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Southern District of New York*



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FORMER INVESTMENT ADVISER SENTENCED
IN MANHATTAN FEDERAL COURT TO 26 MONTHS IN PRISON
FOR INSIDER TRADING SCHEME

PREET BHARARA, the United States Attorney for the Southern District of New York, announced that ALEXEI P. KOVAL, a/k/a "Aleksey Koval," was sentenced today in Manhattan federal court to _____ in prison for his participation in an insider trading scheme. KOVAL, a registered investment adviser, traded on inside information he received from his co-conspirator, IGOR POTEROBA, a former investment banker in the Healthcare Group of UBS Securities LLC ("UBS"). The trading, which was based on information related to six mergers and acquisitions that certain UBS clients were contemplating, generated hundreds of thousands of dollars in illicit profits. KOVAL, 37, previously pled guilty to three counts of securities fraud and one count of conspiracy to commit securities fraud on January 7, 2011. U.S. District Judge PAUL A. CROTTY imposed today's sentence.

Manhattan U.S. Attorney PREET BHARARA said: "Alexei Koval flagrantly and repeatedly traded on inside information and was only too happy to share his illicit profits with his partner in crime and tipster. Their scheme has now come to a just conclusion."

According to documents previously filed in Manhattan federal court:

From May 2006 through at least 2009, KOVAL was a registered investment adviser. During approximately the same time period, POTEROBA served as an Executive Director at UBS. In that capacity, he obtained material, non-public information (the "UBS Inside Information") regarding certain mergers and acquisitions involving the following six publicly traded healthcare companies: Guilford Pharmaceuticals, Inc., Molecular Devices Corporations, PharmaNet Development Group, Inc., Via Cell, Inc., Millennium Pharmaceuticals, Inc., and Indevus Pharmaceuticals, Inc. (collectively, the "Healthcare Companies").

In violation of his duties of trust and confidence, POTEROBA then disclosed the UBS Inside Information to KOVAL, who traded on the information, and disclosed it to another co-conspirator ("CC-1").

As part of the scheme, KOVAL typically received tips from POTEROBA by telephone in advance of a public announcement about certain mergers and acquisitions. Shortly after receiving a tip from POTEROBA, he and CC-1 purchased securities in one of the Healthcare Companies. Following the public announcement of the acquisition, KOVAL and CC-1 quickly sold the securities they had purchased. They executed dozens of securities transactions based on UBS Inside Information provided by POTEROBA. KOVAL then paid a portion of the profits to POTEROBA.

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In addition to his prison term, Judge CROTTY sentenced KOVAL, of Chicago, Illinois, and Pasadena, California, to two years of supervised release and ordered him to forfeit \$1,414,290, representing the amount of proceeds obtained as a result of the securities fraud offenses charged in the Indictment.

KOVAL's co-conspirator IGOR POTEROBA, 37, of Darien, Connecticut, pled guilty to similar charges before Judge CROTTY on December 21, 2010, and was sentenced to 22 months' imprisonment on March 21, 2011.

Mr. BHARARA praised the investigative work of the Federal Bureau of Investigation. He also thanked the U.S. Securities and Exchange Commission for its assistance in the investigation.

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. Attorney MARISSA MOLÉ is in charge of the prosecution.

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