

# Wikileaks Release Suggests Stratfor Inside Info Plan with Goldman Sachs Exec

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WikiLeaks released more than 5 million e-mails Monday hacked from U.S.-based global intelligence firm Strategy Forecasting Inc. (Stratfor), revealing an alleged plan between the firm's CEO and a Goldman Sachs executive to set up an investment fund that would rely on inside information gathered by the company.

A [September 2011 company-wide e-mail](#) composed by Stratfor CEO George Friedman indicates that Goldman Sachs financial adviser and former Managing Director Shea Morenz was directly involved in the establishment of the investment fund StratCap.

"Shea Morenz provided us with two opportunities," wrote Friedman.

"First, he made an investment in Stratfor designed to give us the capital needed to build our staff and our marketing. Second, he proposed a new venture, StratCap, which would allow us to utilize the intelligence we were gathering about the world in a new but related venue -- an investment fund. Where we had previously advised other hedge funds. We would now have our own, itself fully funded by Shea."

Morenz recently joined the board of directors at Stratfor and has been named CEO of StratCap, due to launch in early spring of 2012. The investment fund was set up offshore and made to appear legally independent from U.S.-based Stratfor, but the distinction is but a formality.

"Do not think of StratCap as an outside organization," wrote Friedman in the same e-mail.

"It will be integral to Stratfor, in the sense that much of the intelligence we are developing is useful to Stratcap as well as Stratfor. The organizational and legal distinctions are real and important, but StratCap is linked to Stratfor intellectually and contractually. It will be useful to you if, for the sake of convenience, you think of it as another aspect of Stratfor and Shea as another executive in Stratfor."

Stratfor released a statement Monday, [according to Reuters](#), saying some of the leaked e-mails "may be forged or altered to include inaccuracies; some may be authentic."

"We will not validate either," the statement read. "Nor will we explain the thinking that went into them. Having had our property stolen, we will not be victimized twice by submitting to questioning about them."

The company, established by Friedman in 1996 in Austin, Texas, provides a subscriber-based global intelligence service, including information relating to national security and geopolitical analyses of economic markets, much of it gathered through its international network of agents -- in essence, a private sector analog of the CIA.

## **Insider Trading and the Law**

That StratCap is an investment arm of Stratfor in all but name is not necessarily a legal transgression in and of itself.

John C. Coates, Professor of Law and Economics at Harvard, explained that laws governing insider trading do not proscribe a company, whether or not it is a subsidiary of another, from making investments based on market information obtained through another company, so long as the information itself does not violate insider trading statutes.

What a company cannot do is trade based on confidential information -- surreptitiously obtained, by definition -- that could affect the value of the shares it is trading.

In short, StratCap's formal appearance of separation from Stratfor would ultimately not protect it from prosecution under insider trading laws if it were to engage in such activity.

UC Berkeley Law Professor Eric Talley said that setting up StratCap as a separate legal entity serves primarily as a buffer for Statfor against liability should StratCap go bankrupt. Talley added that StratCap could theoretically claim plausible deniability, if it traded on confidential information provided to it by Stratfor, but that such an argument would not likely hold up in court.

There is no information yet that confirms StratCap had intended to engage in insider trading, though it would be getting privileged access to information gathered by Stratfor without having to inform the company's shareholders about its investments. Talley said this opens up a legal gray area that is conducive to insider trading, but not directly engaged in the practice.

Having been prematurely exposed before its expected launch, it is not clear if the StratCap venture is operating at present.