cancer.

In April 2009, a few days before a Yahoo! message board poster predicted, almost to the minute, the“BEAR RAID” that shattered Dendreon’s stock price by 65% in 75 seconds, Lazard put out a statement that said that an “investigator in the current Provenge study” had concluded that Dendreon’s treatment did not work. This was terrible news – assuming that the “investigator” was somebody actually participating in the “current Provenge study” or any other scientific study of Dendreon’s treatment.

But it turned out that Lazard had made “a mistake.”

When Dendreon supporters started hollering that there was no such “investigator,” Lazard changed the statement to read that an “expert” had concluded that Provenge does not work. When Lazard was challenged to produce such an expert, it changed the message again. Now the expert wasn’t exactly saying that Dendreon’s prostate cancer treatment does not work. Instead, it was that Provenge was "mentioned cautiously" by this particular “expert,” who remained anonymous.

If you can spot the similarity between this “mistake” and the “mistakes” of CNBC’s Jim Cramer, it will not surprise you to learn that Lazard’s research operation was then run by a guy named Paul Noglows. Prior to joining Lazard, Noglows was the director of research at IRG Research, an outfit owned by Jim Cramer’s financial news and research company, TheStreet.com.

Elliot Favus, the Lazard analyst who teamed up with the singing Sendek to trash Dendreon, later resigned from that job. Then he went to work for Och-Ziff Investment Management, a hedge fund managed by Dirk Ziff.

As you will recall, Ziff was the guy who helped Jim Chanos (host to Ashlee Dupre, hooker of Jim Cramer’s best friend Eliot Spitzer) start his hedge fund empire – an empire that now employs Evan Sturza, the fellow who used to be in the business of publishing research that predicted, with similar glee, the demise of medicines developed by companies that were under attack by Michael Steinhardt (Cramer’s former business partner; mentor to Chanos) and other cronies of Michael Milken and Ivan Boesky.

Ziff', remember, was also the fellow who improperly received--along with Chanos, Steve Cohen and others in their network, advanced copies of biased financial research published by Morgan Keegan. And, of course, Chanos met Ziff through Michael Steinhardt and Marty Peretz, who was Ziff’s Harvard professor; a close friend of Boesky; an ardent defender of Milken; a key limited partner, along with Boesky, in Michael Steinhardt’s hedge fund; and the co-founder, along with Cramer, of TheStreet.com.

Study the world of abusive short selling for three years, as I have, and you will see that these relationships matter. You will see how these people work together. And you will see that the most egregious cases of market skullduggery – the serious damage to public companies done by journalists and analysts through these repeated and precisely-crafted “mistakes”; the hired thugs; the threats; the over-the-top gloom (sung gleefully); the sudden bankruptcies, the orchestrated calamities, the endless litany of strange occurrences – an alarming amount of it can be traced to the same cast of beady-eyed, Milken-loving mischief-makers.

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As you may have gathered by now, Provenge has yet to be approved by the FDA. Despite new evidence that it decreases prostate cancer mortality by 38%, the treatment has yet to be administered to patients, 60,000 of whom have died in the two years since the FDA’s advisory panel voted in Dendreon’s favor.

What strange occurrences have contributed to this outcome? What calamity was awaiting Dendreon as these seven "colorful" hedge fund managers stocked up on put options while naked short sellers flooded the market with at least ten million phantom shares?

Before I answer those questions, we ought to get to know some things about the "philanthropy" of Michael Milken and a firm called ProQuest Investments.

In 1993, Milken founded the Prostate Cancer Foundation, with a stated mission to promote advancements in the treatment of prostate cancer.

In 1998, ProQuest Investments opened for business with the specifically stated mission to invest in companies developing treatments for prostate cancer.

Ostensibly, ProQuest was founded by two men – Jay Moorin and Jeremy Goldberg. But the man really behind ProQuest Investments is Michael Milken. Industry reports suggest that Milken is the firm's rainmaker. It was Milken who delivered most of ProQuest's early capital. And it is Milken who brings ProQuest's deals to the table.

One of those deals was a company called Novacea, now known as Transcept Pharmaceuticals. For a long while, the controlling shareholders in Novacea were ProQuest Investments and a fund called Domain Associates. I believe it is safe to assume that ProQuest and Domain are affiliated, given that the two funds not only invest in the same companies, but actually share the same address.

Industry reports state that Domain was the "mentor" to Proquest, and an investor in the fund. One report states that the two funds "plot strategy" together. Thus, it would be more accurate to say that the controlling shareholders in Novacea were first, ProQuest Investments, and second, ProQuest Investments (acting through Domain Associates).

But ProQuest and Domain are not like most biotech investment firms, which scout out companies with promising treatments and invest capital in them. Rather, ProQuest and Domain sometimes invest capital in themselves. For example, Novacea was founded by Eckard Weber, who works as an executive and partner of Domain Associates. One day, there was no such thing as Novacea. The next day ProQuest and Domain had invested in a company called Novacea, which ostensibly had a promising treatment for prostate cancer.

