

UNITED STATES DISTRICT COURT
DISTRICT OF NEW JERSEY

UNITED STATES OF AMERICA

v.

JOHN LAZORCHAK,
MARK CUPO,
LAWRENCE GRUM,
MICHAEL CASTELLI,
MARK FOLDY, and
MICHAEL PENDOLINO

:
: Hon. Joseph A. Dickson
:

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: Mag. No. 12-6755
:

:
: **CRIMINAL COMPLAINT**
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I, Gregory M. Yankow, being duly sworn, state the following is true and correct to the best of my knowledge and belief:

SEE ATTACHMENT A

I further state that I am a Special Agent with the Federal Bureau of Investigation, and that this Complaint is based on the following facts:

SEE ATTACHMENT B

continued on the attached pages and made a part hereof.



Gregory M. Yankow, Special Agent
Federal Bureau of Investigation

Sworn to before me and subscribed in my presence,

November 19, 2012
Date

at

Newark, New Jersey
City and State

Honorable Joseph A. Dickson
United States Magistrate Judge
Name and Title of Judicial Officer



Signature of Judicial Officer

ATTACHMENT A

COUNT 1

(Conspiracy to Commit Securities Fraud – Insider Trading)

From in or about September 2007 through in or about the summer of 2012, in the District of New Jersey and elsewhere, defendants

JOHN LAZORCHAK,
MARK CUPO,
LAWRENCE GRUM,
MICHAEL CASTELLI,
MARK FOLDY, and
MICHAEL PENDOLINO,

did knowingly and willfully combine, conspire and agree with each other and others to commit offenses against the United States, namely, securities fraud, by using and employing by the direct and indirect use of the means and instrumentalities of interstate commerce and the mails, in connection with the purchase and sale of securities, manipulative and deceptive devices, including the purchases and sales of securities of issuers on the basis of material nonpublic information about those securities and issuers, in breach of a duty of trust and confidence that was owed directly, indirectly, and derivatively, to the issuers of those securities, the shareholders of those issuers, and to other persons who are the source of the material nonpublic information, contrary to Title 15, United States Code, Sections 78j(b) and 78ff, and Title 17, Code of Federal Regulations, Sections 240.10b-5 and 240.10b5-2.

Overt Acts

In furtherance of the conspiracy and to effect the illegal object thereof, the following overt acts, among others, were committed in the District of New Jersey and elsewhere:

The Celgene Inside Information (Source: Defendant Lazorchak)

1. Between in or about September 2007 and in or about June 2012, defendant JOHN LAZORCHAK obtained confidential, material nonpublic information, through the course of his employment as Director of Financial Reporting at Celgene Corporation (“Celgene”), a New Jersey-based pharmaceutical company (the “Celgene Inside Information”). The Celgene Inside Information pertained to, among other things: (a) Celgene’s planned acquisitions, at a premium, of Pharmion Corporation (the “Pharmion Deal”) and Abraxis BioScience Inc. (the “Abraxis Deal”); (b) Celgene’s anticipated quarterly earnings results; and (c) the outcome of Celgene’s application for European regulatory approval of the expanded use of a Celgene cancer drug. LAZORCHAK then passed the Celgene Inside Information to his friends, so that they could trade on the inside information – either directly or indirectly – in advance of the public announcement of said information.

The Celgene-Pharmion Deal (Announced November 19, 2007)

2. In or about September 2007, defendant LAZORCHAK informed defendant MARK CUPO, the Director of Accounting and Reporting at Sanofi-Aventis (“Sanofi”), about Celgene’s then-confidential plans to purchase Pharmion at a premium (the “Celgene-Pharmion Deal”).

3. Also in or about September 2007, defendant CUPO, in turn, passed the inside information of the Celgene-Pharmion Deal to defendants LAWRENCE GRUM and MICHAEL CASTELLI so they could conduct illicit trades based on the inside information. Defendant GRUM, in turn, also advised a family member to purchase Pharmion stock.

4. Meanwhile, in or about September 2007, defendant LAZORCHAK also revealed the inside information regarding the pending Celgene-Pharmion deal to several friends with whom he had attended high school in the 1980s, namely: defendant MARK FOLDY, a marketing executive at Stryker Corporation; defendant MICHAEL PENDOLINO, a chiropractor residing in Nashua, New Hampshire; Coconspirator #1 (“CC-1”), a reporter at a financial news website; and Coconspirator #2 (“CC-2”), who was then employed in the risk assessment department of a New York based hedge fund.

5. After receiving inside information about the Pharmion acquisition from defendant LAZORCHAK, defendants FOLDY and PENDOLINO purchased Pharmion stock in advance of the public announcement of the deal. In addition, FOLDY and PENDOLINO tipped others about the Pharmion Deal, including family members, work colleagues, and friends.

6. Between on or about September 21, 2007 and on or about November 16, 2007, just three days before Celgene’s acquisition of Pharmion was publicly announced, based on the inside information that defendants LAZORCHAK and CUPO provided, defendants GRUM and CASTELLI purchased, in total, approximately 14,025 shares of Pharmion stock and approximately 209 call options.

7. Also between on or about September 21, 2007 and on or about November 16, 2007, based on inside information from defendant LAZORCHAK, defendant FOLDY purchased, in total, approximately 800 shares of Pharmion stock, and defendant PENDOLINO purchased approximately 3,045 shares of Pharmion stock and approximately 17 call options.

The Celgene-Abraxis Deal (Announced June 30, 2010)

8. In or about May 2010, defendant LAZORCHAK again divulged Celgene Inside Information, this time tipping defendant CUPO about Celgene's then-confidential plan to acquire Abraxis at a premium (the "Celgene-Abraxis Deal"). Defendant LAZORCHAK tipped defendant CUPO about the Celgene-Abraxis Deal with the understanding that CUPO would pass the inside information to defendants GRUM and CASTELLI so they could trade on in advance of the public announcement of the deal, and pay a kickback to defendants CUPO and LAZORCHAK.

9. In or about May 2010, defendant CUPO passed the inside information from defendant LAZORCHAK regarding the Celgene-Abraxis Deal to defendants GRUM and CASTELLI. Defendant CASTELLI also advised a long-time friend, "Trader 1," that he should purchase Abraxis stock.

10. Between on or about May 24, 2010 and on or about June 29, 2010, the day before the Abraxis acquisition was publically announced, based on the inside information from defendant LAZORCHAK, through defendant CUPO, defendants GRUM and CASTELLI purchased, in total, approximately 24,501 shares of Abraxis stock. Defendant GRUM purchased Abraxis stock both individually, and through his company, GM Ventures. Trader 1 also purchased Abraxis stock.

Celgene's Quarterly Earnings (Announced October 2009-April 2012)

11. Between in or about October 2009 and in or about April 2012, defendant LAZORCHAK provided inside information related to Celgene's quarterly earnings results to defendant CUPO. Defendant CUPO, in turn, forwarded the inside information to defendants GRUM and CASTELLI.

12. Also between in or about October 2009 and in or about April 2012, based on inside information from defendant LAZORCHAK, through defendant CUPO, defendants GRUM and CASTELLI traded on the inside information in advance of the announcement of the quarterly earnings results. Based on this inside information, CASTELLI also advised Trader 1 to engage in certain Celgene stock transactions, which Trader 1 did.

