Writers’ Building in Dalhousie Square, the seat of British power in Calcutta.

They hatched a plan: they would accompany Maitra to Dalhousie Square, but he would go in to see the British official alone while they waited for him outside. Knowing that the meeting could lead to swift imprisonment, the activists set aside their indispensables—sleepwear and books—so that they could grab them if the police van arrived to round them up and make arrests.

When Gupta overheard their plan, he chided them: “You idiots, if you go to Dalhousie Square en masse, the plain-clothes ‘spies’ around the Writers’ building will suspect you are supporters of Benoy Basu and his gang.” (Gupta was alluding to an incident from two years earlier when Basu and two accomplices shot and killed the British inspector general of prisons, a brute of a man who condoned torture.) Since the attack, a spree of assassinations had shattered the peace in Bengal. The province became such a hotspot for terrorists that word of its growing violence reached Buckingham Palace in London. In 1932, King George V, apparently befuddled by the reports he was receiving from Bengal, beseeched the provincial governor, “What is *wrong* with Bengal?”

One of Ashwini Gupta’s strengths was his skill as a versatile strategist and tactician. “Don’t go,” he advised. “Let Apurba [Maitra] go alone with the letter.”

Maitra obeyed. When he arrived at the Writers’ Building, he was escorted into the imposing office of Sir Robert Niel Reid.

“So, young man, you know the very bad position [you] are in?”

Maitra quickly confessed his crime. He and his friends were ready to accept any punishment for their flag-hoisting caper, but they would not apologize on any account.

“You are mad,” Reid said before explaining that the summons had nothing to do with flying the flag. “This anonymous letter has shaken your bones, you are talking incoherently. Have courage. The worst may not happen.”

Maitra was flummoxed. “Why courage?”

Reid informed Maitra that his father, a native serving the British as a magistrate, was a target of terrorists. “Imagine yourself with your widowed mother and her five children, you are the eldest son,” Reid intoned. “You may be doomed and ruined.”

To ease his father’s anxieties, Reid suggested that Maitra quit his legal studies and accept a post as a warden in the Bengal prison system, a steady job with steady pay.

“Sir, if I do not accept it?” he queried.

In case Maitra forgot, Reid reminded him that round-the-clock armed police, provided at the discretion of His Majesty’s government, protected his father.

Reid didn’t need to say any more. Maitra agreed to the prison posting.

On the day Maitra’s train was set to depart to a prison high up in the rolling green hills of Darjeeling, Ashwini Gupta entered his compartment and took his hand, gently pulling him away from his well-wishers. Somehow Maitra had been found out. Through his vast network, Gupta knew Maitra wasn’t going to Darjeeling as a political prisoner, but as a guard.

“So, Apurba,” he said. “This little ovation of friends on the platform, a few bunches of flowers on your berth speak of our old love for you, but do you feel what you are carrying in your luggage?”

Maitra lowered his head.

“Our eternal hatred for you. Eternal hatred.”

Then, overwhelmed by emotion, Gupta drew his sash over his eyes and exited the train.

For the rest of the 1930s, Gupta and Maitra lived very different lives. Maitra, a warden at a small jail in Darjeeling, surrounded by acres of sprawling tea estates, spent his days guarding petty criminals and prominent freedom fighters. He looked upon his time as a young activist with some nostalgia, but he knew it was far behind him now. Ashwini Gupta, meanwhile, stayed in Calcutta. For a brief time, he lectured in economics at what was then known as Ripon College. But teaching was only a day job. In his off-hours he forged ties with prominent leftist leaders.

Gupta and Maitra would have never crossed paths again had it not been for Gupta’s participation in the militant Quit India movement in 1942. Gupta was among the tens of thousands rounded up and arrested in Bengal and sent to Presidency Jail in Calcutta. Maitra, by now an officer at Presidency Jail, was stunned when he saw his old friend Gupta.

