

11 MAG 997

Approved: Pablo Quiñones

PABLO QUIÑONES
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Before: THE HONORABLE RONALD L. ELLIS
United States Magistrate Judge
Southern District of New York

- - - - - X

UNITED STATES OF AMERICA : SEALED COMPLAINT

- v. -

JOSEPH F. SKOWRON III,
a/k/a "Chip Skowron,"

Violations of
18 U.S.C. § 371; 15 U.S.C.
§§ 78j(b), 78ff; 17 C.F.R.
§ 240.10b-5

Defendant.

COUNTY OF OFFENSE:
NEW YORK

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SOUTHERN DISTRICT OF NEW YORK, ss.:

MICHAEL HOWARD, being duly sworn, deposes and says that he is a Special Agent with the Federal Bureau of Investigation ("FBI"), and charges as follows:

COUNT ONE

(Conspiracy to Commit Securities Fraud)

1. From in or about April 2007 through in or about November 2010, in the Southern District of New York and elsewhere, JOSEPH F. SKOWRON III, a/k/a "Chip Skowron," the defendant, and others known and unknown, unlawfully, willfully, and knowingly did combine, conspire, confederate and agree together and with each other to commit offenses against the United States, to wit, securities fraud, in violation of Title 15, United States Code, Sections 78j(b) and 78ff, and Title 17, Code of Federal Regulations, Section 240.10b-5.

2. It was a part and object of the conspiracy that JOSEPH F. SKOWRON III, a/k/a "Chip Skowron," the defendant, and others known and unknown, unlawfully, willfully and knowingly, directly and indirectly, by the use of means and instrumentalities of interstate commerce, and of the mails, and of facilities of national securities exchanges, would and did use and employ, in connection with the purchase and sale of securities, manipulative and deceptive devices and contrivances

in violation of Title 17, Code of Federal Regulations, Section 240.10b-5 by: (a) employing devices, schemes and artifices to defraud; (b) making untrue statements of material fact 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 courses of business which operated and would operate as a fraud and deceit upon the purchaser and seller, all in violation of Title 15, United States Code, Sections 78j(b) and 78ff, and Title 17, Code of Federal Regulations, Section 240.10b-5.

Overt Acts

3. In furtherance of the conspiracy and to effect its illegal object, the following overt acts, among others, were committed in the Southern District of New York and elsewhere:

a. On or about January 17, 2008, JOSEPH F. SKOWRON III, a/k/a "Chip Skowron," the defendant, sent Yves Benhamou an e-mail.

b. On or about January 18, 2008, SKOWRON caused six affiliated hedge funds (collectively, the "Hedge Fund") to sell common stock of Human Genome Science, Inc. ("HGSI"), a biopharmaceutical company whose shares traded on the Nasdaq stock market in New York, New York.

c. On or about January 22, 2008, SKOWRON sent an instant message directing an individual at the Hedge Fund to accelerate the sale of HGSI common stock.

(Title 18, United States Code, Section 371.)

COUNT TWO
(Securities Fraud)

4. In or about January 2008, in the Southern District of New York and elsewhere, JOSEPH F. SKOWRON III, a/k/a "Chip Skowron," the defendant, unlawfully, willfully and knowingly, directly and indirectly, by the use of means and instrumentalities of interstate commerce, the mails and the facilities of national securities exchanges, in connection with the purchase and sale of securities, did use and employ manipulative and deceptive devices and contrivances, in violation of Title 17, Code of Federal Regulations, Section 240.10b-5, by (a) employing devices, schemes and artifices to defraud; (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 courses of business which operated and would operate as a fraud and deceit upon persons, to wit, before HGSI issued a press release in January 2008 announcing that certain serious adverse events occurred in its late-stage Albuferon clinical drug trials, SKOWRON obtained material, nonpublic information about the adverse events and anticipated news and caused the Hedge Fund to sell common stock of HGSI.

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

COUNT THREE

(Conspiracy to Obstruct Justice)

5. From in or about February 2008 through in or about November 2010, in the Southern District of New York and elsewhere, JOSEPH F. SKOWRON III, a/k/a "Chip Skowron," the defendant, and others known and unknown, unlawfully, willfully, and knowingly did combine, conspire, confederate and agree together and with each other to commit an offense against the United States, to wit, obstruction of justice, in violation of Title 18, United States Code, Section 1505.