13. On or about October 21, 2009, the day before Celgene's Third Quarter 2009 earnings were publicly announced, based on inside information from defendant LAZORCHAK, through defendant CUPO, defendants GRUM and CASTELLI purchased a total of approximately 1,000 shares of Celgene stock and approximately 90 call options.

14. On or about April 27 and April 28, 2010, the day before Celgene's First Quarter 2010 earnings were publicly announced, based on inside information from defendant LAZORCHAK, through defendant CUPO, defendants GRUM and CASTELLI purchased a total of approximately 4,000 shares of Celgene stock.

15. Between on or about July 21, 2010 and on or about July 28, 2010, the day before Celgene's Second Quarter 2010 earnings were publicly announced, based on inside information

from defendant LAZORCHAK, through defendant CUPO, defendants GRUM and CASTELLI purchased a total of approximately 15,300 shares of Celgene stock.

16. Between on or about October 8, 2010 and on or about October 27, 2010, the day before Celgene's Third Quarter 2010 earnings were publicly announced, based on inside information from defendants LAZORCHAK and CUPO, defendants GRUM and CASTELLI purchased a total of approximately 14,300 shares of Celgene stock, and defendant GRUM purchased approximately 20 call options.

17. Between on or about July 7, 2011 and on or about July 27, 2011, the day before Celgene's Second Quarter 2011 earnings were publicly announced, based on inside information from defendants LAZORCHAK, through defendant CUPO, defendants GRUM and CASTELLI purchased a total of approximately 31,000 shares of Celgene stock and approximately 50 put options.

Celgene Regulatory News (Announced June 21, 2012)

18. In or about June 2012, defendant LAZORCHAK also revealed to defendants GRUM and CASTELLI, via defendant CUPO, that Celgene had received certain regulatory news that, once publically announced on June 21, 2012, likely would negatively impact Celgene's stock price (the "Regulatory News"). Specifically, defendant LAZORCHAK, and CUPO, in turn, revealed that European regulators had decided to reject Celgene's request for approval to expand the use of one of its cancer drugs, Revlimid, to treat newly diagnosed patients.

19. Based on this inside information from defendant LAZORCHAK, through defendant CUPO, defendants GRUM and CASTELLI engaged in short sales of Celgene stock. Specifically, defendants GRUM and CASTELLI purchased, in total, approximately 200 Celgene put options on or about June 15, 2012; approximately 160 put options on or about June 20, 2012, just one day before the public announcement of the Regulatory News. Defendant GRUM also wrote approximately 20 call options on or about June 20, 2012, the day before the public announcement, with an agreement to buy these 20 borrowed shares (at what ultimately was a fraction of their cost) the following day. As expected, when Celgene announced the Regulatory News the following day, on or about June 21, 2012, Celgene's stock price significantly dropped.

The Stryker Inside Information (Source: Defendant Foldy)

The Stryker-Orthovita Deal (Announced May 16, 2011)

20. Sometime between in or about February 2011 and in or about March 2011, defendant FOLDY learned through the course of his employment as a marketing executive at Stryker Corporation ("Stryker"), confidential, material nonpublic information regarding Stryker's planned acquisition of Orthovita Inc. (the "Stryker-Orthovita Deal").

21. Prior to the May 16, 2011 public announcement of the Orthovita Deal, defendant FOLDY informed defendant LAZORCHAK, CC-1, and certain family members, of Stryker's plans to acquire Orthovita, so that they could purchase Orthovita stock in advance of when the deal was publically announced and the price of Orthovita stock was expected to increase.

22. Due to CC-1's employment restrictions on individual trading, CC-1 did not engage in trades himself but instead encouraged his father to buy Orthovita stock ahead of the public announcement.

23. After receiving the Orthovita tip from defendant FOLDY, defendant LAZORCHAK passed the inside information to defendant CUPO, so that CUPO could, in turn, pass the inside information to defendants GRUM and CASTELLI, who would then trade on the information prior to the deal announcement and pay a kickback to defendants CUPO and LAZORCHAK for the information.

24. Between on or about April 25, 2011 and on or about May 11, 2011, just five days before the Orthovita Deal was publically announced, based on the inside information from defendant LAZORCHAK, through defendant CUPO, defendants GRUM and CASTELLI purchased, in total, approximately 311,352 shares of Orthovita. Defendant GRUM, in turn, advised a family member and also a friend to purchase Orthovita stock in advance of the public announcement of the Orthovita Deal, which they did.

25. Defendant LAZORCHAK also passed the Orthovita tip to defendant PENDOLINO. Based on that tip, defendant PENDOLINO purchase approximately 18,580 shares of Orthovita stock on or about May 3, 2011, approximately two weeks before the Orthovita deal was publicly announced. Defendant PENDOLINO, in turn, passed the Orthovita tip to a fellow chiropractor , and also to CC-3, both of whom then bought Orthovita stock ahead of the public announcement of the acquisition.

Illicit Payments for the Inside Information

26. Defendants GRUM and CASTELLI paid defendant CUPO tens of thousands of dollars in cash for, among other things, funneling tips to them from defendant LAZORCHAK regarding Celgene Inside Information and Stryker's plans to acquire Orthovita. Defendants GRUM and CASTELLI also paid defendant LAZORCHAK, via defendant CUPO, tens of thousands of dollars in cash, plus certain gifts, for the Celgene Inside Information that he provided, as well as the tip regarding the Stryker-Orthovita deal that defendant LAZORCHAK obtained from defendant FOLDY.

27. Defendant LAZORCHAK also collected cash payments from defendants FOLDY and PENDOLINO for the Celgene Inside Information, and paid defendant FOLDY cash for the Orthovita tip.

In violation of Title 18, United States Code, Section 371.

COUNT 2
(Conspiracy to Commit Securities Fraud – Insider Trading)

In or about December 2009, in the District of New Jersey and elsewhere, defendants

MARK CUPO,
LAWRENCE GRUM, and
MICHAEL CASTELLI

did knowingly and willfully combine, conspire and agree with each other and others to commit offenses against the United States, namely, securities fraud, by using and employing by the direct and indirect use of the means and instrumentalities of interstate commerce and the mails, in connection with the purchase and sale of securities, manipulative and deceptive devices, including the purchases and sales of securities of issuer Chattem Inc. on the basis of material nonpublic information about those securities and issuer, in breach of a duty of trust and confidence that was owed directly, indirectly, and derivatively, to the issuer of those securities, the shareholders of that issuer, and to other persons who are the source of the material nonpublic information, contrary to Title 15, United States Code, Sections 78j(b) and 78ff, and Title 17, Code of Federal Regulations, Sections 240.10b-5 and 240.10b5-2.

Overt Acts

In furtherance of the conspiracy and to effect the illegal object thereof, the following overt acts, among others, were committed in the District of New Jersey and elsewhere:

The Sanofi Inside Information (Source: Defendant Cupo)

1. In or about December 2009, defendant MARK CUPO learned confidential, material nonpublic information during the course of his employment as the Director of Accounting and Reporting at Sanofi-Aventis, a New Jersey-based pharmaceutical company (the “Sanofi Inside Information”). The Sanofi Inside Information pertained to Sanofi’s then confidential plans to acquire Chattem, Inc. (the “Sanofi-Chattem Deal”). CUPO tipped his friends, defendants LAWRENCE GRUM and MICHAEL CASTELLI, about the Chattem Deal shortly before it was publicly announced on or about December 21, 2009, so that GRUM and CASTELLI could purchase Chattem stock in advance of the deal announcement and share, with CUPO, illicit profits resulting from the post-announcement sale of said stock.