“So, Ashwini,” said Maitra, placing his hands on Gupta’s emaciated shoulders. “You are all skin and bones...how?”

“Tuberculosis; one lung bleeding, fever every night, twenty pounds weight lost...Apurba, don’t come so near to me, you may catch it.”

Weakened by a multitude of beatings fighting for India’s independence and stricken with tuberculosis years before antibiotics, the thirty-four-year-old Gupta was as good as dead. But that evening, Maitra signed out from the prison under the pretext of going to see a movie. Then he visited a prominent local doctor and pleaded with him to treat his old friend.

After two weeks, an ambulance arrived and Maitra watched as the withered Gupta was led inside. He was in the hospital for six months, and after multiple surgeries, Gupta lost several ribs, but he regained a modicum of health and his familiar smile was back.

Maitra cared for Gupta upon his return to jail, and while censoring his inbound and outbound mail, he discovered that Ashwini had a “wife in the making...a nice non-Bengali girl.”

Gupta had vowed not to marry until India won its independence. But before his final internment, he fell in love with Pran Kumari, a Bethune College student whom he tutored. Their courtship transcended traditional barriers.

The two came from different parts of India—one the cultural capital of the country, the other its breadbasket. Ashwini was a quintessential Bengali. Though his wife, Pran Kumari, grew up in Bengal, her family originally came from Punjab, which, because of its position on the flank of India, bore the brunt of constant assault from a series of invaders. The violence marred the natural beauty of Punjab’s rolling fields of wheat, barley, corn, and sugarcane. If the Bengalis were considered the soul of India, the seed of its cultural and intellectual heritage, the Punjabis were its body, literally tilling the land

feed India's people.

Their love flourished in censored letters during Gupta's years in prison. In early 1947, at the urging of friends and before India's independence, Ashwini Gupta married Pran Kumari. The two belonged to different Hindu reform groups, but they were too progressive to care. The wedding took place on the campus of Bethune College. It was a modest affair. The Guptas were not showy people. Besides, though few knew it at the time, Ashwini Gupta's incarceration had left the family in dire financial straits.

Soon after marriage, Ashwini and Pran started a family, eager to make up for lost time. Their first child, a daughter, was born in 1947. Thirteen months later, on December 2, 1948, came Rajat; his proper name was Ratan, meaning "gem." Then, after two years, the Guptas welcomed another daughter. The family of five squeezed into a three-room flat on a busy main road in North Calcutta, around the corner from Ashwini's brother's green-shuttered house on Rajendra Lal Street.

\* \* \*

On the morning of Thursday, November 5, 1964, Apurba Maitra—now a citizen of an independent India—unfolded his morning newspaper to find a photo of Ashwini Gupta on the front page.

Earlier on that same muggy morning in November, Ashwini's eldest son, fifteen-year-old Rajat Kumar Gupta, dressed himself, carefully draping his best white dhoti over his body. Growing up in a close-knit Indian family of four children, two girls and two boys, the youngest born after the family moved to New Delhi in the 1950s, Rajat was accustomed to shouldering responsibility. He and his older sister were always looking after their younger siblings. By economic necessity, his parents were a two-career couple long before it was in vogue. His mother taught at the local Montessori school, and upon his release from prison, Ashwini took up journalism as a means to support himself and his family.

His old revolutionary ties to the leaders of a newly free India helped him rise. After India's independence, he was dispatched to start the Delhi edition of the *Hindusthan Standard*. He was a frequent visitor to Rashtrapati Bhavan, the official residence of the president of India, and it was well known among the Delhi press corps that the country's first prime minister, Jawaharlal Nehru, called him by his first name. So trusted was Gupta by government ministers that they would often seek his counsel on how to deal with the press. Born as a British subject, Ashwini Gupta, through hard work and sacrifice, became an insider in modern India.

Rajat then steeled himself and walked into the anteroom of his uncle's Calcutta home at 19 Rajendra Lal Street to say farewell. Shrouded with heaps of roses, marigolds, and fragrant jasmine, his father lay in a coffin. As was customary, the body was washed in purified water and dressed in a white kurta (a loose-fitting shirt) and a white dhoti.