6. It was a part and object of the conspiracy that JOSEPH F. SKOWRON III, a/k/a "Chip Skowron," the defendant, and others known and unknown, unlawfully, willfully and knowingly, would and did corruptly influence, obstruct and impede, and endeavor to influence, obstruct and impede the due and proper administration of the law under which a pending proceeding was being had before a department and agency of the United States, to wit, an investigation by the U.S. Securities and Exchange Commission (the "SEC"), in violation of Title 18, United States Code, Section 1505.

Overt Acts

7. In furtherance of the conspiracy and to effect the illegal object thereof, the following overt act, among others, was committed in the Southern District of New York and elsewhere:

a. In or about February 2008, JOSEPH F. SKOWRON III, a/k/a "Chip Skowron," the defendant, spoke by telephone from New York, New York, with Yves Benhamou.

(Title 18, United States Code, Section 371.)

The bases for my knowledge, the foregoing charges, and the information contained herein, are, in part, as follows:

8. I have been a Special Agent with the Federal Bureau of Investigation for approximately three years. I am currently assigned to a squad responsible for investigating violations of the federal securities laws and related offenses. I have participated in investigations of these offenses and in arresting individuals for participating in such offenses.

9. The information contained in this affidavit is based upon my personal knowledge, as well as information obtained during this investigation, directly or indirectly, from other sources of information and agents, including, but not limited to: (a) witness interviews; (b) information received from the SEC; (c) telephone and financial records; (d) trading records from banks and broker-dealers; (e) e-mails and other documents prepared and received by JOSEPH F. SKOWRON III, a/k/a "Chip Skowron," the defendant, and others; and (f) publicly available documents. Because this affidavit is prepared for a limited purpose, I have not included each and every fact I have learned in connection with this investigation. Moreover, the investigation is ongoing. Where conversations and events are referred to herein, they are related in substance and in part. Where dates, figures, and calculations are provided, they are approximate.

Relevant Entities and Individuals

10. At all times relevant to this Complaint, JOSEPH F. SKOWRON III, a/k/a "Chip Skowron," the defendant, was a medical doctor who worked for the health care unit of a privately-owned hedge fund management company, where he served as co-portfolio manager for the Hedge Fund. SKOWRON shared responsibility for the Hedge Fund's investment decisions primarily with two co-portfolio managers ("Manager-1" and "Manager-2"). As between SKOWRON, Manager-1, and Manager-2, SKOWRON was primarily responsible for, among other things, the Hedge Fund's investment decisions relating to public companies involved in the development of drugs intended to treat hepatitis C, an infectious disease affecting the liver.

11. At all relevant times, Yves Benhamou ("Benhamou"), a co-conspirator not named as a defendant herein, was a medical doctor who worked as an Associate Professor of Hepatology and Chief of Department, Clinical Research in Hepatology, at Hôpitaux

de Paris - Pitié-Salpêtrière, Paris, France.¹ Benhamou was widely known in Europe and the United States as an expert in the treatment of hepatitis C. In fact, on or about August 11, 2009, during testimony to the SEC, JOSEPH F. SKOWRON III, a/k/a "Chip Skowron," the defendant, described Benhamou as a "thought leader in the area of [h]epatitis" with whom he would have spoken about Albuferon.²

a. At all relevant times, Benhamou worked as a consultant to HGSI on clinical drug trials that evaluated the efficacy and safety of Albuferon in patients with chronic hepatitis C.

b. In addition, from in or about March 2006 through at least in or about 2008, Benhamou had an exclusive consulting agreement with a Manhattan-based expert networking firm (the "Expert Networking Firm") that paid Benhamou to consult with its clients, such as the Hedge Fund and its portfolio managers, including SKOWRON.

12. At all relevant times, the Hedge Fund had offices in Greenwich, Connecticut, and New York, New York, and operated as a subsidiary of a large investment management company based in New York, New York. In or about 2007 and in or about 2008, the Hedge Fund paid approximately \$900,000 in annual fees to the Expert Networking Firm in order for JOSEPH F. SKOWRON III, a/k/a "Chip Skowron," the defendant, and others at the Hedge Fund to

¹ On or about November 1, 2010, Benhamou was charged in a two-count criminal complaint, 10 Mag. 2424 (JLC). On April 11, 2011, Benhamou pleaded guilty, pursuant to a cooperation agreement with the United States, to a four-count Information charging him with conspiracy to commit securities fraud, securities fraud, conspiracy to obstruct justice, and making false statements, all in connection with the insider trading scheme involving HGSI securities described herein. Benhamou is cooperating in the hope of receiving a reduced sentence. Benhamou has provided information that has proven to be reliable and has been corroborated by other sources of evidence.