2. On or about December 18, 2009, just three days before the public announcement of the Chattem Deal, based on inside information from defendant CUPO, defendants GRUM and CASTELLI purchased, in total, approximately 2,170 shares of Chattem stock. Defendant CASTELLI and/or defendant GRUM, in turn, passed the Chattem tip to “Trader 1,” CASTELLI’s close friend and fellow member of the Wine-Making Club, who also traded on the Chattem tip in advance of the public announcement of the deal.

3. In return for the Sanofi Inside Information about the Chattem Deal, defendants GRUM and CASTELLI paid defendant CUPO approximately \$1,000 to \$2,000 in cash.

In violation of Title 18, United States Code, Section 371.

COUNTS 3 THROUGH 27

(Securities Fraud – Insider Trading)

On or about the dates set forth below, in the District of New Jersey and elsewhere, defendants

JOHN LAZORCHAK,
MARK CUPO,
LAWRENCE GRUM,
MICHAEL CASTELLI,
MARK FOLDY, and
MICHAEL PENDOLINO

by use of the means and instrumentalities of interstate commerce, the mails, and facilities of national securities exchanges, directly and indirectly, knowingly and willfully used manipulative and deceptive devices and contrivances in contravention of Title 17, Code of Federal Regulations, Section 240.10b-5 (Rule “10b-5”) in connection with the purchase and sales of securities by (a) employing devices, schemes, and artifices to defraud members of the investing public; (b) making untrue statements of material facts and omitting to state material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; and (c) engaging in acts, practices, and a course of business which operated and would operate as a fraud and deceit upon persons, in that they executed and caused the execution of the securities transactions listed below based upon the material, nonpublic information defendants JOHN LAZORCHAK, MARK CUPO, and/or MARK FOLDY, obtained through their respective positions of employment and elsewhere:

COUNT	DEFENDANT(S)	APPROX. DATES	SECURITIES TRANSACTION
3	JOHN LAZORCHAK MARK CUPO LAWRENCE GRUM	9/21/2007- 11/16/2007	GRUM's purchases of approximately 8,100 shares of Pharmion stock and approximately 112 Pharmion call options
4	JOHN LAZORCHAK MARK CUPO LAWRENCE GRUM	11/15/2007- 11/16/2007	GRUM's purchases, through his company, Yeah Baby, of approximately 1,500 shares of Pharmion stock
5	JOHN LAZORCHAK MARK CUPO MICHAEL CASTELLI	9/25/2007- 11/15/2007	CASTELLI's purchases of approximately 5,925 shares of Pharmion stock and approximately 97 Pharmion call options
6	JOHN LAZORCHAK MARK FOLDY	9/24/2007- 11/16/2007	FOLDY's purchases of approximately 800 shares of Pharmion stock

COUNT	DEFENDANT(S)	APPROX. DATES	SECURITIES TRANSACTION
7	JOHN LAZORCHAK MICHAEL PENDOLINO	9/26/2007- 11/16/2007	PENDOLINO's purchases of approximately 3,045 shares of Pharmion stock and approximately 17 Pharmion call options
8	JOHN LAZORCHAK MARK CUPO LAWRENCE GRUM	10/21/2009	GRUM's purchases of approximately 500 shares of Celgene stock and approximately 45 Celgene call options
9	JOHN LAZORCHAK MARK CUPO MICHAEL CASTELLI	10/21/2009	Castelli's purchases of approximately 500 shares of Celgene stock and approximately 45 Celgene call options
10	MARK CUPO LAWRENCE GRUM	12/18/2009	GRUM's Purchases of approximately 1,170 shares of Chattem stock
11	MARK CUPO MICHAEL CASTELLI	12/18/2009	CASTELLI's purchase of approximately 1,000 shares of Chattem stock
12	JOHN LAZORCHAK MARK CUPO LAWRENCE GRUM	4/27/2010- 4/28/2010	GRUM's purchases of approximately 2,000 shares of Celgene stock
13	JOHN LAZORCHAK MARK CUPO MICHAEL CASTELLI	4/27/2010- 4/28/2010	CASTELLI's purchases of approximately 2,000 shares of Celgene stock
14	JOHN LAZORCHAK MARK CUPO LAWRENCE GRUM	5/24/2010- 6/29/2010	GRUM's purchases, individually and through his company, GM Ventures, of approximately 13,175 shares of Abraxis stock
15	JOHN LAZORCHAK MARK CUPO MICHAEL CASTELLI	5/24/2010- 6/29/2010	CASTELLI's purchases of approximately 11,326 shares of Abraxis stock
16	JOHN LAZORCHAK MARK CUPO LAWRENCE GRUM	7/27/2010- 7/28/2010	GRUM's purchases of approximately 8,200 shares of Celgene stock
17	JOHN LAZORCHAK MARK CUPO MICHAEL CASTELLI	7/21/2010- 7/28/2010	CASTELLI's purchases of approximately 7,100 shares of Celgene stock
18	JOHN LAZORCHAK MARK CUPO LAWRENCE GRUM	10/26/2010- 10/27/2010	GRUM's purchases of approximately 7,500 shares of Celgene stock
19	JOHN LAZORCHAK MARK CUPO MICHAEL CASTELLI	10/8/2010- 10/28/2010	CASTELLI's purchases of approximately 6,800 shares of Celgene stock and approximately 20 Celgene call options

COUNT	DEFENDANT(S)	APPROX. DATES	SECURITIES TRANSACTION
20	JOHN LAZORCHAK MARK CUPO LAWRENCE GRUM	4/25/2011- 5/11/2011	GRUM's purchases of approximately 131,000 shares of Orthovita stock
21	JOHN LAZORCHAK MARK CUPO MICHAEL CASTELLI	4/25/2011- 5/11/2011	CASTELLI's purchases of approximately 180,352 shares of Orthovita stock
22	JOHN LAZORCHAK MARK FOLDY MICHAEL PENDOLINO	5/3/2011	PENDOLINO's purchases of approximately 18,580 shares of Orthovita stock
23	JOHN LAZORCHAK MARK CUPO LAWRENCE GRUM	7/7/2011- 7/27/2011	GRUM's purchases of approximately 18,500 shares of Celgene stock and "writing," i.e., sale, of approximately 35 Celgene put options
24	JOHN LAZORCHAK MARK CUPO MICHAEL CASTELLI	7/7/2011- 7/27/2011	CASTELLI's purchases of approximately 12,500 shares of Celgene stock and "writing," i.e., sale, of approximately 15 Celgene put options
25	JOHN LAZORCHAK MARK CUPO LAWRENCE GRUM	4/4/2012- 4/25/2012	GRUM's purchases of approximately 335 Celgene put options; "writing," i.e., sale, of approximately 30 call options; and the short sale of approximately 7,000 shares of Celgene stock
26	JOHN LAZORCHAK MARK CUPO MICHAEL CASTELLI	4/4/2012- 4/25/2012	CASTELLI's purchases of approximately 315 Celgene put options; writing of approximately 20 Celgene call options; and the short sale of approximately 7,000 shares of Celgene stock
27	JOHN LAZORCHAK MARK CUPO LAWRENCE GRUM	6/15/2012- 6/20/2012	GRUM's purchases of approximately 180 Celgene put options and writing of approximately 20 Celgene call options
28	JOHN LAZORCHAK MARK CUPO MICHAEL CASTELLI	6/15/2012- 6/20/2012	CASTELLI's purchase of approximately 180 Celgene put options

In violation of Title 15, United States Code, Sections 78j(b) and 78ff(a); Title 17, Code of Federal Regulations, Section 240.10b-5; and Title 18, United States Code, Section 2.