When he'd arrived at the hospital the previous day, he was told his father was dead. But as he stood at the entrance to his father's room, he saw a plastic bag, still attached, bubbling with air from his father's last gasps. For a moment, he thought the doctors had made a mistake. But the years of struggle and incarceration had taken their toll. At fifty-six, Ashwini Gupta was dead of kidney failure.

In the months leading up to his father's death, young Rajat had spent a lot of time with his father, accompanying him on long walks and listening to stories of his time in the freedom movement. He learned that his father had been intentionally exposed to TB in prison, which ultimately cost him the use of one lung. The ragged two-foot-long scar on his back came from his skin being split open over and over again during one particularly brutal interrogation. Yet in spite of it all, the father he knew

was kind and obliging to everyone. He would later recall, "He never spoke ill of anybody, and I would have thought he would have a lot of resentment built into him, but it wasn't true. [This attitude] was true of most of my father's generation...They were quite extraordinary in terms of simple living and high thinking and not thinking ill of other people."

This morning, in front of Rajat's uncle's house, a crowd gathered; neighbors, friends, and admirers descended like pilgrims on a sorrowful journey. Door-to-door launderers (dhobi-men) and the donkeys watched as a coffin was placed into a glass-topped hearse parked in front of the redbrick house with the green shutters. In tribute, the dhobi-men nudged their donkeys away from the mourners and solemnly cleared a path for the procession.

At 9 a.m., the hearse, closely followed by cars carrying the immediate family, departed. As the throng approached the top of the street, Rajat could make out a small shrine to Shiva, the Hindu god of destruction. After a stop at the offices of his father's employer, the newspaper group *Anandabazar Patrika*, he led the crowd to Whitetown.

On the other side of town, Maitra raced to catch one final glimpse of Ashwini Gupta. He ran to the crematorium known as the Nimtollah burning ghat, then south to the Keoratola funeral parlor, to no avail. On his last guess, he found the right destination. Clenching a fistful of flowers, he elbowed through a crowd of hundreds of friends, family, and admiring strangers and made his way beyond the row of bodies stacked in a line to be cremated.

At last, after pushing his way past Ashwini Gupta's brother, the former prison guard made it to the coffin. Ashwini Gupta's teenage son, Rajat, was just completing the final death rite. In the silence that followed, Maitra was able to place what was left of his bunch of lotus flowers on the feet of his fallen friend. Rajat Gupta then helped roll the stretcher holding his beloved father's body into the orange flames of Calcutta's electric crematorium.

Overcome with grief, Maitra muttered a prayer to his dead friend, Ashwini: "Pray not a grain of hatred remains mingled in your ashes. I tried to atone for my sin." If he hadn't been awash in his own sadness at the premature death of one of India's unsung heroes, Maitra might have heard another voice—the tender voice of Rajat Kumar Gupta quietly beseeching a higher power:

"Who will show me the way in the world?"

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## Chapter Two

### “I Respectfully Decline to Answer the Question”

It was three days before Christmas when Rajat Gupta, dressed in a gray pin-striped suit and flanked by his three lawyers, arrived at the visitors’ reception on the fourth floor of the US Securities and Exchange Commission’s New York headquarters. His white shirt was perfectly pressed and his black hair, tinged with touches of gray, impeccably groomed. He and his lead counsel, Gary Naftalis, looked like they had stepped out of a regional theater production of *The Odd Couple*. Naftalis was the absent-minded professor, his suit rumpled and his white hair flying. Gupta, solemn and distinguished, had the presence of a dignified head of state. Never in his wildest dreams did he expect at his age—he turned sixty-two a few weeks earlier—and with all his accomplishments, to be embroiled in the kind of matter that prompted his sit-down with the SEC on this morning in December 2010. Surely there must be a misunderstanding that could be resolved.