² Albuferon (albumin-interferon alpha 2b) is the commercial name for a long-acting form of interferon alpha, a drug HGSI developed for the treatment of hepatitis C. In June 2006, HGSI and Novartis entered into an agreement for the clinical development and commercialization of Albuferon for the treatment of hepatitis C. In October 2006, HGSI anticipated revenue of as much as approximately \$500 million related to its agreement with Novartis for Albuferon.

consult with the firm's medical experts, including Benhamou.

13. At all relevant times, HGSI was a Delaware corporation headquartered in Rockville, Maryland, that operated as a biopharmaceutical company. HGSI's common stock was registered with the SEC and listed on the Nasdaq stock market under the ticker symbol "HGSI."

Overview of the Insider Trading Scheme

14. At all relevant times, Yves Benhamou was an expert in the field of hepatology and widely known to participate in the clinical drug trials of various drugs to treat hepatitis C, including Albuferon. Both in his capacity as a clinical investigator and as a member of the steering committee for Phase 3 of the Albuferon clinical drug trials, Benhamou had fiduciary obligations not to disclose or otherwise use HGSI's confidential information for his own benefit.

15. At all relevant times, JOSEPH F. SKOWRON III, a/k/a "Chip Skowron," was a medical doctor and portfolio manager, who was primarily responsible for the Hedge Fund's investments in companies developing drug treatments for hepatitis C, including HGSI. Based on his responsibility to analyze such companies before purchasing and selling their common stock, and his personal and business relationship with Benhamou, SKOWRON knew that Benhamou was involved in the clinical drug trials of Albuferon and also knew, based on, among other things, his own experience, the Hedge Fund's policies, and the Expert Networking Firm's policies, that Benhamou had an obligation not to disclose confidential information about the Albuferon clinical drug trials to SKOWRON. SKOWRON nevertheless used his personal and financial relationship with Benhamou to encourage Benhamou to disclose material, nonpublic information ("Inside Information") about the Albuferon clinical drug trials. In or about December 2007 and January 2008, SKOWRON received Inside Information from Benhamou about negative news in connection with the Albuferon clinical trials and then traded on the basis of such information, avoiding approximately \$30 million in losses by the Hedge Fund through the sale of common stock of HGSI.

SKOWRON's Obligations To Maintain the Confidentiality of HGSI's Material, Nonpublic Information

16. Based on my review of the Hedge Fund's business records and my discussions with individuals with knowledge of the Hedge Fund's policies concerning insider trading, I know that, on or about January 4, 2008, JOSEPH F. SKOWRON III, a/k/a "Chip Skowron," the defendant, signed an annual ethics statement,

acknowledging that he understood the terms of the Hedge Fund's "Employee Trading Policy and Code of Ethics" (the "Trading Policy"), effective from in or about April 2005 through and including in or about January 2008. Among other things, the Trading Policy prohibited SKOWRON from engaging in insider trading by "trading either personally or on behalf of clients or others, on the basis of material, non-public information or communicating material, non-public information to others in violation of the law." The Trading Policy also informed SKOWRON that the penalties for insider trading included, among other things, "[j]ail sentences."

17. The "Trading Policy" also informed JOSEPH F. SKOWRON III, a/k/a "Chip Skowron," the defendant, that a consultant who has a confidential relationship with a company may be a "temporary insider" and that "non-insiders" can acquire the fiduciary duties of insiders as "tippees" if "they are aware or should have been aware that they have been given confidential information by an insider who has violated his fiduciary duty to the company's shareholders." SKOWRON was also informed by the "Trading Policy" that, "[u]nder the 'misappropriation' theory [of insider trading], liability is established when trading occurs on material, non-public information that is stolen or misappropriated from any other person."