ATTACHMENT B

I, Gregory M. Yankow, have been a Special Agent with the Federal Bureau of Investigation (“FBI”) for approximately 10 years, and I have been personally involved in the investigation of this matter. The information contained in this Complaint is based upon my personal knowledge, as well as information obtained from other sources, including:

(a) statements made or reported by various witnesses with knowledge of relevant facts; (b) my review of publicly available information relating to the companies and individuals referenced herein; (c) information provided to law enforcement by the U.S. Securities and Exchange Commission and the Financial Industry Regulatory Authority (“FINRA”); and (d) documents, including bank records, brokerage records, business records, phone records, and other information obtained from various entities. Because this Complaint is being submitted for the limited purpose of establishing probable cause, it does not include every fact that I have learned during the course of the investigation. Where the content of documents and the actions, statements, and conversations of others are reported herein, they are reported in substance and in part, except where otherwise indicated. Where figures, calculations, dates and times are reported herein, they are approximate.

INTRODUCTION

1. As set forth in more detail below, there is probable cause to believe that defendants JOHN LAZORCHAK (“LAZORCHAK”), MARK CUPO (“CUPO”), LAWRENCE GRUM (“GRUM”), MICHAEL CASTELLI (“CASTELLI”), MARK FOLDY (“FOLDY”), MICHAEL PENDOLINO (“PENDOLINO”), and others conspired to engage in insider trading schemes, whereby defendants LAZORCHAK, FOLDY, and CUPO passed on to their friends and/or family members, material, nonpublic information (“Inside Information”) regarding their respective employers’ anticipated corporate acquisition(s), earnings results, and/or regulatory announcement(s), and whose friends and/or family members in turn traded – or passed on to others who traded – on the Inside Information, netting a total of more than \$1.4 million in illicit profits.

RELEVANT ENTITIES AND INDIVIDUALS

2. At all times relevant to this Complaint unless otherwise indicated:

a. Starting in or about September 2007, defendant LAZORCHAK, a resident of Long Valley, New Jersey, was employed by Celgene Corporation and, beginning as early as 2008, he served as Director of Financial Reporting. At Celgene, LAZORCHAK performed financial accounting/reporting work pertaining to, among other things, mergers and acquisitions contemplated by the company. LAZORCHAK had a duty not to disclose confidential information and material, nonpublic information he learned through his employment with Celgene, or to use such information for his personal benefit or the benefit of others.

b. Several years prior to joining Celgene, LAZORCHAK worked at Sanofi-Aventis, another New Jersey-based pharmaceuticals company, and reported to defendant CUPO.

After leaving Sanofi-Aventis, LAZORCHAK maintained contact with CUPO over the years. LAZORCHAK was also long-time friends with defendants FOLDY, PENDOLINO, Coconspirator #1 ("CC-1"), Coconspirator #2 ("CC-2"), and Coconspirator #3 ("CC-3"), all of whom attended Colonia High School together in the 1980s. LAZORCHAK, CC-1, and CC-3 roomed together in college, in New Brunswick, New Jersey, and defendant PENDOLINO frequently visited them. After living in Massachusetts for a period of time, LAZORCHAK returned to New Jersey in or about September 2007 to work at Celgene. Following his return, LAZORCHAK met regularly in New Jersey with high school friends FOLDY, CC-1, and CC-2 to play basketball and tennis; and, particularly when they visited New Jersey, also periodically socialized with defendant PENDOLINO and CC-3.

c. Celgene Corporation or "Celgene" was a global pharmaceuticals company headquartered in Summit, New Jersey, engaged primarily in the research, development, and sale of treatments for cancer and inflammatory diseases. Celgene's total revenue for 2011 exceeded \$4.8 billion. Celgene's stock was registered with the U.S. Securities and Exchange Commission ("SEC"), and was listed on the NASDAQ stock exchange under the ticker symbol "CELG."

d. Pharmion Corporation ("Pharmion") was a pharmaceutical company based in Boulder, Colorado, and was engaged in the business of developing, manufacturing and marketing drugs for the treatment of blood diseases and cancer. Pharmion stock was registered with the SEC, and was listed on the NASDAQ stock exchange under the ticker symbol "PHRM." On or about November 19, 2007, Celgene announced that it was acquiring Pharmion for approximately \$2.9 billion, constituting a premium of approximately 46%.

e. Abraxis BioScience Inc. ("Abraxis") was a pharmaceutical company based in Los Angeles, California, and was engaged in the business of developing, manufacturing and marketing drugs for the treatment of cancer and other critical illnesses. Abraxis stock was registered with the SEC, and was listed on the NASDAQ stock exchange under the ticker symbol "ABII." On or about June 30, 2010, Celgene announced that it was acquiring Abraxis for approximately \$2.9 billion, constituting a premium of approximately 17%.

f. Sanofi-Aventis ("Sanofi") was a global pharmaceuticals company with U.S. headquarters in Bridgewater, New Jersey. Sanofi's net sales for 2011 exceeded \$40 billion. Sanofi's stock was registered with the SEC, and publicly traded on the New York Stock Exchange under the ticker symbol "SNY."

g. Beginning in or about 2002, defendant CUPO, a resident of Morris Plains, New Jersey, was employed by Sanofi as Director of Accounting and Reporting. CUPO had a duty not to disclose confidential information and material, nonpublic information he learned through his employment with Sanofi, or to use such information for his personal benefit or the benefit of others.

h. Chattem Inc. ("Chattem") was a manufacturing company based in Chattanooga, Tennessee, specializing in consumer products and over-the-counter drugs. Chattem's stock was registered with the SEC, and was listed on the NASDAQ stock exchange under the ticker symbol "CHTT." On or about December 21, 2009, Sanofi announced that it was acquiring Chattem for approximately \$1.9 billion, constituting a premium of approximately 34%.

i. Stryker Corporation (“Stryker”) was a medical technology company based in Kalamazoo, Michigan, engaged in the sale of various medical device products to the medical community, including implants used in joint replacement and trauma surgeries; surgical and emergency medical equipment; and neurosurgical, neurovascular and spinal devices.

j. Defendant FOLDY, a resident of Morris Plains, New Jersey, was a marketing executive at Stryker. FOLDY had a duty not to disclose confidential information and material, nonpublic information he learned through his employment with Stryker, or to use such information for his personal benefit or the benefit of others.

k. During the 1980s, FOLDY attended high school with defendants LAZORCHAK, PENDOLINO, CC-1, CC-2, and CC-3. FOLDY also lived with CC-1 after high school, in the early to mid-1990s, first in Florida and then in Idaho.

l. Orthovita, Inc. (“Orthovita”) was a leading manufacturer of synthetic bone grafts and a maker of “orthobiologics,” which are proteins and other agents designed to boost the body’s healing process. Orthovita stock was registered with the SEC, and was listed on the NASDAQ stock exchange under the ticker symbol “VITA.” On or about May 16, 2011, Stryker announced its acquisition of Orthovita for a premium of approximately 41%.

m. Defendant GRUM, a resident of Livingston, New Jersey, was the co-owner of Yeah Baby LLC (“Yeah Baby”), a company specializing in the distribution of spa uniforms, slippers, robes, and other spa products to resorts and spas around the world. GRUM controlled the East Coast operations of Yeah Baby and one of his brothers controlled the company’s West Coast operations. Yeah Baby held a trading account in the name of “Ya Babi LLC.”

n. Defendant CASTELLI, a resident of Morris Plains, New Jersey, owned and operated a construction company called Mutual Builders. CASTELLI was a long-time friend and neighbor of defendant CUPO. CASTELLI and GRUM were trading partners and close friends, having known each other for most of their lives. CASTELLI introduced GRUM to CUPO, and they all often socialized with one another through their common membership in a wine-making club (the “Wine-Making Club”).

o. Defendant PENDOLINO was a chiropractor residing in Nashua, New Hampshire.

p. CC-1, a resident of Colonia, New Jersey, was a financial reporter/editor.

q. CC-2, a resident of Avenel, New Jersey, worked in the risk assessment department of a New York-based hedge fund from in or about October 2006 to in or about March 2008.

r. CC-3, a resident of Leesburg, Virginia, worked for a government contractor.

