

MICHAEL KIMELMAN

**CONFESSIONS
OF A
WALL STREET INSIDER**

A CAUTIONARY TALE OF
RATS, FEDS, AND BANKSTERS



Praise for *Confessions of a Wall Street Insider*

“When prosecutors place a political agenda and career ambition over truth and justice, people inevitably get trampled. Michael Kimelman is a perfect example of that collateral damage.”

—**Joe Tacopina, celebrity criminal defense lawyer and owner of the Venezia FC Futbol team**

“Kimelman is guilty of one thing: writing a helluva book. If you want a front row seat to a Wall Street witch-hunt – read this.”

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“Kimelman delivers a taut page-turner that gives readers an inside seat at the real life Billions that are a daily part of the cutthroat world of proprietary traders. He also exposes a criminal justice system in which prosecutors will do anything to win a case and questions of innocence are far less important than notching a victory. In this disturbing and cautionary tale from the inner sanctums of Wall Street to Federal prison, Kimelman ultimately tells a singular and riveting tale of survival and endurance.”

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“Kimelman’s account as a defendant in the federal criminal justice system provides insights into just how broken and frightening that system has become.”

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memoir of his incredible journey from an associate at the tony law firm Sullivan & Cromwell to the lunacy of day trading, and into the great beyond of Wall Street hedge funds. When he's arrested for insider trading in 2009, the adventure really begins."

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CONFESSIONS OF A
WALL STREET INSIDER

*A Memoir of Rats, Feds, and
Banksters*

By Michael Kimelman

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Preface

When you decided to pick up this book, chances are the one thing you knew about me was that I'm a convicted felon.

In America, we're careful to repeat the adage that someone charged with a crime is innocent until proven guilty. But let's be honest. Let's be frank. This is you and me talking here. Most of the time, when someone is indicted and brought to trial for a financial crime, we assume that he (or she, but usually he) is likely to have done something wrong. And if that defendant *is* found guilty by a jury of his peers? Then the assumption becomes an accepted fact. The jury heard all the facts and made an educated pronouncement. The system worked.

Or did it?

It was alleged that on August 8 of 2007, I bought shares of stock in a company called 3Com just before a large takeover deal for that company was announced. It was further alleged that I bought this stock because I had illegal information about the trade. When I was arrested, it was along with several other traders from more than one firm. Some of these men—when convicted—would see prison terms that set new records for sentences given in insider trading cases. These men were charged with making multiple illegal trades, and perpetrating a vast conspiracy of illegal insider information.

I was, again, charged with making *one* illegal trade. (And, later on, with “conspiring.”)

It is not my project, here, to convince you of my innocence. What I do hope to convey is *exactly* what it feels like when a routine work decision made years before—which you don't even remember very well—becomes the sole focus of your existence, and the linchpin of your fate

and your family's future. What it feels like when the crushing pressure of a federal indictment comes down with all its force on what had been an enduring marriage. What it feels like when you begin to realize that those whom you have trusted are ready to betray you completely.

You probably know that the law prohibits "insider trading." What you may not realize is that there is no clear definition of what "insider trading" actually is. None. Go check. Google away, I'll wait. No statute spells it out. No law book provides a comprehensive accounting of its parameters. (When it came to my case, even the judge got confused.)

In the United States, the law avoids criminalizing conduct that is not clearly defined . . . but securities fraud is an exception. In some quarters, there's a debate over whether it even makes economic sense to criminalize trading on inside information. The market is awash in rumors and insights from all sides, all the time. The line between good information and tainted information is not always clear. The flow of information—of all kinds and qualities—is constant. I was not charged with any pattern of illegal trading. I was charged with a single trade so unremarkable that I could barely remember it.

And it still destroyed my life.

If you are reading this, you are probably curious about what I went through. Well, I went through hell. But what does a man *want* when he is going through hell? When he is in hell, and sees only more hell ahead of him? When there is no foreseeable course except to continue forward through the fire and brimstone?