18. Based on my review of the Expert Networking Firm's business records, my discussions with Benhamou and other witnesses, and my participation in this investigation, I have learned that the Hedge Fund separately entered into agreements with the Expert Networking Firm that further restricted the ability of JOSEPH F. SKOWRON III, a/k/a "Chip Skowron," the defendant, to obtain and use the confidential information of HGSI as follows:

a. On or about April 1, 2006, the Hedge Fund entered into a services agreement with the Expert Networking Firm. In that agreement, the Hedge Fund agreed not to seek out any nonpublic information or confidential information concerning any company from the Expert Networking Firm's expert consultants, such as Benhamou. The Expert Networking Firm also required the Hedge Fund to warrant that it was complying with United States securities laws in connection with any information provided to it and that the Hedge Fund would not enter separate agreements with the Expert Networking Firm's expert consultants, such as Benhamou. On or about April 1, 2007, the Hedge Fund and the Expert Networking Firm extended the services agreement for an additional year.

Benhamou's Advisory Role in
HGSI's Albuferon Clinical Drug Trials

19. Based on my review of the business records of the Expert Networking Firm, the Hedge Fund, HGSI, and other entities, and my conversations with Benhamou and other witnesses, I have learned that JOSEPH F. SKOWRON III, a/k/a "Chip Skowron," the defendant, used the services of the Expert Networking Firm to arrange telephone conversations and meetings with Benhamou at various times, including at medical conferences at which Benhamou's participation in HGSI's clinical drug trials of Albuferon was publicly disclosed.

a. For example, on or about April 29, 2006, at the European Association for the Study of the Liver ("EASL") conference in Vienna, Austria, a conference attended by SKOWRON, there was an oral presentation of an Albuferon clinical trial report, co-authored by Benhamou, about the interim results of Phase 2b of the Albuferon clinical trial. HGSI publicized the presentation of these results through press releases issued on or about March 14 and May 1, 2006. Both press releases cited Benhamou as a co-author of the presentation. During this conference, SKOWRON and Benhamou met for the first time after a group meeting hosted by the Expert Networking Firm.

b. Similarly, on or about October 27, 2006, SKOWRON and Benhamou had another meeting at the annual conference of the American Association for the Study of Liver Diseases ("AASLD") in Boston, Massachusetts. In advance of the conference, the AASLD published abstracts of the clinical drug trial results to be presented at the conference. Among the published abstracts were two Albuferon clinical trial studies co-authored by Benhamou. Both abstracts disclosed that Benhamou was an "investigator" for HGSI. On or about October 31, 2006, HGSI publicized these results through a press release.

c. On or about February 27 and April 14, 2007, HGSI issued press releases about the presentation and publication of Albuferon clinical trial results, which named Benhamou as a co-author. An oral presentation of the data was made at the annual conference of EASL in Barcelona, Spain, at which SKOWRON and Benhamou met.

d. In or about November 2007, the AASLD hosted its annual conference in Boston. Both SKOWRON and Benhamou attended. Benhamou co-authored two abstracts published in advance of this meeting that announced certain results of the ongoing Albuferon clinical trials. Both of these abstracts (as well as another abstract co-authored by Benhamou relating to a

different subject) disclosed that Benhamou was a "Consultant/Adviser" to HGSI. On November 6, 2007, one of the Albuferon studies that Benhamou co-authored was presented in open session at the meeting.

SKOWRON Provides Payments and Offers Benefits to Benhamou
Independent of the Expert Networking Firm
to Obtain Inside Information About HGSI

20. Based on my conversations with Benhamou and other witnesses, my review of the business records of HGSI, the Expert Networking Firm, the Hedge Fund, and other sources, I have learned that, beginning in or about April 2007, JOSEPH F. SKOWRON III, a/k/a "Chip Skowron," the defendant, developed a practice of circumventing the Expert Network Firm by directly dealing with Benhamou independent of the firm. For example:

a. On or about April 12, 2007, before a dinner arranged by the Expert Networking Firm, SKOWRON met with Benhamou in SKOWRON's hotel suite in Barcelona, Spain. During this meeting, SKOWRON handed Benhamou an envelope containing approximately 5,000 Euros in cash. This payment was not made pursuant to the Hedge Fund's services agreement with the Expert Networking Firm. SKOWRON told Benhamou that this cash was a present for Benhamou because SKOWRON and the Hedge Fund were happy with their interactions with Benhamou.

b. In connection with a trip that Benhamou and his wife took to Manhattan in or about September 2007, SKOWRON booked and paid for Benhamou's hotel room in the amount of approximately \$4,624.83.

c. In or about November or December 2007, SKOWRON advised Benhamou that SKOWRON wanted to start a new biotechnology-related hedge fund and wanted to hire Benhamou as a consultant or permanent advisor to the hedge fund.

d. In or about April 2008, SKOWRON met with Benhamou in a hotel bar in Milan, Italy, and gave Benhamou an envelope containing at least approximately \$10,000 in cash, as described in further detail below.