THE INSIDER TRADING SCHEMES

ILLICIT TRADING BASED ON CELGENE, SANOFI, AND STRYKER INSIDE INFORMATION

Celgene's Acquisition of Pharmion (Announced November 19, 2007)

3. Prior to the November 19, 2007 public announcement of Celgene's acquisition of Pharmion, defendant LAZORCHAK tipped material, nonpublic information regarding the transaction to defendants CUPO, FOLDY, and PENDOLINO.

4. Around that time period, in or about September 2007, defendant LAZORCHAK was in the process of relocating to New Jersey to work for Celgene, after living and working in Massachusetts for a period of time. Because LAZORCHAK had not yet found a home in New Jersey, and was still splitting his time between his family in Massachusetts and his work in New Jersey, LAZORCHAK would intermittently stay at local New Jersey hotels, or would sometimes stay with defendant FOLDY.

5. During this period of transition, in the months leading up to the public announcement of the Pharmion acquisition, defendant LAZORCHAK reconnected with defendant CUPO. CUPO was LAZORCHAK's former boss at New Jersey-based Sanofi, where LAZORCHAK had worked prior to moving to Massachusetts. During one of these meetings with CUPO, LAZORCHAK informed him that Celgene, LAZORCHAK's new employer, was planning to acquire Pharmion at a premium. LAZORCHAK and CUPO discussed the potential profits that could be made by purchasing Pharmion stock before the deal was publicly announced.

6. Rather than purchasing the stock themselves and risking detection of their illicit trading, CUPO and LAZORCHAK agreed to conceal their insider trading scheme by trading through a "friend" of CUPO, someone that CUPO thought could make profits from the trades. CUPO, in fact, did pass the Pharmion tip to a "friend," namely his longtime friend and fellow Wine-Making Club member, CASTELLI, whom CUPO believed to have market knowledge. CASTELLI, in turn, introduced CUPO to GRUM as someone who had experience trading securities and who believed that they could make money on the Pharmion tip.

7. In the next several weeks leading to the November 19, 2007 public announcement of the Pharmion acquisition, LAZORCHAK updated CUPO about the status of the deal, and CUPO passed the updates on to GRUM and CASTELLI. Also around this period, between in or about late September 2007 to in or about mid-November 2007, just four days prior to the deal announcement, GRUM and CASTELLI purchased thousands of shares of Pharmion stock, and sold all of those shares immediately after the public announcement of the acquisition, collectively making hundreds of thousands of dollars in profits. GRUM traded by using both his personal account(s) and the Yeah Baby company account, which he and his brother/business partner both controlled.

8. In return for passing the Pharmion tip on to them, GRUM and CASTELLI paid CUPO and LAZORCHAK in two to three cash installments totaling more than \$10,000 for

CUPO and CASTELLI, each. GRUM and CASTELLI made these cash payments by placing CUPO's share in one envelope, LAZORCHAK's share in a second envelope, and providing both envelopes to CUPO. CUPO then gave LAZORCHAK his envelope of cash.

9. A few months prior, in or about September 2007, and after tipping CUPO about the Pharmion acquisition, LAZORCHAK stayed with FOLDY for a brief period, while LAZORCHAK was still in the process of relocating back to New Jersey and in need of temporary accommodations. During this visit, LAZORCHAK disclosed Celgene's plans to acquire Pharmion to FOLDY, and told FOLDY that Pharmion would be a good stock to purchase. FOLDY understood the tip to constitute confidential inside information, and LAZORCHAK provided the tip to FOLDY with the expectation that FOLDY would trade on the information and compensate LAZORCHAK for the tip.

10. Over the next several weeks leading to the public announcement of the deal, LAZORCHAK regularly updated FOLDY regarding the progress of the deal, including the date the acquisition was to be announced. During these discussions where updates were discussed, LAZORCHAK and FOLDY often would preface their discussions with references such as, "the fat man has a friend," "the fat man walks alone," or some variation thereof, as code phrases to signal that they were about to discuss the impending transaction.

11. FOLDY purchased hundreds of shares of Pharmion between in or about late September 2007 and in or about November 16, 2007, just three days prior to the deal announcement. Shortly after the deal was publicly announced, FOLDY sold all of his Pharmion stock, making more than \$14,000 in profit.

12. Between in or about late 2007 and in or about early 2010, LAZORCHAK frequently noted to FOLDY that FOLDY still owed LAZORCHAK money for the Pharmion tip. In or about March 2010, FOLDY provided LAZORCHAK a check in the amount of approximately \$2,250, as payment for the Pharmion tip, but LAZORCHAK sent the check back to FOLDY, due to concern that a check payment would leave a financial trail that authorities could potentially trace back to him. LAZORCHAK insisted on a cash payment instead, and FOLDY subsequently gave LAZORCHAK approximately \$1,600 to \$1,700 in cash.

13. In addition to tipping CUPO and FOLDY about the Pharmion Deal, LAZORCHAK also tipped PENDOLINO, while visiting PENDOLINO in New Hampshire in or about September 2007.

14. During a subsequent follow-up phone conversation with PENDOLINO, on or about the Friday before the Monday deal announcement, LAZORCHAK notified PENDOLINO that the deal would be publicly announced that Monday, November 19, 2007. Around the same day that LAZORCHAK informed PENDOLINO of the announcement date, PENDOLINO purchased approximately eight call options, in addition to the more than 3,000 shares of Pharmion stock and approximately nine call options that PENDOLINO had purchased between late September 2007 and the first week of November 2007. Shortly after the Pharmion acquisition was publicly announced, PENDOLINO sold all of his shares, making a profit of more than \$30,000. PENDOLINO paid LAZORCHAK approximately \$2,000 to \$3,000 for the Pharmion tip.

15. PENDOLINO, in turn, shared the Pharmion tip with CC-3 – PENDOLINO’s close friend from high school and the best man at his weddings – prior to the public announcement of the Pharmion deal. From New Hampshire, PENDOLINO called CC-3 in Virginia, and informed CC-3 that LAZORCHAK had told him that LAZORCHAK’s employer was considering buying Pharmion. Between in or about September 2007 and in or about October 2007, CC-3 purchased almost 1,000 shares of Pharmion.

16. After receiving word from PENDOLINO that the Pharmion deal might fall through, which PENDOLINO had learned from LAZORCHAK, CC-3 sold virtually all of his shares in Pharmion on or about November 1, 2007. Approximately five days later, PENDOLINO informed CC-3 that LAZORCHAK had confirmed that the Pharmion Deal was still on. With this information, CC-3 replenished most of CC-3’s holdings, purchasing approximately 277 shares of Pharmion stock approximately two weeks before the public announcement of the deal, and selling all of those shares immediately after the deal was announced, making a profit of more than \$3,000.