That one, I can tell you for sure.

He wants to keep on going.

Michael Kimelman, Fall, 2016

Chapter One - Danger at The Door

Before dawn, November 2009, I was shaken from a deep sleep by a deafening bang with no discernable source. I sat bolt upright in bed, heart in my throat. My first thought was that it must be some sort of mechanical explosion. Maybe that rebellious boiler in our basement had finally had too much. Within seconds, it came again. And then a third time. It became rhythmic.

BANG!...BANG, BANG, BANG!!!

I jumped out of bed.

Our front door was being beaten on. Or in. Given the intensity of the blows, it was hard for me to believe the hinges were still holding. I looked over and saw that my wife Lisa was also out of bed, white with fear and cradling our terrified toddler, Phineas. Still in the dazed throes of Ambien and red wine, I half-wondered if this wasn't some sort of bizarre nightmare—the product of stress, drugs, and an overactive subconscious. An hour earlier, I had been floating in a warm nothingness, thanks largely to the sleep meds and several glasses of a mid-priced California Cab.

But now this. Whatever *this* was.

“Oh my God, Michael!” Lisa shouted, instinctively squeezing Phinnie a bit tighter than he was accustomed to. He squirmed uncomfortably. Lisa ran to the window and pulled back the curtain. There, we both saw half a dozen FBI agents in blue and yellow windbreakers fanning out across our front lawn. Each had a holstered firearm. One of them had a K-9 police dog, straining on its leash. I had been attacked by a German Shepherd as a kid, and knew precisely what they were capable of.

An avid viewer of shows like *Law & Order* and *CSI: NY*, Lisa initially figured that the Feds were there to hunt down a violent criminal that might be fleeing through our neighborhood. That the FBI agents were there to somehow “help us.” But this wasn't TV Land; it was Larchmont Village, New York, as quaint and safe a spot you can find inside twenty minutes of the Big Apple. Escaped convicts didn't haunt these mansions and manicured lawns. Banksters did.

I was no expert, but it looked like the FBI agents were watching for movement in the windows and doors to our home. After a moment, an agent saw Lisa peeking out from behind the curtain and pointed at her face. Scared and confused, Lisa dropped the curtain and turned back to me.

“Go check on the kids!” she yelled, gripped by a shrill, pure panic.

I sprinted down the hallway and opened Cam's door. Our three year old had just moved into his own bed. He was still scared of thunder, and my heart sank as I wondered how he would handle this sledgehammer-like crashing on the front of his home. He was wide awake and crying by the time I burst in.

“It's okay, sweetie. Mommy will be here in second. You are safe.”

I quickly kissed him on his forehead. Five year old Sylvie was in the room adjacent. I checked on her next. She was starting to stir, but not yet upset. Only curious.

“It's okay, Syl. Don't worry about the noise. Try to go back to sleep.”

Lisa arrived in Sylvie's room.

“They're fine, honey,” I said.

Then an absurdity. I thought to myself: Someone is knocking on my door. What do you do when someone knocks on your door? You go answer it.

“I’m going to answer the door,” I said to my wife, as calmly as if I anticipated a delivery from Amazon or neighborhood kids selling Girl Scout cookies.

I began to walk downstairs. Through the windows of the house, I noticed several more FBI agents moving furtively across our backyard. The trees had lost enough foliage to leave the agents mostly exposed, but they were still trying their best to conceal themselves.

I reached the door and called out, “Okay, I’m opening it.”

I swallowed hard and prepared myself for an overzealous agent ramming the door into my face and shattering my nose, or maybe anxiously discharging a chambered round into my chest.

It wasn’t until my hands were fiddling with the brass deadbolt that I remembered I was standing in only my Hanes boxer briefs and a dingy V-neck undershirt. I had a quick flashback to the TV lounge in college, watching *COPS* with my buddies and asking, “*Why do these white trash criminals always get arrested in their undershirts and slippers?*”

Now, perhaps, it was no longer such a mystery.

