BerkeleyLaw
UNIVERSITY OF CALIFORNIA

Berkeley Center for Law,
Business and the Economy

University of California, Berkeley
School of Law
2850 Telegraph Ave, Suite 500
Berkeley, CA 94705-7220

Ph: 510.642.0532 – Fax: 510.643.7095
E-mail: BCLBE@law.berkeley.edu
http://www.law.berkeley.edu/bclbe.htm

Four Accused of Insider Trading in Silicon Valley Settle Case

By Molly Pon, J.D. Candidate 2017 | February 17, 2015

The Securities and Exchange Commission has accused Christian B. Keller, an in-house financial specialist, and three others of running of an insider-trading scheme that turned out nearly $750,000 in illegal profits.

The SEC says that Keller used his position as a financial analyst at two Silicon Valley technology companies in conjunction with his friend John Gray, a former analyst at Barclays Capital, in order to trade merger information in exchange for kickbacks. The pair had allegedly been running the ring from 2009-2012, utilizing hallmarks of insider trading such as trading in someone else's name, prepaid "burner" cellphones and cautiously planned cash withdrawals to avoid detection.

The scheme allegedly began in August of 2009, when Mr. Keller, then an employee of the semiconductor designer company Applied Materials, became aware of the company's plan to purchase the smaller company of Semitool. At this point Keller approached Gray with the proposition to trade securities ahead of the announcement.

In order to hide the illegal trades, Gray and Keller enlisted a friend, Kyle Martin, who worked at a Beverley Hills car dealership at the time. It was agreed that Mr. Martin would open a brokerage account for the Semitool call options and the three would share in the profits generated.

When the announcement went out several days later, the group brought in $22,598.23 from trades in their joint account and Mr. Martin garnered $5,000 in his own personal account.

Keller saw another opportunity in 2011, when Applied Materials planned to acquire Varian Semiconductor Equipment Associates. The group used the same plan, again buying call options ahead of the acquisition announcement. This time around the three reaped $137,623.82 in their group account and Mr. Martin profited an additional $92,235.59 on his own.

In 2012, Keller moved from Applied Materials and joined Rovi Corporation, which makes digital entertainment software, as a vice president for investor relations and finance. Keller immediately began to exploit his new position. Within months he shared with Gray confidential information about his new employer's 2012 first and second quarter financial results that would lead to its stock dropping.

The trio then profitably traded ahead of the negative news announcements. This time around, Gray also brought in a friend Aaron Shepard, a self-employed installer of car stereos, giving him tips about the announcements ahead of time. By July 2012, the ring had garnered $486,797.23 in profits.

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The SEC however, eventually discovered the scheme, and Gray, Keller, Martin, and Shepard have agreed to settle the charges without admitting or denying the allegations by paying more than $1.6 million collectively.

Gray agreed to a lifetime ban from the securities industry, while Keller agreed to be barred from serving as an officer or director of a public company for ten years. None of the companies were charged and Rovi has said that Keller left in May of 2013.