17. In or about late fall or early winter of 2007, after learning that PENDOLINO had passed on the Pharmion tip to CC-3, LAZORCHAK demanded that CC-3 pay him for the tip, but CC-3 refused. Approximately three years later, in or about March 2010, LAZORCHAK again demanded that CC-3 pay him for the tip, but CC-3 again refused to pay LAZORCHAK.

FINRA List (April/May 2008)

18. After Celgene’s acquisition of Pharmion, FINRA issued a letter to Celgene, dated on or about April 8, 2008, in which FINRA inquired, in sum and substance, whether any members of the Pharmion Deal team had knowledge of any individuals or entities listed in the letter (the “FINRA List”) who had traded in Pharmion stock in advance of the public announcement of the deal.

19. In preparation of its response to the FINRA inquiry, Celgene provided the FINRA List to LAZORCHAK to review, as LAZORCHAK was one of the Pharmion Deal team members. Although LAZORCHAK’s close high school friends – namely, defendants FOLDY and PENDOLINO – were included in the FINRA List, LAZORCHAK reported to Celgene that he had no knowledge of these individuals, or any other individuals or entities on the list. Based, at least in part on LAZORCHAK’s representation, Celgene’s response to the FINRA inquiry, dated on or about May 7, 2008, averred that LAZORCHAK had confirmed that he had no knowledge of any listed individuals or entities.

Sanofi’s Acquisition of Chattem (Announced December 21, 2009)

20. In or about December 2009, defendant CUPO obtained material, non-public information regarding the fact that his employer, Sanofi, was planning to acquire Chattem (the “Chattem Deal”). CUPO was the Director of Accounting and Reporting at Sanofi. In that capacity, he worked in close proximity with employees on the due diligence team for Sanofi’s planned acquisition of Chattem. Approximately one week before the Chattem Deal was publically announced, CUPO overheard his fellow employees discussing confidential, material information in the workplace regarding the upcoming deal. Aware that the deal was still

confidential at the time, CUPO violated his fiduciary and other duties of trust and confidence to Sanofi by, shortly thereafter, informing GRUM and CASTELLI about the Chattem Deal.

21. On or about December 18, 2009, just three days before the announcement of the Chattem Deal, GRUM and CASTELLI each purchased numerous shares of Chattem, and sold those shares immediately after the announcement, making thousands of dollars in profits. In return for the Chattem-related Inside Information, GRUM and CASTELLI paid CUPO approximately \$1,000 to \$2,000 in cash.

Celgene's Acquisition of Abraxis (Announced June 30, 2010)

22. In or about late May 2010, defendant LAZORCHAK informed CUPO of Celgene's then-confidential plans to acquire another company, Abraxis. During this conversation, LAZORCHAK apprised CUPO of the general timeline for the acquisition. In providing CUPO Inside Information related to the Abraxis deal, LAZORCHAK did so with the expectation that CUPO would pass the Inside Information to his trading "friends." After this initial conversation, LAZORCHAK and CUPO discussed the progress of the deal, and CUPO informed LAZORCHAK that "they" – i.e., GRUM and CASTELLI, the friends of CUPO who would trade on the Inside Information – were researching Abraxis in order to justify their trading and thereby evade detection by authorities.

23. Between on or about May 24, 2010 and on or about June 29, 2010, the day before the Abraxis acquisition was publicly announced, GRUM and CASTELLI purchased thousands of shares of Abraxis stock, based on the tip that CUPO had received from LAZORCHAK. GRUM and CASTELLI sold their shares of Abraxis stock shortly after the deal was announced, yielding them collective profits of more than \$150,000. CUPO – for his role as the middleman – and LAZORCHAK – for his role as the source of the Inside Information – each received approximately \$10,000 to \$20,000 in cash, paid in two installments, from GRUM and CASTELLI.

Stryker's Acquisition of Orthovita (Announced May 16, 2011)

24. Defendant FOLDY likewise acquired knowledge of Inside Information pertaining to his employer, Stryker, and passed the Inside Information on to others, including friends and family members.

25. In or about late winter/early spring of 2011, FOLDY, a marketing executive at Stryker, learned of Stryker's plans to acquire Orthovita, during a small, internal marketing group meeting. FOLDY understood at the time that the acquisition was confidential. Nevertheless, FOLDY tipped others – including defendant LAZORCHAK, CC-1, and certain of FOLDY's family members – about Stryker's then-confidential plans to acquire Orthovita.

26. After receiving the initial tip from FOLDY that Stryker planned to acquire Orthovita, LAZORCHAK called FOLDY for a status update, asking, in substance and in part, "How is the 'Fat Man'?" LAZORCHAK and FOLDY used the term "fat man" to refer to certain deals for which they were exchanging inside information.

27. LAZORCHAK, in turn, passed the Orthovita tip to PENDOLINO and CUPO, with the expectation that PENDOLINO and CUPO would share any resulting trading profits with LAZORCHAK, based on PENDOLINO's direct trades on the Inside Information and based on trades by CUPO's "friend," i.e., defendants GRUM and CASTELLI.

28. During the weeks leading up to the public announcement of the Orthovita acquisition, between in or about late April and mid-May 2011, tippees PENDOLINO, GRUM, and CASTELLI did indeed purchase Orthovita stock. During this time period, LAZORCHAK periodically asked FOLDY how the Orthovita deal (what he called "the Fat Man") was progressing. LAZORCHAK passed updates from FOLDY on to CUPO, who then shared the information with GRUM and CASTELLI. Approximately one week before the May 16, 2011 announcement date, FOLDY informed LAZORCHAK that the Orthovita deal would go public the following week. Trading records show that, around this time, on or about May 11, 2011, GRUM and CASTELLI purchased thousands of additional shares of Orthovita, and then sold their entire holdings immediately after the public announcement, reaping more than \$350,000 in profits from the Orthovita tip.

29. Defendant PENDOLINO also traded on the Orthovita tip that LAZORCHAK had passed on to him. In addition, PENDOLINO passed the Inside Information to others, tipping friend CC-3 and a fellow chiropractor. In or about early 2011, PENDOLINO called CC-3 in Virginia, and instructed CC-3 to call PENDOLINO back, using a payphone, at a number that PENDOLINO would send via the United States mail to CC-3. Subsequently, as agreed, PENDOLINO mailed CC-3 the phone number and CC-3 called that number from a payphone located outside a KMart store in the vicinity of Reston, Virginia. PENDOLINO answered the call, and proceeded to inform CC-3 that he had received Inside Information from LAZORCHAK pertaining to Orthovita's acquisition by Stryker. PENDOLINO and CC-3 knew that their mutual high school friend, FOLDY, worked at Stryker and understood that FOLDY was the source of the Inside Information. After this initial call, CC-3, again using a payphone to call the number that PENDOLINO had mailed to him, had one or more conversations with PENDOLINO during which PENDOLINO provided updates to CC-3 on the progress of the deal. Based on the Inside Information received from PENDOLINO, which PENDOLINO in turn received from LAZORCHAK, who himself had learned of the Inside Information from FOLDY, CC-3 purchased Orthovita stock in advance of the acquisition announcement. Shortly after the deal was announced, CC-3 sold his shares, yielding a profit of more than \$15,000.