A year had passed since Goldman Sachs’s head counsel had first told Gupta that he was being drawn into a government investigation. He had spent much of the time in the dark, frustrated by the swirling innuendos but powerless to quell them. Privately and publicly, he denied that there was anything to this nascent blemish on an otherwise spotless career. Now, with one of the country’s most prominent criminal defense attorneys by his side, he would be meeting with the government’s lawyers for the first time. He was to be deposed in the matter of Sedna Capital Management LLC, a little-known and now defunct New York hedge fund.

For four full years, the investigation into Sedna had consumed Sanjay Wadhwa, the deputy chief of the SEC’s Market Abuse Unit. It already had produced the biggest case the SEC had ever brought against a New York hedge fund manager. Now Wadhwa was preparing to build a new, possibly even bigger case. After much maneuvering and countless delays, he and his team of SEC lawyers were finally going to interview the most respected Indian executive in America, the man who had blazed the trail that younger Indian-Americans like Wadhwa followed.

Despite flecks of white in his jet-black hair and graying sideburns, the forty-four-year-old Wadhwa looked a decade younger. He was trim, wore wire-rimmed glasses, and had a deceptively benign, contemplative face. Born in New Delhi, Wadhwa came to the United States when he was nineteen years old. A tax lawyer by training, he is a Punjabi Indian who was raised to revere pioneers like Rajat Gupta who had shown a younger generation the pathway from India’s backstreets to America’s corridors of power. The stops along Gupta’s journey—the Modern School in Delhi, the hypercompetitive Indian Institutes of Technology, Harvard Business School—were well known in the

Indian-American community. Wadhwa's story was a less familiar but equally emblematic one.

Wadhwa's father, Arjun, was born in January 1937 into a working-class family in Lahore, then a city in northwest India that owed its splendor to a succession of invaders. The Mughals gave Lahore beautiful gardens and much of its inspiring architecture. The British, who followed the colorful turbaned Sikhs as rulers, endowed the city with enduring administration buildings, styled after the Victorians' architecture.

Sanjay's mother, Rashmi, was born just a year and a half later in Sargodha, a city one hundred miles northwest of Lahore on the way to Afghanistan.

Before India's declaration of independence, both Lahore and Sargodha were part of Punjab Province, a collection of 17,932 towns and villages with 15 million Hindus, 16 million Muslims, and 2 million Sikhs. Despite the hodgepodge of religions and a history of bad blood between them, the Hindus, Muslims, and Sikhs managed to live in relative peace under the British. The time-tested philosophy "The enemy of my enemy is my friend" held fast.

At first, Arjun Wadhwa's family, like other Hindus, mingled freely with Muslims. The children attended school together and parents socialized. Lahore was held up as a model of tolerance, a place where Hindus, Sikhs, and Muslims lived for centuries with little rancor.

Political expediency changed that.

India's independence from Britain in 1947 required Partition, as the division of India was known. To quell Muslim unrest and accelerate the departure of British forces in India, the Indian Independence Act of 1947 split two of the country's most distinctive provinces, Punjab and Bengal. Parts of both formed the Islamic Republic of Pakistan. West Bengal was part of India, but East Bengal became Pakistan. Similarly, part of Punjab went to Pakistan and half stayed with India.

For Wadhwa's family, as for many Punjabis, Partition meant starting over. In June, Arjun, his two sisters, his two brothers, and their mother boarded a train to Haridwar, a holy city for Hindus that was expected to remain in India after Partition. His father stayed behind.

As they were leaving Lahore, ten-year-old Arjun Wadhwa was struck by the desperation. Whenever the train made stops, "people would try and get into the compartment—they would try and sit in the vestibules," recalls Wadhwa. "Even if they didn't have a ticket they would get on the train—they wanted to save themselves." Around the same time, on a separate train, Arjun's future wife and Sanjay Wadhwa's mother, eight-year-old Rashmi, left Sargodha, where her family owned vast swaths of land and her father, a government contractor, was well connected, even friendly with the Muslim police commissioner. He was so tied to Sargodha he would stay in his ancestral home until August 1947, making the trek to Delhi like thousands of other displaced Punjabis only after it was clear that Sargodha would go to Pakistan.