This alone should have set off alarm bells. But for a long while, the media and others believed that Novacea was a serious – indeed, *the most* serious – competitor to Dendreon. An achievement for Dendreon was considered to be a set-back for Novacea. By the same token, a calamity for Dendreon had the potential to be a major boon to Novacea's shareholders.

In fact, Dendreon suffered just such a calamity. And this calamity did indeed reap a large fortune for Michael Milken's ProQuest Investments and Domain Associates.

But ProQuest and Domain are no longer shareholders in Novacea.

That is on account of some strange occurrences that I must describe in more detail.

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First, though, it is necessary for us to continue learning about Michael Milken's prostate cancer business, ProQuest Investments, and Michael Milken's "philanthropic" outfit, the Prostate Cancer Foundation.

As we know, ProQuest Investments was ostensibly founded by two men – Jeremy Goldberg and Jay Moorin.

Prior to becoming the ostensible co-founder of Milken's ProQuest, Moorin's most significant achievement had been to serve as CEO of Magainin Pharmaceuticals, a company that later changed its name to Genaera Corporation. In many transactions, the financial advisor to this company was Paramount Capital.

Paramount Capital, as you will recall, is owned by Lindsay Rosenwald, the fellow who used to help his father-in-law (the "king of stock fraud") run D.H. Blair, which was the dirtiest Mafia-affiliated brokerage on Wall Street – the same brokerage whose president had been Michael Milken's national sales manager, and whose business model had been to underwrite phony biotech companies, then pump and dump their stocks.

As you will recall, Paramount's vice president was once a top trader at SAC Capital, the hedge fund run by Milken crony Steve Cohen. You will also recall that Cohen and Paramount employee Joseph Edelman were among those seven "colorful" hedge fund managers who held large numbers of put options in Dendreon as of March 2007.

At the risk of being repetitive, I will also remind you that Lindsay Rosenwald controlled Cougar Biotechnology, a company whose scientific advisory board included four doctors affiliated with Milken's Prostate Cancer Foundation.

When Dendreon became a "battleground stock," Dendreon had no more than three "serious" competitors. One was Milken crony Rosenwald's Cougar Biotechnology. The other was Novacea, controlled by Milken's ProQuest Investments. The third was a company called Cell Genesys, which I will return to in due course.

Magainin/Genaera, the company that was run by ProQuest's ostensible founder, Jay Moorin, had lots of big ideas. For example, it claimed to have developed a way to treat foot ulcers with a substance extracted from the African clawed frog. It also claimed to have discovered a treatment for cancer. This treatment was apparently derived from the livers of tropical dogfish sharks.

Indeed, a great many of Magainin/Genaera's supposed treatments were derived from exotic wildlife. And many of these treatments were heralded in press releases that suggested that regulatory approval was just around the corner.

Sometimes, the company announced that its treatments had *already* gained approval – albeit in exotic locales. Genaera's lung cancer vaccine "was approved Jun 12 by the Cuban regulatory authorities…" noted one of Genaera's optimistic press releases. Presumably, Cubans are now free of lung cancer.

For three decades, these press releases appeared. Many of them sent Magainin/Genaera's stock into orbit. Then the stock would sink. After that, there would be another press release and the stock would be back in the stratosphere.

But in three decades, Genaera never brought a treatment to market. In fact, it never had a treatment approved by the FDA.

Three full decades. Countless potions and serums derived from all manner of critter and jungle beast. A stupendous salary for the CEO, and fantastic profits for anyone who spent those 30 years riding the volatility of Magainin/Genaera's stock. But not a single treatment was brought to market.

In June 2009, Genaera announced that it was going out of business.

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Jeremy Goldberg, the other ostensible founder of Milken's ProQuest Investments, was previously best known for his service as the founding CEO of a company called Versicor, which purported to make anti-viral medicines.

Among Versicor's biggest early investors was Healthcare Ventures, a fund that was founded by two former Johnson & Johnson executives. It seems that a preponderance of Heathcare Venture's principals previously worked for Luekosite, a biotech firm founded by Marty Peretz, the Boesky and Michael Steinhardt crony who launched TheStreet.com with Jim Cramer.

Another early investor in Versicor was Schroder Venture Management, a unit of the same company that runs Schroder Wertheim, which was the principal clearing firm for Euro-Atlantic, a Mafia-run brokerage that the Feds shut down in the late 1990s.

But Versicor's most important investor was a biotech company called Sepracor, which markets Lunestra, the sleeping pill. Sepracor's chairman, Timothy J. Barberich, was also a major investor in Versicor. Barberich served as Versicor's founding chairman, while Goldberg served as Versico's founding CEO.

So Barberich was chair of Sepracor (a company that markets sleeping pills), and founder, along with Goldberg (who later "founded" Milken's ProQuest Investments) of Versicor (which has yet to produce any drugs fit for human consumption). Curiously, Barberich also bankrolled Atlantic Casino Cruises, a gambling outfit that was being set up by a businessman named Adam Kidan and an alleged mobster named Anthony Moscatiello.