30. In total, CUPO and PENDOLINO's respective tippees purchased hundreds of thousands of shares of Orthovita in advance of the deal announcement in May 2011, and sold their shares immediately after the announcement, each making substantial profits. For example, GRUM and CASTELLI, alone, collectively made more than \$350,000 in profits from the Orthovita tip.

31. In return for the Orthovita-related Inside Information, defendants GRUM and CASTELLI paid defendant CUPO thousands of dollars in cash to keep for himself, and an equivalent cash amount to pay to defendant LAZORCHAK. Defendant PENDOLINO also made a cash payment to LAZORCHAK for passing on the Orthovita tip, and PENDOLINO himself reaped certain compensation from CC-3, who covered PENDOLINO's share of the rent/incidentals related to a shared beach house rental the week of June 25, 2011. As for

LAZORCHAK, he paid FOLDY approximately \$1,200 in cash for serving as the initial source of the Orthovita-related Inside Information.

Celgene's Quarterly Earnings Results (Announced From October 2009 to April 2012)

32. On a regular basis, between in or about October 2009 and in or about April 2012, defendant LAZORCHAK disclosed confidential, material nonpublic information pertaining to Celgene's quarterly earnings results to defendant CUPO, with the mutual understanding that CUPO would pass the quarterly earnings-related information to his "Friend," i.e., defendants GRUM and CASTELLI, to trade in advance of the public announcement of said inside information.

33. Prior to the public release of multiple quarterly earnings reports, defendants GRUM and CASTELLI traded on the quarterly earnings-related inside information provided to them by LAZORCHAK, yielding hundreds of thousands of dollars in collective profits for GRUM and CASTELLI.

34. In exchange for the quarterly earnings inside information, GRUM and CASTELLI paid CUPO, as the middleman, and LAZORCHAK, as the source of the inside information, thousands of dollars in cash.

Celgene Regulatory News (Announced June 21, 2012)

35. On or about June 21, 2012, it was publicly announced that European regulators – the European Medicines Agency's Committee for Medicinal Products for Human Use ("CHMP") – had rejected Celgene's request for an expanded approval of its cancer drug Revlimid to treat newly diagnosed patients (the "Regulatory News"), setting back the company's growth. Prior to the public announcement of the negative Regulatory News, which was expected to cause Celgene's stock price to drop, defendant LAZORCHAK tipped defendant CUPO that the approval was likely to be rejected, so that CUPO could pass the tip on to his "friend," i.e., defendants GRUM and CASTELLI.

36. Armed with the inside information provided by LAZORCHAK, through CUPO, regarding the negative Regulatory News, defendants GRUM and CASTELLI engaged in short sales of Celgene stock. Specifically, GRUM and CASTELLI purchased, in total, approximately 200 Celgene put options on or about June 15, 2012; approximately 160 put options on or about June 20, 2012, just one day before the public announcement of the Regulatory News. Defendant GRUM also wrote approximately 20 call options on or about June 20, 2012, the day before the public announcement, with an agreement to buy these 20 borrowed shares (at what ultimately was a fraction of their cost) the following day. As expected, when Celgene announced the Regulatory News the following day, on or about June 21, 2012, Celgene's stock price significantly dropped. Through these well-timed short sales, defendants GRUM and CASTELLI collectively reaped more than \$160,000 in profits.

37. In or about July 2012, defendants GRUM and CASTELLI gave CUPO two envelopes, each containing approximately \$3,500 in cash – one envelope for CUPO and one for LAZORCHAK – as payment for the tip regarding the negative Regulatory News. Defendant

CUPO then delivered one of the envelopes of cash to LAZORCHAK on or about July 13, 2012, while CUPO and LAZORCHAK were sitting in a car together outside a New Jersey bagel store.

NUMEROUS INSIDER TRADING TRANSACTIONS

38. Between in or about September 2007 and in or about June 2012, defendants LAZORCHAK, CUPO, FOLDY, and others caused numerous insider trading transactions, yielding, in total, more than \$1.4 million in profits. These numerous transactions are summarized in the chart below.

TRANSACTION/ EVENT NEWS	SECURITIES PURCHASED	PURCHASER	DATES OF PURCHASES	DATE ANNOUNCED	ILLICIT PROFIT
Celgene to acquire Pharmion	Purchases of approximately 8,100 shares of Pharmion stock and approximately 112 Pharmion call options	LAWRENCE GRUM	9/21/2007-11/16/2007	11/19/2007	\$189,154
Celgene to acquire Pharmion	Purchases of approximately 1,500 shares of Pharmion stock	LAWRENCE GRUM, through his company Yeah Baby	11/15/2007-11/16/2007	11/19/2007	\$28,328
Celgene to acquire Pharmion	Purchases of approximately 5,925 shares of Pharmion stock and approximately 97 Pharmion call options	MICHAEL CASTELLI	9/25/2007-11/15/2007	11/19/2007	\$139,465
Celgene to acquire Pharmion	Purchases of approximately 800 shares of Pharmion stock	MARK FOLDY	9/24/2007-11/16/2007	11/19/2007	\$14,683
Celgene to acquire Pharmion	Purchases of approximately 3,045 shares of Pharmion stock and approximately 17 Pharmion call options	MICHAEL PENDOLINO	9/26/2007-11/16/2007	11/19/2007	\$37,453
Celgene Quarterly Earnings – 3 rd Quarter 2009	Purchases of approximately 500 shares of Celgene stock and	LAWRENCE GRUM	10/21/2009	10/22/2009	\$2,471

TRANSACTION EVENT NEWS	SECURITIES PURCHASED	PURCHASER	DATES OF PURCHASES	DATE ANNOUNCED	ILLEGAL PROFIT
	approximately 45 Celgene call options				
Celgene Quarterly Earnings - 3 rd Quarter 2009	Purchases of approximately 500 shares of Celgene stock and approximately 45 Celgene call options	MICHAEL CASTELLI	10/21/2009	10/22/2009	\$2,816
Sanofi to acquire Chattem	Purchases of approximately 1,170 shares of Chattem stock	LAWRENCE GRUM	12/18/2009	12/21/2009	\$27,307
Sanofi to acquire Chattem	Purchase of approximately 1,000 shares of Chattem stock	MICHAEL CASTELLI	12/18/2009	12/21/2009	\$23,078
Celgene Quarterly Earnings - 1 st Quarter 2010	Purchases of approximately 2,000 shares of Celgene stock	LAWRENCE GRUM	4/27/2010- 4/28/2010	4/29/2010	\$9,660
Celgene Quarterly Earnings - 1 st Quarter 2010	Purchases of approximately 2,000 shares of Celgene stock	MICHAEL CASTELLI	4/27/2010- 4/28/2010	4/29/2010	\$9,009
Celgene to acquire Abraxis	Purchases of approximately 13,175 shares of Abraxis stock	LAWRENCE GRUM, individually and through his company, GM Ventures	5/24/2010- 6/29/2010	6/30/2010	\$123,293
Celgene to acquire Abraxis	Purchases of approximately 11,326 shares of Abraxis stock	MICHAEL CASTELLI	5/24/2010- 6/29/2010	6/30/2010	\$107,924
Celgene Quarterly Earnings - 2 nd Quarter 2010	Purchases of approximately 8,200 shares of Celgene stock	LAWRENCE GRUM	7/27/2010- 7/28/2010	7/29/2010	\$7,673
Celgene Quarterly Earnings - 2 nd Quarter 2010	Purchases of approximately 7,100 shares of Celgene stock	MICHAEL CASTELLI	7/21/2010- 7/28/2010	7/29/2010	\$4,029
Celgene Quarterly Earnings - 3 rd	Purchases of approximately	LAWRENCE GRUM	10/26/2010- 10/27/2010	10/28/2010	\$18,647