Partition triggered a mass migration of people, with about 7.2 million Hindus and Sikhs moving from India to the newly created Pakistan and an equal number of Muslims making the reverse migration. One million lives were lost along the way, many victims of brutal sectarian violence.

Stemming bloodshed as a result of Partition was just one of the goals on the new republic's political agenda. Independent India's first leader, Jawaharlal Nehru, invited the country's masses to fulfill the "tryst with destiny" and "awake to life and freedom." In his maiden speech to the young republic, he vowed to end "poverty and ignorance and disease and inequality of opportunity." But by the time Arjun and Rashmi Wadhwa welcomed young Sanjay into the world in October 1966, none of Nehru's promises had come to pass. The country stagnated in an economic swamp that deepened in the 1970s under Nehru's daughter and India's leader, Indira Gandhi.

For ordinary Indians, life was a hard slog. Food was scarce. Essentials such as sugar and rice were

rationed and queues were common. Even though wheat was abundant in states like Punjab, the roads were so poor it could not be delivered quickly to India's starving masses. Installing a private phone took months or even years. It helped to secure a letter from a member of Parliament to get a second line or a gas cylinder.

Alarmed by rampant corruption and worried about soaring unemployment, Arjun Wadhwa fretted about the future—not so much for himself but for his teenage son, Sanjay, and his two daughters. Inspired by the success stories of men like Rajat Gupta—the Calcutta boy who headed to Cambridge, Massachusetts, in 1971—many, including Arjun's own brother, left home looking for opportunity. If Wadhwa didn't join soon, his family could be sucked into India's vortex of despair. In 1985, he took his brother up on his offer to sponsor him for a green card.

At the age of forty-eight, Arjun Wadhwa left his wife and children in Calcutta to start a new life for them in Lake Worth, Florida—a coastal city on the Atlantic Ocean. Despite his years as a seasoned business manager in India, he began at the bottom. He joined a Florida drugstore chain as a management trainee. After just a year, he sent for his family. Soon he was promoted to assistant store manager.

Arjun's wife and three children left their home with only a few suitcases in hand. Sanjay's mother had just \$100 cash—a reminder that despite the depth of their sadness, they were doing what was necessary. In an effort to conserve India's perilously low currency reserves, the government restricted the amount of money each person could take out of the country.

In America, it proved difficult to support a family of five on an assistant manager's salary, so the Wadhwa children worked their way through college. Sanjay focused on accounting and got a bachelor's degree in business administration from a tiny, little-known college (Florida Atlantic University). He picked it because it was the only school with a decent accounting program within a driving distance of his parents' home. There was no way he could afford to live on campus. Even with a full course load, he worked fifty hours a week as a stockroom boy and cashier in a local drugstore, earning the tuition he needed for the next semester. After graduating, he received his JD from the South Texas College of Law. Then he headed to Manhattan.

He had always dreamed of working in New York, sensing that his father, who had an MBA, might have had more opportunities in America if he had landed in New York rather than Florida. But he also knew there was little chance of him being hired by a white-shoe firm in New York without a degree from a top-tier law school, so he did what pragmatic Indians did. He went back to law school and graduated among the top of his class with a degree from New York University in tax law. If there even was a guarantee of steady employment, it was a graduate degree in tax law.

Recruited directly out of NYU by the prestigious firm Cahill Gordon & Reindel, Wadhwa navigated the grueling law associate gauntlet and later moved on to the even tonier Skadden, Arps, Slate Meagher & Flom. The work proved intellectually challenging but soul crushing. The hours he spent helping investment banks like Merrill Lynch and Goldman Sachs design esoteric financial products to peddle to pension funds for ordinary Americans left him queasy.