Moscatiello, who travels in an armor-plated Mercedes, has been pegged by the government as being the top bookkeeper to the Gambino Mafia family. As the story goes, Kidan masterminded Atlantic Casino Cruises. Moscatiello set the company up. And Barberich was the principal financier of the project.

Unfortunately, the project never really got off the ground. Soon after Barberich invested his money, Kidan, the businessman, entered into a deal to buy another casino, SunCruz, from a fellow named Konstantinos "Gus" Boulis. In due course, Boulis accused Kidan of financial improprieties in the deal.

Not long after that, Boulis was shot in the head – execution style.

And Moscatiello was arrested.

* * * CHAPTER 8 * * *

Adam Kidan was named as a suspect in the murder of Gus Boulis and was questioned, but never charged. Instead, he went to jail for his dealings with Jack Abramoff, the disgraced Washington lobbyist. Moscatiello, the alleged Mafia bookkeeper, was charged with the murder. When he was released on parole, he disappeared. Lately, he has been featured on the popular television program, "America's Most Wanted."

Barberich, chairman of Versicor, said he hardly knew Moscatiello or Kidan, and only got involved as the chief financier of their casino because he'd seen an advertisement in a newspaper. Meanwhile, Jeremy Goldberg left Versicor and "founded" ProQuest Investments, Michael Milken's vehicle for investing in companies that supposedly have treatments for prostate cancer.

Milken is barred from the securities industry, so even though he seems to have been largely responsible for building ProQuest, it is not surprising that he does not appear on ProQuest's website. Goldberg's name isn't listed either. And there are a few other names that disappeared from the website after people began investigating ProQuest.

Among the missing are the names of the people who sit on ProQuest's advisory board of directors. Thankfully, we have screenshots of the fund's website, taken prior to the whitewashing.

The screenshots show that at the time that Dendreon was getting mauled in 2007, ProQuest's advisory board included the following: Jonathan Simons, president and CEO of Milken's Prostate Cancer Foundation; Howard Soule, executive vice president of Milken's Prostate Cancer Foundation; Stuart Holden, medical director of Milken's Prostate Cancer Foundation; William G. Nelson, a doctor who sits on the "Therapeutic Consortium" of Milken's Prostate Cancer Foundation; James Blair, manager of ProQuest affiliate Domain Associates and a board member of Milken's Prostate Cancer Foundation; David B. Agus, a doctor with Milken's Prostate Cancer Foundation; and, finally, a doctor (I'll introduce him shortly) who was the chairman of the "Therapeutic Consortium" of Michael Milken's Prostate Cancer Foundation.

In other words, ProQuest Investments, which is Milken's investment fund (though Milken doesn't tell people that), enjoys remarkable overlap with Milken's "philanthropic" outfit, the Prostate Cancer Foundation.

Which raises a question: What does the Prostate Cancer Foundation do with the money that it solicits from generous people -- not just wealthy donors but also average folks who want to fight cancer and donate what they can?

I do not mean to be dismissive of a philanthropy. I am sure there are well-meaning people who work at the Prostate Cancer Foundation. It has served as a forum for many of the world's leading doctors to exchange information, and it has raised awareness of a terrible disease. All philanthropy, one can argue, is good. And since Milken himself is a prostate cancer survivor, one is inclined to believe that his interest in battling the disease is genuine.

But that might be to underestimate Milken's love of "the game" -- his desire to be a player in the world. It might also be to underestimate the particular world that Milken inhabits. It is a world of people who desire money, yes, but who perhaps desire in greater measure both stature and influence. For stature and influence blind the public and soothe the conscience.

If you are a miscreant, to play "the game" is fun. To play the game and cheat is more fun still. But it is perhaps also as simple as this: the miscreant desires to feel no shame. He wants to be able to say to himself: "I am important. I am prominent. I have the approval of others."

Certainly, Milken has used his "philanthropy" to ingratiate himself with the establishment and the public at large. He is one of the few convicted criminals who has ever returned to "prominence." So, it seems, he has gotten one over on us. He has won. But "the game" is never over. And in the view of *Deep Capture*, winning perhaps matters more to Milken than battling the disease that once afflicted him.

Yes, it's all about "the game."

This might explain why Milken's "philanthropic" outfit snubbed its nose at Dendreon, a company that did not have a cure for prostate cancer, but did boast the most promising new treatment available—a treatment that could have been safely administered to patients right away. This might explain why Milken's Prostate Cancer Foundation instead supported Novacea, a company whose controlling shareholders were Milken's ProQuest Investments and its affiliate. As we will see, Novacea's treatment was more likely to kill patients than save them, but that does not matter when it's all about winning "the game."