The Hedge Fund Accumulates a Long Position in HGSI Stock
While Benhamou Serves on the Steering Committee

21. From my review of trading records provided by the SEC, I have learned that, beginning on or about February 1, 2007 through on or about December 3, 2007, the Hedge Fund accumulated a long position worth approximately \$65 million (as of December

3, 2007) in the common stock of HGSI by purchasing approximately 6.3 million shares at an average price of approximately \$10.31 per share. From in or about February 2007 through at least January 2008, Benhamou served on the steering committee for Phase 3 of the Albuferon clinical trial (the "Steering Committee").

Benhamou Tips SKOWRON on Negative Albuferon News and
SKOWRON Sells HGSI Stock Based on the Inside Information

22. Unless otherwise specifically stated, based on my interviews with Benhamou and other witnesses, my review of business records of HGSI and other entities, and other sources, I have learned the following:

a. In or about late November 2007, HGSI learned that, during Phase 3 of the Albuferon trial, within about two weeks of each other, two patients who were receiving the 1200-mcg dosage suffered serious adverse events of interstitial lung disease as possible side effects of the dosage they were receiving. One of the patients died shortly thereafter on or about December 1, 2007.

b. By at least on or about December 1, 2007, individuals at HGSI, Benhamou, and other Steering Committee members were communicating to determine how to respond to these serious adverse events.

c. On or about December 5, 2007, an individual at HGSI sent an e-mail to members of the Steering Committee indicating that the Albuferon trial's independent safety committee believed that the serious adverse events required further examination.

23. Unless otherwise specifically stated, based on my interviews with Benhamou and other witnesses, my review of business records of the Hedge Fund and other entities, and other sources, beginning in or about December 2007, when these serious adverse events were not yet public, Benhamou discussed with JOSEPH F. SKOWRON III, a/k/a "Chip Skowron," the defendant, the serious adverse events and their impact on the Albuferon clinical drug trial, and SKOWRON sold HGSI stock based on this information. Specifically:

a. On or about December 7, 2007, SKOWRON sent an instant message to a trader at the Hedge Fund ("Trader-1") that directed Trader-1 to sell HGSI common stock from several of the funds SKOWRON co-managed.

b. By on or about December 7, 2007, the independent safety committee had become more alarmed and was considering whether to recommend stopping part of the clinical trial. In response, on or about December 9, 2007, HGSI held a conference call with the Steering Committee which was scheduled to allow Benhamou to participate while attending a Hepatitis conference in Hawaii.

c. Telephone records and e-mails between SKOWRON and Benhamou show that, on or about December 10, 2007, SKOWRON and Benhamou spoke by telephone for approximately five minutes while Benhamou was attending a hepatitis conference in Hawaii. From my interviews of Benhamou, I know that, on this call, SKOWRON and Benhamou discussed the serious adverse events in the Albuferon clinical trial.

d. SKOWRON's cellular telephone records show that immediately after this call with Benhamou, SKOWRON's cellular telephone called a land line assigned to Manager-1 at the Hedge Fund. During the time that the cellular telephone of SKOWRON was in contact with the land line of Manager-1, Manager-1 instructed Trader-1 to sell HGSI stock:

Manager-1: "[Trader-1] load up to sell ½ the HGSI in the funds; no rush, work w/volume"

Trader-1: "ok, I am still working order from Friday, sold 335K at 10.83 . . ."