Heart racing, ears ringing, I undid the last latch, twisted the handle and opened the door.

"Mr. Kimelman? Mr. *Michael* Kimelman?"

The agents were right out of Central Casting. Tall. Bulletproof vests. No-bullshit expressions. One was a middle-aged white guy, wearing the traditional navy blue windbreaker with yellow FBI lettering. He was in good shape, and kept his hair meticulously short.

His young black partner was handsome and likewise athletic, and appeared to relish sternly shining his magnum flashlight directly into my eyes.

Squinting, trying reflexively to block the blinding beam with my hand, I said that that was indeed my name.

“I have a warrant here for your arrest,” one of them said.

I just stood there, blinking and squinting. In the movies, this is when the accused angrily demands to see the warrant, and then snatches it from the agent's hands when it's produced. But that's the movies. In real life, your brain is like a car that won't start. No matter how hard you pump the accelerator and twist the key in the ignition, there's nothing. Three years of law school and several more at a fabled law firm, and all I could think of to say was: "Uh, for what?"

"Securities fraud. This warrant gives us permission to search your house. Please step aside, sir."

My legs nearly buckled. So this was it. This was how it happened. This was what it looked like, what it sounded like, what it smelled like.

This was how you became one of those guys. A bankster. The people that good folks in the Midwest somewhere—who didn't know a thing about banking beyond their checking accounts—knew they should hate. This was how you became a bad guy, I thought.

It was too much to begin thinking about what decisions, or what people, had brought me here. But something in me knew. One word resounded in my brain. One word. Zvi. (It rhymed with "me" or "flea.") One word over and over again.

Zvi. Zvi. Zvi.

So this was how you became one of the bad guys.

Zvi.

After regaining a semblance of composure, my first thought was that this was an incredible and outrageous invasion of my space. What about securities fraud could possibly give the FBI agents and a police attack dog the need to search my house full of children in the middle of the night? What the hell were they searching for, the *fraudulent securities*?

It made no sense, and I said something to that effect.

“The search is just standard procedure,” the white agent said. “We need to make sure there is no imminent danger.

The two agents brushed past me and entered my home.

The white one looked a little like a teacher I’d had in grade school, and the black one reminded me of a certain leading man from the movies. I silently dubbed them Teacher and Hollywood. They never gave me their names.

Teacher sidled up to me as Hollywood began to explore my house and turn on lights.

“So, I really hope you’ll agree to talk to us,” Teacher said, as he entered and began to look around. “This’ll be a hell of a lot easier on you, Mike, if you cooperate.”

Mike? Did he really just call me Mike? Hey, can I brew some coffee for you guys? Maybe you want a Danish or donut with that, since apparently you’re my new pals?

Before I could respond, several other agents *and the dog* were inside the house. I was actually relieved to get them off our lawn. Our four-bedroom home sat on a quarter of an acre at the top center of a “T” type block with very little privacy where one quiet street intersects another. The kind of place where, in a nation of pedophiles and serial killers, kids can still ride bicycles without fear and walk to each other’s houses or to the park alone. The parcels are modest and close together. A friend from Connecticut once told me that he could rake my lawn with a dinner fork. This close proximity meant that there were at least six homes with a direct line of sight of the heavily-armed SWAT team that had now occupied my house. I didn’t know what the neighbors would think, but I knew it wouldn’t be good.

Teacher’s voice came again, still palsy-walsy.

"Mike, I've got some really simple questions. If we could slip into the other room and sit down to chat, I'm sure we could clear this up."

I was shaken, but beginning to think on my feet.

Do some people actually fall for this stuff?

"I'm represented by counsel," I blurted out. "If you want to talk, you can speak to him."

Teacher gave it one last shot.

"Listen *very* closely to me. You can help yourself right now. You're not going to get another chance like this. If I have to bring you in and put you through booking, then it's out of my hands. You can cooperate now, with me, or you can see your kids in ten years."

Fucking Zvi! I screamed silently inside my head.
What the fuck did you do?