To win the game, of course, one must have allies -- preferably miscreants who know a good scheme when they see it. Perhaps that is why Perceptive Advisors, which is an affiliate of Milken crony Lindsay Rosenwald's biotech empire, invested a large sum in Milken's Novacea while serving as one of the seven Milken-network hedge funds that bet big against Dendreon.

As you will recall, Perceptive Advisors didn't just bet big, it also pounded Dendreon by exercising call options, flooding the market with millions upon millions of Dendreon shares. Simultaneously, Milken crony Steve Cohen, whose former top trader was a vice president of Lindsay Rosenwald's Paramount Capital, flooded the market with at least 1.6 million Dendreon shares.

But it's not just about winning the game. It's about the exhilaration of pushing the limits. It's about being brazen – brazen to the extreme; brazen to the point of lunacy – and seeing if you can (ha! ha! ha!) get away with it.

Perhaps that is why Milken's Prostate Cancer Foundation went to extraordinary lengths (delivering money, organizing conferences, dispatching prominent doctors) to promote a mostly untested prostate cancer treatment – a treatment (Abiraterone) that was ostensibly being developed by Cougar Biotechnology, the company that was controlled until recently by the above-mentioned Lindsay Rosenwald, who is not only the son-in-law of the "king of stock fraud," but also a former vice chairman of D.H. Blair – a firm whose president was Michael Milken's former national sales manager; a firm that was tied to the Mafia and indicted on 173 counts of securities fraud; a firm that was best known for fraudulently pumping and dumping biotech companies that had no real medicine whatsoever.

Yes, it's all about "the game."

Perhaps this also explains the strange occurrences that began in the Spring of 2007.

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In the weeks after the FDA's advisory panel meeting on March 29, 2007, there were only three financial analysts on the planet who were giving a "sell" rating to Dendreon's stock.

The first two you have already met. One was the song-singing Sendek of Lazard research, the outfit run by the former head of research at a subsidiary of TheStreet.com, which was co-founded by Milken crony Marty Peretz, short selling hedge funds, and Jim Cramer, the former hedge fund manager turned "journalist."

The second was Jonathan Aschoff, the doctor-impersonating fraud who used to work for Sturza's Institutional Research, a firm that specialized in publishing biased, negative financial research on biotech companies for a network of short sellers that included the likes of Jim Chanos (Sturza's current employer) and Michael Steinhardt (mentor to Chanos; son of the "biggest Mafia fence in America"; partner of Milken co-conspirator Ivan Boesky; and incubator of Jim Cramer's hedge fund).

The third financial analyst who was bashing Dendreon in the spring of 2007 was Maged Shenouda of UBS, the investment bank. Shenouda's arguments against Dendreon matched almost precisely those of Aschoff and the singing Sendek, both of whom we have shown to be part of the Milken network. So it is probably significant that Shenouda's boss, the president of UBS investment banking, was (until March 2007) Ken Moelis, who had once been a trader for Michael Milken's operation at Drexel, Burnham, Lambert. Indeed, Moelis had been one of Milken's most trusted and favored employees.

While this protégé of Milken was president of UBS, the company became one of the most crooked banks in the world. According to the Department of Justice, for example, UBS "systematically and deliberately" violated U.S. law by recruiting Americans looking to evade taxes. But, of course, it was not ordinary

Americans who hid their money at UBS. It was only the wealthiest of people, including hedge fund managers, who stashed billions upon billions of dollars in secret accounts at UBS, while perhaps taking advantage of the bank's other "services" as well.

Was one those "services" illegal naked short selling? In 2006, the Louisiana attorney general filed court documents to compel UBS to hand over records that would help answer that question. Specifically, the attorney general suspected that UBS had, along with Refco, processed phantom stock for Rhino Advisors, the hedge fund whose manager became a fugitive from U.S. law, living in Austria, his money undoubtedly stashed in secret bank accounts, after his "unbridled" criminal naked short selling destroyed companies that had been hobbled by fraudulent "death spiral" PIPEs deals, many of which were brokered by Milken crony Carl Icahn's Ladenburg Thalmann.

In March of 2007, when Dendreon's prostate cancer treatment appeared to be on the fast track to FDA approval, and a UBS research analyst was trashing Dendreon, another interesting event was unfolding. Specifically, Mitchel Guttenberg, who had sat on an elite 12-member committee that signed off on the contents of UBS's financial research, had just been arrested by the FBI.

Prior to joining UBS, Guttenberg had not had a distinguished career. He started out in Wisconsin, where regulators determined that he was trading without a proper license. Later, he worked at a second-tier bank called First Albany and put in time at Axiom Capital, a firm that was once censured by the NASD for publishing false financial research on biotech companies. (More recently, one of Axiom's brokers was charged with systematically defrauding mentally handicapped elderly people).

Moelis, the Milken protégé who was president of UBS, stacked the bank with his cronies, many of them former Milken employees, and had a propensity for hiring and promoting people who were a bit rough around the edges. For example, it would have been Moelis who promoted Guttenberg to the elite committee that signed off of UBS's financial research.