Manager-1: "[o]k"
"keep working more"

Trader-1: "got it"

e. Less than a minute after Manager-1 ordered Trader-1 to sell half of the Hedge Fund's shares in HGSI, SKOWRON sent an e-mail to Benhamou requesting that the information be kept confidential:

SKOWRON: "Let's keep this very confidential. Thanks shaun [sic] for calling. I will get back to you."

f. On or about December 12, 2007, SKOWRON exchanged instant messages with Manager-2 discussing the serious adverse events that occurred in Phase 3 of the Albuferon clinical trial, and the hepatitis conference that Benhamou was attending in Hawaii:

SKOWRON: "I think we should reduce the size of our sale in hgsi to 1/3 instead of 1/2"
 "interferon's are known to have infections associated with them"

Manager-2: "reason?"

SKOWRON: "it's 2 cases in over 4k patients"

Manager-2: "fair p[oint]"
 "plus movement forward with pipeline"
 "GLP and LPPLA2 [two other drugs HGSI was developing]"

SKOWRON: "yeah"
 "exactly"
 "people will be bullish on this"

Manager-2 "agreed"

SKOWRON: "The meeting is g[oin]g on right now in hawaii and no one is saying anything about this"

g. Less than a minute later, SKOWRON sent Trader-1 an instant message instructing him to sell only one-third of the Hedge Fund's long position in HGSI stock, rather than one-half of the position. From on or about December 7, 2007, through on or about December 18, 2007, the Hedge Fund sold approximately 2.9 million, or nearly 47 percent, of its HGSI shares at an average price of \$10.65 per share.

h. On or about that same day (December 12, 2007), the HGSI independent safety committee met and permitted the clinical trial of Albuferon to continue with the understanding that, after reviewing the additional clinical data requested from the trial sites, it would meet again to determine whether to recommend that HGSI stop the 1200-mcg dosage part of the clinical trial based on the serious adverse events.

SKOWRON Receives Additional Negative News
About Albuferon from Benhamou

24. Unless otherwise specifically stated, based on my interviews with Benhamou and other witnesses, my review of business records of HGSI and other relevant entities, I have learned the following:

a. By on or about January 8, 2008, the Steering Committee, including Benhamou, knew that the independent safety committee would meet on or about January 17, 2008, to give its recommendation. This information was not publicly known.

b. On or about January 17, 2008, JOSEPH F. SKOWRON III, a/k/a "Chip Skowron," the defendant, sent Benhamou an e-mail that asked "Want to touch base today?"

c. On January 17, 2008, the HGSI independent safety committee recommended that HGSI discontinue the 1200-mcg dosage part of the clinical trial of Albuferon. This information was not publicly known.

25. Based on my review of business records obtained in this investigation, my interviews of Benhamou, and other sources of information, I know that, on January 18, 2008, the following events occurred:

a. Benhamou received an email from a doctor at HGSI that: (1) detailed the recommendation of the independent safety committee, (2) requested advice on how to convey the recommendation in a press release and in a letter to the physicians conducting the clinical trial, including draft language, (3) requested advice from Benhamou about how to address physicians participating in the trial in Europe and outside of the United States, and (4) requested a time to discuss the matters by telephone.

b. Minutes after receiving this e-mail, Benhamou e-mailed JOSEPH F. SKOWRON III, a/k/a "Chip Skowron," the defendant, asking "When can I call you?" SKOWRON responded "now? [number provided]." In the course of the resulting call, Benhamou disclosed to SKOWRON that HGSI was discontinuing the 1200-mcg dosage part of the clinical trial of Albuferon as a result of the serious adverse events.

c. Approximately seven minutes after this call began, SKOWRON instructed Trader-1 to sell all the HGSI stock that the Hedge Fund owned. Specifically, SKOWRON and Trader-1 exchanged the following instant messages:

SKOWRON: "[Trader-1] sell the hgsi"
"all of it"

Trader-1: "ok"

d. Subsequently, Trader-1 contacted an investment bank (the "Investment Bank") and asked it for a bid to buy all of the Hedge Fund's remaining shares of HGSI. The Investment Bank made a bid that was rejected by the Hedge Fund, which then proceeded to sell some HGSI shares into the market. By the end of the day on January 18, 2008, Trader-1 had sold nearly 700,000 shares of HGSI at an average price of approximately \$10.72 share.