Wadhwa knew his mother and father hadn't left their comfortable life in India just so he could collect a big check protecting corporate greed. They raised him to value public service, not material wealth. Wadhwa's uncles went to Oxford and Cambridge and then headed straight back to India to teach at Indian universities. Once he paid off his law school loans, Wadhwa was ready for a change.

Just as Rajat Gupta rode out his nine-year tenure as global managing director of McKinsey, in June 2003 Wadhwa joined the Securities and Exchange Commission in New York as a staff attorney. David Markowitz, a branch chief in New York for the SEC, introduced Wadhwa to his first case by taking

him into a war room in the Woolworth Building—the SEC’s temporary digs in Lower Manhattan after 9/11. Before the terrorist attacks, the SEC was housed in the World Trade Center. Hundreds of thousands of files were destroyed in the attacks, along with accompanying cases. The windowless room in the Woolworth Building was stacked from floor to ceiling with bankers boxes containing a vast assortment of documents. Markowitz pointed around the room and said, “Someone in the seventy-two boxes is a violation.” And then he left.

Wadhwa spent two years digging through the material. But he found the perpetrator and his violation and, in April 2005, brought his first major insider trading case at the SEC. It was a complaint against a former managing director of SG Cowen, the US brokerage arm of French bank Société Générale. Another case soon followed—bigger than the last. It was the discovery of an insider trading ring involving a retired seamstress working at an underwear factory in Croatia who netted \$2 million in profits on a two-day investment in Reebok International. Behind the seamstress was a cabal of Wall Streeters who were swapping information in the Winter Garden Atrium of the World Financial Center complex, where Wadhwa often went to grab a cup of coffee. It was galling to Wadhwa that insider trading was so rampant that it was happening on the SEC’s doorstep. Little did he know that the perseverance required for the Société Générale and Reebok wins was a dress rehearsal for his next case, an assignment that hit very close to home.

At 10 a.m. sharp on December 22, 2010, as he pored over the case records in his office yet again, Sanjay Wadhwa heard the ping from an email sent by one of his colleagues, Jason E. Friedman. “Just got a call from reception,” Friedman wrote. “They’re here.”

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Testimony Room 419 at the SEC’s New York headquarters is a small, narrow space with yellow walls scuffed by the stacks of bankers boxes routinely pressed against them. At the corner of the room stood an American flag, and at one time, a photo of the sitting president had hung at eye level on one of the walls. But when former president George W. Bush was in power, his photo started disappearing from the testimony rooms. It was not uncommon for a prominent New York lawyer with liberal leanings to tip a rare one remaining askew. By the time President Obama took office, there were so few rooms with presidential photos that the practice fell by the wayside.

A guard showed Gupta and Naftalis and his two associates into the testimony room. Despite his rumpled appearance, Naftalis is one of the most celebrated white-collar defense attorneys in New York. The *Wall Street Journal* referred to him as “the Zelig of the white-collar bar: He’s everywhere.” He has represented everyone from former Walt Disney Company chief Michael D. Eisner to Wall Street hotshot Kenneth Langone. Like many defense lawyers, Naftalis spent six years at the United States attorney’s office for the Southern District of New York (the district that made Rudy Giuliani’s career). He rose to be deputy chief of the Criminal Division before going into private practice. Naftalis had accompanied clients to interviews like this one innumerable times. He knew the script by heart and was a skilled performer inside a conference room, a pro’s pro.

A few minutes after Gupta and his legal team settled in the room, Sanjay Wadhwa, Jason Friedman, and another SEC attorney, John Henderson, entered. Wadhwa was a little taken aback to find Gupta and his lawyers already seated. Typically, the SEC attorneys arrived before the witnesses to control the order of seating. Witnesses being deposed are usually ushered to seats facing the window so they can relax and be more loquacious. Having a guard escort the group in earlier, the wily Naftalis instructed his client to sit next to him with their backs to the window.



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