Soon after joining UBS's financial research committee, according to the DOJ, Guttenberg began illegally providing inside information about the contents of soon-to-be released UBS research reports to a circle of hedge fund managers and traders. Two of the traders who profited from Guttenberg's tips worked for a hedge fund called Chelsey Capital. Previously, the SEC had investigated Chelsey Capital and a hedge fund called GLG Partners for paying investment banks bribes (in the form of preposterously large commissions) in exchange for privileged access to initial public offerings.

It is clear that GLG Partners (and perhaps, by extension, also Chelsey Capital) is a member of the network of hedge funds that is the subject of this story. Thanks to a lawsuit that Canadian insurer Fairfax Financial filed against SAC Capital (run by Milken crony Steve Cohen); Kynikos Associates (run by the above-mentioned Jim Chanos), and other hedge funds in their network, *Deep Capture* has acquired copies of emails that Jim Chanos sent to GLG Partners. While it is difficult to tell from these emails whether GLG participated in the network's attack on Fairfax, Chanos certainly communicated with GLG about the status of that attack.

In March, 2007, when Mitchel Guttenberg (the member of UBS's elite 12-member financial research committee) was arrested, the SEC stated that Guttenberg was at the center of "one of the most pervasive insider trading rings since the days of [Milken co-conspirator] Ivan Boesky…." A few days later, Moelis, the Milken protege, resigned from UBS to start his own investment bank.

A few months after that, French authorities busted another UBS insider trading ring, this one including UBS subsidiary UBS O'Conner; the above-mentioned GLG Partners; and a hedge fund called Meditor Capital. At the time, one of Meditor's top traders was Andrew Billet, formerly of SAC Capital (the hedge fund run by Milken crony Steve Cohen, who was one of the seven "colorful" traders who held large numbers of put options in Dendreon).

This connection would not be worth mentioning except for the fact that Steve Cohen is known to include his former employees in his nationwide trading network, and in 2007, Meditor's trading tended to run parallel to that of Cohen's hedge funds. Indeed, Meditor's biggest share purchases were in biotech companies – Onyx Pharmaceuticals, Vion Pharmaceuticals, Atherogenics, and Cypress Bioscience -- that were also targeted by Cohen's SAC Capital.

Moreover, in April, 2007, right before some strange occurrences were to derail Dendreon, Meditor purchased 1.6 million shares in Novacea, the company whose controlling shareholders (Michael Milken's ProQuest and Domain Associates) must have known, for reasons that I will describe, that they would make money on their investment in Novacea *only* in the event that Dendreon's treatment for prostate cancer failed to go to market.

Aside from Meditor Capital, there was, in the spring of 2007, only one other hedge fund that made a major investment in Milken's Novacea – a company whose prostate cancer treatment, we will see, had no chance of reaching patients anytime soon. The second hedge fund was Perceptive Advisors, managed by an employee of Paramount Capital, whose vice president was formerly one of Steve Cohen's top traders.

Perceptive Advisors, we know, was one of the seven "colorful" hedge funds that held large numbers of put options in Dendreon. And Paramount Capital was owned by Lindsay Rosenwald, the Milken crony who controlled Cougar Biotechnology, another Dendreon "competitor" that (with support from Milken's Prostate Cancer Foundation) claimed to have a treatment for prostate cancer, though that treatment had almost no data showing that it could be safely administered to patients.

So we can begin to see a pattern – a pattern that is all the more interesting when you consider the strange occurrences that began in April 2007.

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I will get to those strange occurrences in a moment. But first let's learn a bit more about that first UBS insider trading ring -- the one that was busted in March 2007, when a UBS researcher was bashing Dendreon.

In addition to the Chelsey traders, the ring included two other miscreants – David Glass and David Tavdy, both of whom received advance notice of the contents of UBS's financial research. Tavdy, described as a "scrappy" Russian immigrant, was a close friend and former First Albany co-worker of Mitchel Guttenberg, the fellow who was a member of UBS's elite financial research committee. Tavdy earned a fortune from his trading, but apparently unsatisfied, he had painted on his expensive, high-speed motor boat the name, "Enough is Never Enough."

Glass had previously spent most of his career at Sterling Foster, which was one of the first brokerages shut down by the FBI when the bureau began its crackdown on Wall Street outfits believed to be tied to the Mafia. Glass quit his job at Sterling Foster right before the FBI raided the firm and arrested 20 of its brokers. Later, Glass helped a close friend write the script for "Boiler Room," the successful movie about a brokerage that specialized in ripping off investors.

Glass was the first one busted for his role in the UBS insider trading ring. The FBI promptly strapped him with a wire and dispatched him to record a conversation with a Wall Street player named Larry McKeever, who had said that he was going to expose the UBS insider trading ring to the authorities unless Glass paid him a large sum of money.

In the course of this conversation, Glass mentioned Tavdy and Tavdy's close friend, Mitchel Guttenberg, whom Milken crony Ken Moelis had promoted to UBS's financial research committee, putting him in a position to illegally disclose the contents of upcoming UBS research reports.

