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Southern District of New York

FOR IMMEDIATE RELEASE
APRIL 13, 2011

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MANHATTAN U.S. ATTORNEY CHARGES FORMER HEDGE FUND PORTFOLIO MANAGER FOR INSIDER TRADING SCHEME INVOLVING CLINICAL DRUG TRIAL

Inside Tips Allowed Fund To Avoid $30 Million in Losses

Doctor Previously Arrested In Connection With Scheme Pleads Guilty in Manhattan Federal Court to Conspiracy, Securities Fraud and Obstruction of Justice Charges

PREET BHARARA, the United States Attorney for the Southern District of New York, and JANICE K. FEDARCYK, the Assistant Director-in-Charge of the New York Office of the Federal Bureau of Investigation ("FBI"), announced today the unsealing of charges against JOSEPH F. SKOWRON III, a/k/a "Chip Skowron," a former portfolio manager of a health care unit of a hedge fund group (the "Hedge Fund") for engaging in an insider trading scheme. SKOWRON allegedly used material, non-public information ("Inside Information") that he received from YVES BENHAMOU, a doctor who served as an advisor to Human Genome Sciences, Inc. ("HGSI") on a clinical drug trial, to avoid approximately $30 million in trading losses. SKOWRON also was charged with conspiracy to obstruct justice for urging BENHAMOU to lie during an investigation into his trading. SKOWRON surrendered to authorities earlier this morning and is expected to be presented in Magistrate Court this afternoon.

BENHAMOU, who was previously charged and arrested in connection with the insider trading scheme, pled guilty in Manhattan federal court earlier this week to charges of conspiracy to commit securities fraud, securities fraud, conspiracy to obstruct justice, and making false statements to the FBI related to the scheme.

Manhattan U.S. Attorney PREET BHARARA said: "Today's case is an example of insider trading gone global – the alleged trail of cash and trade of information took the defendants from Manhattan to Milan and from Boston to Barcelona. As the Complaint charges, when Chip Skowron needed inside information, Dr. Benhamou was always on call, helping Skowron and his hedge fund illegally benefit to the tune of $30 million. I wish I could say that we are almost finished investigating and prosecuting insider trading. But as today's case demonstrates, sadly, we are not."

FBI Assistant Director-in-Charge JANICE K. FEDARCYK said: "Skowron courted and conspired with Benhamou to obtain material non-public information. He showered Benhamou with gifts, including envelopes of cash passed in Barcelona and Milan hotels, to induce Benhamou to tip him off about the Albuferon clinical trials, and to lie to investigators. They each knew this violated fiduciary obligations – and the law."

According to the three-count criminal Complaint unsealed today in Manhattan federal court, as well as the Information to which BENHAMOU pled guilty and statements made during his plea proceeding:

During the period of the insider trading scheme, SKOWRON was a co-portfolio manager of the Hedge Fund and was responsible for investment decisions in public companies that were involved in the development of drugs to treat hepatitis C, including HGSI. BENHAMOU was a medical doctor with an expertise in hepatitis treatment who served on an HGSI steering committee (the "Steering Committee") that oversaw a clinical trial of an HGSI drug called Albuferon, which was being tested for its potential to treat hepatitis C. At the same time, BENHAMOU also was working as a consultant for an expert networking firm. For a fee, the firm put him in contact with portfolio managers and other investors at hedge funds who purchased and sold securities in the healthcare sector. SKOWRON was one of the portfolio managers with whom BENHAMOU consulted.

Beginning in April 2007, SKOWRON developed a personal and financial relationship with BENHAMOU independent of the expert networking firm. For example, SKOWRON gave BENHAMOU 5,000 euros in cash during a meeting in Barcelona, Spain. He also paid some of BENHAMOU's expenses, including $4,624.83 in September 2007 for a New York City hotel room for him and his wife. These payments were separate and apart from the consulting payments BENHAMOU received from the expert networking firm. SKOWRON also offered to hire BENHAMOU as a consultant or permanent advisor to a new hedge fund. These benefits were allegedly given to encourage BENHAMOU to disclose Inside Information about the Albuferon clinical drug trial.

As a result of his position on the Steering Committee, BENHAMOU had access to certain non-public information about serious adverse events during the clinical trial of Albuferon, including Inside Information about a fatality and the occurrence of lung disease in another patient potentially caused by Albuferon. BENHAMOU communicated with SKOWRON immediately after receiving Inside Information when it was still not public.

For example, on January 18, 2008, after learning from BENHAMOU that HGSI's independent safety committee had recommended that a portion of the clinical trial be discontinued, SKOWRON allegedly directed a trader at the Hedge Fund to "sell the hgsi," "all of it." On January 22, 2008, the day before HGSI announced it would discontinue a portion of the trial, BENHAMOU disclosed this information and the potential press release from HGSI to SKOWRON, who, while on the phone with BENHAMOU, allegedly sent an instant message to a trader at the Hedge Fund, urging him to sell the remaining HGSI shares more quickly. As a result of those communications, SKOWRON caused the Hedge Fund to sell more than 6 million shares of HGSI before disclosure was made to the public about the serious adverse events. In doing so, SKOWRON avoided approximately $30 million in losses for the Hedge Fund.

In addition, SKOWRON and BENHAMOU undertook efforts to conceal the insider trading scheme from regulatory authorities. Specifically, beginning in February 2008 after the U.S. Securities and Exchange Commission ("SEC") began investigating the Hedge Fund's trading in HGSI stock, SKOWRON induced BENHAMOU to lie to the SEC, by falsely denying that they had discussed the serious adverse events before they were made public.

* * *

SKOWRON, 41, of Greenwich, Connecticut, is charged with one count of conspiracy to commit securities fraud, one count of securities fraud, and one count of conspiracy to obstruct justice. He faces a maximum penalty of five years in prison on each conspiracy charge and 20 years in prison on the securities fraud charge. With respect to the conspiracy charges, he faces a maximum fine of $250,000 or twice the gross gain or loss derived from the crimes. With respect to the securities fraud charge, he faces a maximum fine of $5 million or twice the gross gain or loss derived from the crime.

BENHAMOU, 51, of Neuilly-sur-Seine, France, faces a maximum penalty of five years in prison on each of the conspiracy charges and the false statements charge, and a maximum of 20 years in prison on the securities fraud charge. In addition, he faces a maximum fine of $250,000 or twice the gross gain or loss derived from the offenses with respect to the conspiracy and false statement charges, and, with respect to the securities fraud charge, he faces a maximum fine of $5 million or twice the gross gain or loss derived from the crime.

Mr. BHARARA praised the efforts of the FBI and also thanked the SEC for its assistance in the investigation. He added that the investigation is continuing.

Assistant U.S. Attorneys PABLO QUIÑONES, REED M. BRODSKY, and DAVID B. MASSEY are in charge of the prosecution.

The charges contained in the Complaint are merely accusations and the defendant is presumed innocent unless and until proven guilty.

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