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FORMER HEDGE FUND PORTFOLIO MANAGER JOSEPH "CHIP" SKOWRON SENTENCED IN MANHATTAN FEDERAL COURT TO FIVE YEARS IN PRISON FOR INSIDER TRADING SCHEME

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"), was sentenced today to five years in prison for his participation in a 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. In addition, SKOWRON lied and urged Benhamou to lie to the U.S. Securities and Exchange Commission ("SEC") during an investigation into SKOWRON's trading. SKOWRON pled guilty on August 15, 2011, to one count of conspiracy to commit securities fraud and obstruct justice. He was sentenced today by U.S. District Judge Denise L. Cote.

Manhattan U.S. Attorney Preet Bharara said: "Chip Skowron's medical training and expertise, along with his knowledge of the health care industry, undoubtedly gave him a legitimate trading edge. But that wasn't enough – he still took a corrupt path to protect his hedge fund and himself from sustaining a multi-million dollar loss, and then corruptly tried to obstruct the government's investigation. As we've witnessed in case after case, the desire to win at any cost, including breaking the law, has a steep price that Chip Skowron will now pay."

According to the Information, other court documents filed in the case, and statements made during the guilty plea and sentencing proceedings:

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 lied to the SEC and 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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In addition to his prison term, SKOWRON, 42, of Greenwich, Connecticut, was sentenced to three years of supervised release and ordered to pay a fine of $150,000. SKOWRON is restricted from working in the securities industry and engaging in most securities transactions for the term of his supervised release. As part of his plea agreement, SKOWRON will forfeit $5,000,000 to the United States. Judge Cote ordered restitution in the amount of $5.96 million and set a schedule for the resolution of remaining restitution claims.

During the sentencing proceeding, Judge Cote said that SKOWRON "undermined the integrity of U.S. securities markets" and "engaged in a pattern of deceit and illegality that spanned months."

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 December 8, 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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