Specifically, Glass told McKeever that the attempted bribe wasn't a good idea because Guttenberg and Tavdy might find out about it. Glass was especially careful to warn McKeever about Tavdy. As Glass put it, Tavdy "probably knows the name of Larry McKeever."

In response, McKeever said of Tavdy: "Listen, Glass, I kid you not—he's a fucking dead man. I don't give a fuck if he's tied into the Russian mob or whatever. I'll find that cocksucker, mark my words. My lips to your ears. He don't know my name."

At this point, McKeever appeared to have had second thoughts about issuing threats to Tavdy, a guy who might be tied to the Russian mob.

McKeever nervously added, "How does he know my name?"

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In March 2007, after the FDA advisory panel voted in favor of Provenge, the singing Sendek, the doctor-impersonating Aschoff, and the fellow from UBS's troubled research shop were the only three financial analysts in the world who were dismissive of Dendreon's prospects. But it is interesting to see what a determined public relations campaign can accomplish.

Dendreon's treatment was the first-ever vaccine for cancer. It was the first-ever promising substitute for the ravages of chemo. And it was the first-ever cancer therapy that could target and boost the immune system. Although the data suggested that it did not prevent the inevitable end in some patients, but merely forestalled it, the treatment was truly revolutionary and seemed to have the potential to save a lot of people. So one might have expected some media excitement.

But Dendreon was a small company that did not understand how "the game" worked. The whispering hedge funds, along with their proxies -- the song-singing, doctor-impersonating analysts – were more sophisticated. So the press reports on Dendreon were few in number. And most of them featured Sendek, Aschoff, or the UBS fellow voicing their party line that Provenge was "dangerous" – that the data was insufficient, that there were better drugs in the pipeline. And as the days went by we heard more and more about this strange notion that the Provenge advisory panel had asked the "wrong question" – that the FDA might have to "change the question."

Dendreon's enemies repeated their "talking points." They stayed "on message." They manufactured the news, and the news was that the FDA just might reject Dendreon's application. It went unmentioned that the FDA had never in history rejected a drug for dying patients after its expert advisory panel had voted for approval.

But despite the weird news reports, Dendreon's stock price continued to soar.

And so, the hedge funds continued to pile on. Call options (such as those exercised by the above-mentioned Perceptive Advisors) were exercised in mass. And millions upon millions of phantom shares continued to flood the market. By April 10, Forbes magazine was reporting that Dendreon, a company that then had a market cap of just under $2 billion, had become one of the top three most heavily traded stocks on Wall Street – beating out Microsoft, Cisco, and Seagate Technologies.

On April 12, Jim Cramer tried to explain away the increase in the stock price. He told CNBC's audience that they were witnessing a short "squeeze," – the stock price was soaring as short sellers scrambled to buy shares to cover their positions. Cramer added that he was aware of one hedge fund manager who had failed to buy counterbalancing call options at an effective strike price. This was probably a reference to Edelman at Perceptive Advisors. In any case, Cramer seemed to be saying that it was just a matter of time before the stock price would crash again.

Cramer was right about that. But there was no short "squeeze" – the short sellers were not covering their positions. To the contrary, they were growing their positions -- exponentially. On April 4, 2007, around 3 million Dendreon shares were sold short. The next day, the number of shares sold short quadrupled – to 13 million. And more than 10 million shares were sold short every day leading up to April 12.

It is a safe bet that these short sellers *knew* that something was going to crack Dendreon's stock price.

And sure enough, on April 13, Dendreon witnessed the first of some singularly strange occurrences, to which we may, at last, turn.

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Late that day – April 13 – a newsletter called The Cancer Letter published a presumably confidential letter that Dr. Howard Scher of the Memorial Sloan-Kettering Cancer Center had written to the Food and Drug Administration. Dr. Scher was one of the 17 doctors who had sat on the FDA's advisory panel, and his letter -- which was addressed to an FDA deputy commissioner and cc'd to then FDA Commissioner Andrew von Eschenbach and an FDA official named Richard Pazdur – argued vehemently that Dendreon's prostate cancer treatment should not be approved.

This was strange for numerous reasons. For one, it was unprecedented for a doctor to lobby the FDA after an advisory panel had already voted on a treatment. Doctors who are contracted by the FDA to judge a treatment for a life threatening disease voice their opinions during the advisory panel meeting. At the end of the meeting, they are invited to vote on two questions: Is the treatment safe? And, is there "substantial evidence" that the treatment might improve the health of patients? The vote is considered final. When it's done, the doctors are expected (as we will see) to go home and keep their opinions to themselves.

When Dendreon supporters and prostate cancer advocacy groups--including Care-To-Live, a heroic organization that has done much to publicize Dendreon's travails--saw Dr. Scher's letter, they asked Francesco Marincola, a doctor who had sat on the Provenge advisory panel, to write his own letter in Dendreon's defense. Dr. Marincola declined. He said, "As you may well infer…I share many of your opinions. However, I strongly believe that my role as a member of the advisory board is to express my opinion during the meeting [and that] it would be ill advised to influence the FDA decision beyond that point."

