



*United States Attorney
Southern District of New York*



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**FORMER HEDGE FUND PORTFOLIO MANAGER JOSEPH "CHIP"
SKOWRON PLEADS GUILTY IN MANHATTAN FEDERAL COURT TO
INSIDER TRADING SCHEME INVOLVING CLINICAL DRUG TRIAL**

Inside Tips Allowed Fund to Avoid \$30 Million in Losses

PREET BHARARA, the United States Attorney for the Southern District of New York, announced that JOSEPH F. SKOWRON III, a/k/a "Chip Skowron," a former portfolio manager of the health care unit of a hedge fund group (the "Hedge Fund"), pled guilty today to conspiracy to engage in insider trading and obstruction of justice. SKOWRON used material, non-public information ("Inside Information") that he received from YVES BENHAMOU, a doctor who served as an advisor on a clinical drug trial, to avoid approximately \$30 million in trading losses. SKOWRON obstructed justice by urging BENHAMOU to lie to the U.S. Securities and Exchange Commission ("SEC") during an investigation into his trading. SKOWRON pled guilty in Manhattan federal court before U.S. District Judge DENISE L. COTE.

Manhattan U.S. Attorney PREET BHARARA said: "Chip Skowron is the latest example of a portfolio manager willing to pay for proprietary, non-public information that gave him an illegal trading edge over the average investor. He seized upon million in losses on the basis of information concerning just one stock. The integrity of our market is damaged by people who, like Chip Skowron, engage in insider trading, and they will continue to be prosecuted by this office."

According to the Information, a Complaint previously filed in this case, other court filings, and statements made during today's guilty plea proceeding:

During the period of the insider trading scheme, SKOWRON was responsible for the Hedge Fund's investment decisions in public companies, including the biopharmaceutical company Human Genome Sciences, Inc. ("HGSI"), that were involved in the

development of drugs to treat hepatitis C. BENHAMOU was a medical doctor with an expertise in hepatitis treatment who served on an HGSI steering committee that oversaw a clinical trial of a drug called Albuferon. At the same time, BENHAMOU also worked as a consultant for an expert networking firm that, for a fee, put him in contact with portfolio managers and other investors at hedge funds, including SKOWRON, who purchased and sold securities in the healthcare sector.

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. SKOWRON also offered to hire BENHAMOU as a consultant or permanent advisor to a new hedge fund. SKOWRON gave these benefits to BENHAMOU to encourage him to provide Inside Information about the Albuferon clinical drug trial. BENHAMOU understood that SKOWRON would buy or sell HGSI stock on the basis of the Inside Information.

For example, on January 18, 2008, after learning from BENHAMOU that HGSI's independent safety committee had recommended to discontinue a portion of the clinical trial following serious adverse side effects suffered by two patients, SKOWRON 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, as well as the potential of a press release from HGSI, to SKOWRON. While on the phone with BENHAMOU, SKOWRON 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, thereby avoiding approximately \$30 million in losses.

In addition, SKOWRON and BENHAMOU undertook efforts to conceal the insider trading scheme from regulatory authorities. Specifically, beginning in February 2008 after the 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.

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SKOWRON, 42, of Greenwich, Connecticut, pled guilty to one count of conspiracy to commit securities fraud and obstruct justice. He faces a maximum penalty of five years in prison and a maximum fine of \$250,000 or double the gain or loss arising from his conduct. In addition, he agreed to forfeit \$5,000,000 to the United States. He is scheduled to be sentenced by Judge COTE on November 18, 2011, at 10:00 a.m.

BENHAMOU previously pled guilty in April 2011 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. He is scheduled to be sentenced by U.S. District Judge GEORGE B. DANIELS on October 20, 2011, at 10:00 a.m.

Mr. BHARARA praised the investigative work of the Federal Bureau of Investigation. He also thanked the SEC for its assistance.

This case was brought in coordination with President BARACK OBAMA's Financial Fraud Enforcement Task Force, on which Mr. BHARARA serves as a Co-Chair of the Securities and Commodities Fraud Working Group. President OBAMA established the interagency Financial Fraud Enforcement Task Force to wage an aggressive, coordinated, and proactive effort to investigate and prosecute financial crimes. The task force includes representatives from a broad range of federal agencies, regulatory authorities, inspectors general, and state and local law enforcement who, working together, bring to bear a powerful array of criminal and civil enforcement resources. The task force is working to improve efforts across the federal executive branch, and with state and local partners, to investigate and prosecute significant financial crimes, ensure just and effective punishment for those who perpetrate financial crimes, combat discrimination in the lending and financial markets, and recover proceeds for victims of financial crimes.

This case is being handled by the Office's Securities and Commodities Fraud Task Force. Assistant U.S. Attorneys PABLO QUIÑONES, REED M. BRODSKY, and DAVID B. MASSEY are in charge of the prosecution.

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