26. Based on my review of business records obtained in this investigation, interviews with witnesses, and other sources of information, I know that, a few days later, Joseph F. Skowron III, a/k/a "Chip Skowron," the defendant, obtained additional Inside Information from Benhamou. Specifically:

a. During the weekend of January 19 through January 21, 2008, Benhamou worked with executives of HGSI to formulate HGSI's communications to the public and to physicians participating in the clinical trial and specifically agreed to participate in responding to questions about the recommendation to discontinue part of the clinical trial.

b. On or about January 22, 2008,³ the first trading day after the Martin Luther King, Jr., holiday weekend, SKOWRON e-mailed Benhamou to arrange a telephone call and then called Benhamou. From my interviews of Benhamou, I know that, during this call, Benhamou again advised SKOWRON that the 1200-mcg dosage part of the clinical trial of Albuferon would be discontinued, and that SKOWRON and Benhamou discussed a potential press release from HGSI. At the same time that this telephone call⁴ was taking place, SKOWRON sent instant messages instructing Trader-1 to sell the Hedge Fund's remaining HGSI shares more quickly:

SKOWRON: "[Trader-1], try and get a little more aggressive with hgsi"

Trader-1: "ok"
"225K out of 980 is pretty aggressive but I hear you"

³ January 22, 2008 was the day before HGSI publicly disclosed the "[s]erious pulmonary adverse events" and announced the cancellation of the 1200-mcg dosage part of the Albuferon clinical trial.

⁴ I have reviewed telephone records that show that this conversation lasted approximately 14 minutes.

SKOWRON: "i show we still own 2.3 m[illion] shares."
"is that right"

Trader-1: "yes, we held over 3MM [3 million shares]"

SKOWRON: "ok"
"Work out of all of it"

* * * *

SKOWRON: "i think the stock could see 7 or 8"

27. On January 22, 2008, the Hedge Fund sold approximately 600,000 HGSI shares at an average price of \$10.37 per share. Near the end of the trading day, Trader-1 contacted the Investment Bank again and asked it to bid on the Hedge Fund's remaining block of approximately 2 million HGSI shares. The Hedge Fund then sold all of its remaining shares to the Investment Bank at or about the time the market closed.

The HGSI Share Price Falls Following HGSI's
Announcement of Negative News About Albuferon

28. On or about January 23, 2008, HGSI issued a press release announcing its decision to discontinue the 1200-mcg dosage part of the Albuferon clinical trial based on the independent safety committee's recommendation. On the same day, HGSI sent a letter to the physicians participating in the clinical trial. The press release provided, in relevant part, that:

HUMAN GENOME SCIENCES MODIFIES DOSING IN ACHIEVE TRIALS
OF ALBUFERON®

ROCKVILLE, Maryland - January 23, 2008 - Human Genome Sciences Inc. (Nasdaq: HGSI) announced today that it will modify the dosing in one arm of each of its ACHIEVE clinical trials of Albuferon® (albinterferon alfa-2b) for chronic hepatitis C. Patients in the Phase 3 trials who have been receiving the 1200-mcg dose will now receive a 900-mcg dose. The change is based on recommendations made by the studies' independent Data Monitoring Committee (DMC). HGS continues to expect to have all Phase 3 data available by spring 2009 to support the filing of global marketing authorization applications by fall 2009.

* * *

Consistent with its charter, the DMC routinely reviews all adverse events for each treatment group. Serious pulmonary adverse events, while expected and rare during interferon therapy, were higher in the treatment group receiving 1200-mcg Albuferon administered every two weeks. The DMC did not express any safety concerns about the 900-mcg dose of Albuferon. Based on the DMC's review and conclusions, the patients receiving a 1200-mcg dose of Albuferon will be moved to the 900-mcg dose.

29. Immediately following this negative announcement, HGSI's share price dropped from approximately \$10.02 per share to approximately \$5.62 per share at the close of January 23, 2008 - a 44 percent decline in the share price of HGSI.

30. As a result of selling more than 6 million shares of HGSI prior to HGSI's January 23, 2008 public announcement, the Hedge Fund avoided losses totaling approximately \$30 million.

SKOWRON's Scheme To Conceal Insider Trading
in HGSI By Obstructing Justice

31. Based on my conversations with other law enforcement officials and my review of SEC documents, I have learned that, on or about February 13, 2008, the SEC advised the Hedge Fund that it was investigating the Hedge Fund's January 22, 2008 sale of HGSI stock to the Investment Bank. In connection with this investigation, lawyers for the Hedge Fund and the SEC scheduled the interview of JOSEPH F. SKOWRON III, a/k/a "Chip Skowron," the defendant, for February 26, 2008.