Dr. Marincola added: "If it is true (which I doubt) that some other member of the board contacted the FDA afterwards, it is beyond my control. But my personal opinion is that my credibility as a member of the board will be better preserved if I give my impartial opinion at the time of the meeting and let the FDA do their work afterwards."

This, said Dr. Marincola, was a matter of preserving the "integrity of the process."

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The second thing strange about Dr. Scher's missive is that, within days, it ended up in the hands of The Cancer Letter, a publication whose subscribers include a significant number of Wall Street investors. FDA employees are forbidden to discuss the merits of medical products in public, and one big reason is that news of such discussions can profoundly affect stock prices.

The publication of Dr. Scher's letter was reminiscent of an event that had made The Cancer Letter famous in the world of biotech – an event that had established The Cancer Letter's reputation as an organ of short selling hedge funds. That event was the FDA's 2001 decision to deny approval of a cancer drug that had been developed by a biotech company called ImClone.

News of the ImClone decision was made public not by the FDA. Somebody had inside information that the FDA was going to reject ImClone's cancer treatment, and that somebody leaked the information to The Cancer Letter, which published it with great fanfare. In the days prior to the publication, short selling in ImClone increased dramatically. Meanwhile, ImClone executives and their friends offloaded their shares.

One of those friends was Martha Stewart, who was then known for her all-American, home lifestyle products. Stewart was accused of trading on her inside information about the FDA's ImClone decision. Ultimately, she went to jail for obstructing the DOJ's investigation into her actions.

Others were more fortunate. A Congressional investigation into the ImClone affair produced phone records that showed who had called ImClone in the days before the FDA's decision was made public by The Cancer Letter. These records show that on December 27, 2001, ImClone received phone calls from three hedge fund managers. Presumably, these three hedge fund managers had gotten wind of the imminent story in The Cancer Letter, and were calling to discuss.

It should surprise nobody that these hedge fund managers were all members of a particularly colorful Wall Street network. One of the three hedge funds that called ImClone that day was Ziff Brothers Investments. That, remember, is the fund that incubated the trading empire of Jim Chanos, who is now under investigation for trading ahead of reports issued by financial research firm Morgan Keegan. Dirk Ziff, as you will recall, was introduced to Chanos by Michael Steinhardt (Milken crony; Boesky partner; son of "the biggest Mafia fence in America") and by Ziff's Harvard Professor, Marty Peretz (Steinhardt partner; Boesky crony; Milken pal).

The second hedge fund that called ImClone that day was SAC Capital, run by Steve Cohen, the Milken crony who is "the most powerful trader on the Street." As you will recall, Cohen is a Chanos collaborator (both received and communicated about advanced copies of the same Morgan Keegan reports, and they have frequently employed the same tactics, and the same thugs, to attack the same companies). As you will also recall, previously Cohen was the top earner at Gruntal & Company, a Mafia-linked brokerage that owed its existence to Milken's junk bond finance. While there, he was reportedly investigated for trading on inside information provided to him by Milken's people at Drexel Burnham Lambert.

The third fund manager who called ImClone that day was Carl Icahn, the Milken crony who founded the options department at the Mafia-linked Gruntal & Company before becoming a billionaire by brokering "death spiral" PIPEs financing in cahoots with criminal naked short sellers, and by blackmailing companies with finance from Milken and the Mafia-connected Zev Wolfson.

The Congressional investigation notwithstnding, it is difficult to know whether these three fund managers acted on the secret ImClone information that The Cancer Letter made public soon after they called ImClone. We don't know because the SEC does not require hedge funds to disclose their short positions, as they do their long holdings.

Short positions are, after all, a big secret.

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We do know that in the days leading up to The Cancer Letter's publication of Dr. Scher's letter, short selling of Dendreon's stock increased dramatically. Indeed, as mentioned, short selling of Dendreon quadrupled on April 5, the day before Dr. Scher emailed his confidential letter to the FDA.

At the same time, criminal *naked* short sellers churned out more phantom stock. SEC data shows that at least 9 million shares "failed to deliver" on April 10. Since "failures to deliver" are recorded three days after the phantom stock was sold, this means that massive amounts of naked short selling occurred on April 5. On each day leading up to April 13, the day that Dr. Scher's missive was published in The Cancer Letter, between 9 million and 12 million phantom shares “failed to deliver”. On April 10, Dendreon’s stock was trading at its high of around $25. By April 12, the day before The Cancer Letter’s “scoop,” the stock had already nosedived to around $18.

This trading was strange. And as mentioned, Dr. Scher’s letter was strange.

It wasn’t just that Dr. Scher’s lobbying of the FDA was unprecedented and an affront to the “integrity” of the drug approval process. And it was not just that his letter to the FDA quickly appeared in The Cancer Letter (just as The Cancer letter had made public the FDA's decision about ImClone). And it was not just that short selling hedge funds clearly knew that Dr. Scher’s letter was in the works.