TRANSACTION/ EVENT NEWS	SECURITIES PURCHASED	PURCHASER	DATES OF PURCHASES	DATE ANNOUNCED	ILLICIT PROFIT
Quarter 2010	7,500 shares of Celgene stock				
Celgene Quarterly Earnings – 3 rd Quarter 2010	Purchases of approximately 6,800 shares of Celgene stock and approximately 20 Celgene call options	MICHAEL CASTELLI	10/8/2010-10/28/2010	10/28/2010	\$22,852
Stryker to acquire Orthovita	Purchases of approximately 131,000 shares of Orthovita stock	LAWRENCE GRUM	4/25/2011-5/11/2011	5/16/2011	\$188,651
Stryker to acquire Orthovita	Purchases of approximately 180,352 shares of Orthovita stock	MICHAEL CASTELLI	4/25/2011-5/11/2011	5/16/2011	\$180,152
Stryker to acquire Orthovita	Purchases of approximately 18,580 shares of Orthovita stock	MICHAEL PENDOLINO	5/3/2011	5/16/2011	\$25,948
Celgene Quarterly Earnings – 2 nd Quarter 2011	Purchases of approximately 18,500 shares of Celgene stock and wrote approximately 35 Celgene put options	LAWRENCE GRUM	7/7/2011-7/27/2011	7/28/2011	\$28,102
Celgene Quarterly Earnings – 2 nd Quarter 2011	Purchases of approximately 12,500 shares of Celgene stock and wrote approximately 15 Celgene put options	MICHAEL CASTELLI	7/7/2011-7/27/2011	7/28/2011	\$15,631
Celgene Quarterly Earnings – 1 st Quarter 2012	Purchases of approximately 335 Celgene put options; wrote of approximately 30 call options;	LAWRENCE GRUM	4/4/2012-4/25/2012	4/26/2012	\$54,424

EFFORTS TO CONCEAL INSIDER TRADING ACTIVITY

39. In an effort to conceal their illegal insider trading schemes, defendants LAZORCHAK, CUPO, GRUM, CASTELLI, and PENDOLINO relied on various means, including but not limited to:

a. The illicit payments for the inside information to LAZORCHAK, FOLDY and CUPO were hand-to-hand cash transfers, frequently paid in installments, to avoid leaving a financial trail. In the one instance where defendant FOLDY sought to pay defendant LAZORCHAK by check, defendant LAZORCHAK rejected the check and insisted on cash.

b. Defendants LAZORCHAK and CUPO obtained and passed inside information but never directly engaged in stock transactions themselves. Defendant FOLDY did not engage in stock transactions regarding the Stryker-Orthovita Deal for which he was the source of the inside information.

c. Defendant CUPO acted as a middleman for the inside information that defendant LAZORCHAK obtained (from his employment and from his friend, defendant FOLDY) and passed to defendant CUPO who, in turn, passed the information to defendants GRUM and CASTELLI. GRUM and CASTELLI then used that inside information as a basis of lucrative trading decisions for themselves and others. Similarly, defendants GRUM and CASTELLI funneled their illicit payments for the inside information through defendant CUPO who, in addition to taking his own share, also paid defendant LAZORCHAK. In this way, there was no direct contact between defendant LAZORCHAK and defendants GRUM and CASTELLI.

d. Many tips occurred in person, including while the conspirators were playing basketball together, on a morning run together, at each other's homes, over dinner among friends, or watching sporting events. Many of the coconspirators who did discuss the illicit information by phone had long-standing friendships, spoke regularly by phone, and incorporated the illicit information sharing among frequent, legitimate calls for social purposes.

e. Defendant PENDOLINO and CC-3 engaged in certain illicit conversations using a payphone at a Virginia KMart store, and an unaffiliated phone number that defendant PENDOLINO sent via the U.S. Mail to CC-3, to avoid telling CC-3 that phone number over their regular phone lines.

f. Defendants LAZORCHAK and FOLDY used code words, such as "Fat Man," to refer to inside information or upcoming nonpublic deals (i.e., "how's the Fat Man doing?" to ask if the anticipated acquisition was still on track).

g. Defendants LAZORCHAK and CUPO used the code words "Vacation Pictures" to refer to cash payments from defendants GRUM and CASTELLI. For example, defendant CUPO would call defendant LAZORCHAK to set up a meeting for a hand-to-hand cash transfer and say: "I have some vacation pictures for you."

h. Defendant GRUM compiled binder(s) of market “research” to provide a false justification for his trades in an effort to conceal that they were based on material, nonpublic information.

i. Defendant GRUM sent defendant CASTELLI “covering” emails containing false justifications suggesting their trades were based on research, not inside information.

j. Defendant GRUM made materially false statements, on or about October 22, 2009, during sworn testimony in a civil S.E.C. investigation of Pharmion, including but not limited to: (i) claiming that, in November 2007, he did not know or have any contacts with anyone who worked at Celgene, notwithstanding the fact that GRUM not only knew that LAZORCHAK worked at Celgene, but was obtaining Celgene Inside Information from LAZORCHAK through CUPO; and (ii) stating that he did not know about Celgene’s acquisition of Pharmion prior to the public announcement of the deal.

k. When his employer, Celgene, asked for information regarding a list that FINRA provided to Celgene of people who had traded ahead of the Celgene-Pharmion Deal, defendant LAZORCHAK falsely informed Celgene that he did not recognize the names on the list, including defendants FOLDY and PENDOLINO, two of his close friends since high school, thereby causing his employer to transmit that false response to FINRA.

40. In a recorded conversation on or about September 16, 2012 (the September 16th Conversation”), defendant GRUM maintained that the measures the conspirators had taken to conceal the insider trading scheme would be successful. For example, he stated in sum and substance:

a. Investigators would not be able “to link everybody up” as involved in the scheme because the conspirators were careful.

b. “It would be different if we were in there, f*ing, just killing it every trade.”

c. “That’s why there’s no link, ever, between [CUPO] and I, I would never jeopardize that.”

d. “The thing is, there is no direct connection between me and Mike [CASTELLI], and...an insider. And that’s what they do to link up everybody. That’s how they triangulate.”

e. “Search my phone records, search anything – I know nobody at that company. I don’t know anybody.”

f. “Every trade that we’ve ever done, I’ve prefaced with an email to [CASTELLI] that says ‘research.’”

g. "I'll bring you to my office right now. I have a notebook this thick. . . . I started in '07 and established our referring, our research, so it's been five years of that, so we're good."

h. "If they ever come to me, I know what I'm doing."

41. Also during the September 16th Conversation, defendant GRUM and a cooperating witness [CW] had the following exchange:

GRUM: "I'm a research trader, that's my job, that's what I do... that's how I make money."

CW: "You're a research trader to a point -- with help."

GRUM: [Laughs] "Yeah."

42. Defendant GRUM also stated during the September 16th Conversation:

"At the end of the day, the S.E.C.'s got to pick their battle because they have a limited number of people and huge numbers of investors to go after....When you look at it that way, I don't know...either way, we're prepared for the worst. We are prepared for the worst."