32. Based on my review of telephone records, my conversations with Benhamou, and other sources, I know that, on or about February 20 and 21, 2008, JOSEPH F. SKOWRON III, a/k/a "Chip Skowron," the defendant, spoke by telephone from the Hedge Fund's Manhattan office with Benhamou. During these conversations, SKOWRON advised Benhamou that the Hedge Fund's lawyers wanted to interview Benhamou. SKOWRON urged Benhamou to deceive the Hedge Fund's lawyers by falsely telling the lawyers that, in January 2008, SKOWRON and Benhamou had not discussed non-public information about Albuferon, but had only generally discussed various available drug treatments for hepatitis and liver disease, which they referred to as "the basket of drugs." Following SKOWRON's request, during a February 21, 2008 interview of Benhamou by the Hedge Fund's lawyers, Benhamou falsely stated that he had not revealed nonpublic information concerning the

Albuferon clinical trial to SKOWRON.

33. I know from my interviews of Benhamou and my review of various business records, that, on or about February 24, 2008, Benhamou traveled to Boston for a meeting. At the suggestion of JOSEPH F. SKOWRON III, a/k/a "Chip Skowron," the defendant, SKOWRON and Benhamou had a lunch meeting. After lunch, SKOWRON drove Benhamou to Benhamou's hotel in Boston. At that time, SKOWRON offered Benhamou a bag containing two stacks of United States currency wrapped in bands. Benhamou understood that SKOWRON was offering this money as payment for the confidential information that Benhamou had provided to SKOWRON in January 2008 concerning the Albuferon clinical trial. Benhamou did not accept this money.

34. I know from my interviews of Benhamou and my review of various business records that, in or about April 2008, JOSEPH F. SKOWRON III, a/k/a "Chip Skowron," the defendant, and Benhamou met in a hotel bar in Milan, Italy, during the annual EASL conference. During that meeting, SKOWRON gave Benhamou an envelope containing at least approximately \$10,000 in cash and told Benhamou, among other things, that the SEC investigation would end soon. Benhamou accepted this money. SKOWRON further made clear to Benhamou that he should continue to say falsely that they had only discussed publicly-available information about the "basket of drugs."

35. I know from my interviews of Benhamou and my review of documents provided by the SEC that, on or about May 14, 2009, in connection with the SEC's investigation, Benhamou testified in an administrative proceeding of the Autorite Des Marches Financiers, the French securities regulator, in the presence of two SEC staff attorneys in Paris. Consistent with the request made of him by JOSEPH F. SKOWRON III, a/k/a "Chip Skowron," the defendant, Benhamou falsely stated that he did not reveal non-public information concerning the Albuferon clinical trial to SKOWRON. Benhamou later reported this testimony to SKOWRON, who sought to confirm that Benhamou had not veered from their fabricated story that SKOWRON and Benhamou had only discussed the "basket of drugs."

36. Subsequently, on or about August 11, 2009, JOSEPH F. SKOWRON III, a/k/a "Chip Skowron," the defendant, provided sworn testimony to the SEC in an effort to influence the SEC's investigation. Among other things, SKOWRON stated that at the relevant time he did not know who worked on the Albuferon clinical trial; that he spoke to Benhamou about various drugs to treat hepatitis, including Albuferon, but he didn't think they had ever discussed the Albuferon clinical trial; and that he had

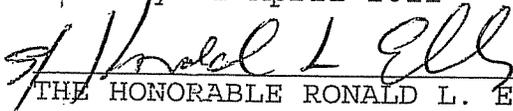
never given Benhamou a gift or anything of value.

WHEREFORE, deponent prays that an arrest warrant be issued for JOSEPH F. SKOWRON III, a/k/a "Chip Skowron," the defendant, and that he be imprisoned or bailed, as the case may be.



MICHAEL HOWARD
SPECIAL AGENT
FEDERAL BUREAU OF INVESTIGATION

Sworn to before me this
12th day of April 2011



THE HONORABLE RONALD L. ELLIS
UNITED STATES MAGISTRATE JUDGE
SOUTHERN DISTRICT OF NEW YORK