It was that Dr. Scher's letter precisely echoed the party line that had been put out by the whispering hedge funds, the song-singing Sendek, the UBS researcher, and the doctor-impersonating Jonathan Aschoff.

Like the Wall Street analysts, Dr. Scher said that Provenge had failed to meet its “primary end-points in two clinical trials” -- that the data was not absolute “proof” that Provenge worked. And just as Aschoff had told journalists that it would be “dangerous” to approve Dendreon, Dr. Scher argued that the FDA would be somehow setting a dangerous precedent by approving a new standard of treatment.

Dr. Scher’s letter was also reminiscent of that Dendreon conference call, when the singing Sendek asked, over and over, whether the advisory panel had asked the “right question” and whether the FDA might have to “change the question.” Now Dr. Scher, too, was suggesting that the advisory panel had somehow been a sham – that it had “changed the question” regarding the efficacy of Provenge. Since the panel had voted on the wrong “question,” Scher argued, the panel’s overwhelming endorsement of Provenge should be disregarded.

It seemed that Dr. Scher, who is one of the most prominent cancer doctors in America, was parroting the medical wisdom of Wall Street goons. Either that, or the goons were parroting Dr. Scher. Whichever the case, and whatever their motivations, Wall Street miscreants and a prominent FDA-contracted doctor were now working in parallel to quash a promising treatment for prostate cancer.

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Here’s another factoid about Michael Milken’s ProQuest Investments. As I mentioned, ProQuest whitewashed its website, so that it no longer identifies the directors of its advisory board. Screenshots from the past allowed me, in a previous section of this story, to tell you who most of those directors were as of Spring, 2007. But there is one ProQuest Investments director whom I have not yet identified by name.

This ProQuest Investments director is a doctor. And his name is Howard Scher.

That is correct: Dr. Howard Scher, who sat on the advisory panel that voted on the merits of Dendreon’s prostate cancer treatment, and then trashed Dendreon’s treatment in a letter to the FDA (an unprecedented lobbying effort after an advisory panel had voted), was also a director of Michael Milken’s ProQuest Investments. In fact, Dr. Scher was not just a director of ProQuest, he was also an executive of the fund, which likely means he stood to profit from its investments.

(l to r) Dr. David Solit, Tommy Lasorda, Dr. Howard Soule, Dr. Howard Scher and Michael Milken

Dr. Scher was, moreover, the chairman of the "Therapeutic Consortium" at Michael Milken's Prostate Cancer Foundation. He also received unknown amounts of money as the lead investigator of Asentar, the prostate cancer treatment that was being developed by Novacea, whose controlling investors were Milken's ProQuest Investments and its affiliate, Domain Associates. Meanwhile, Dr. Scher was a paid member of the advisory board of Cougar Biotechnology, the Dendreon competitor that was controlled by Milken crony Lindsay Rosenwald, formerly of the Mafia-connected pump-and-dump stock fraud shop D.H. Blair.

It is bad enough that the world's foremost financial criminal, Michael Milken, stood to profit from the demise of a promising prostate cancer treatment. It is disconcerting to know that Lindsay Rosenwald, a Mafia-connected Milken-crony with a record of destroying real companies and creating fake companies, is among the biggest biotech players in the nation – a player who controls 8% of the world's pharmaceutical firms. It is unsettling to know that this Milken crony and those seven Milken-network hedge funds with large numbers of put options were intent on seeing Dendreon fail.

But somehow, the saddest news of all is that Dr. Scher took unprecedented steps to derail a competing treatment that could have extended the lives of a great many men. Dr. Scher is one of the most prominent physicians in America. He is considered one of the world's foremost experts on prostate cancer. His opinions matter. His advice is heeded. It is likely that at some point Dr. Scher believed that other treatments were superior to Dendreon's, but somewhere along the line, he seems, at least to some extent, to have let his motives become mixed in with his incentives.

Given his deep connections to Milken's ProQuest Investments, to Novacea (the company controlled by ProQuest and an affiliate) and to Dendreon's other competitors (such as Cougar Biotechnology), Dr. Scher probably should not have sat on the FDA advisory panel that voted on whether Dendreon should be approved. He certainly should not have been lobbying the FDA. He should not have trashed Dendreon's treatment, for as he must have known, due to these other relationships, he could no longer claim to be an objective observer.

He had what they call…well, in more innocent times, they called it a "conflict of interest"

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Maybe we should not be too hard on Dr. Scher. I am reminded of a story that I once reported for Time Magazine in Asia, about a network of Mafia-connected stock brokerages that had set up shop in Bangkok, Thailand in order to avoid the FBI "Mob on Wall Street" crackdown that had led to Operation Uptick in 2000. The owners of the brokerages were bad guys (there was a point where they nearly began murdering each other in the streets of Bangkok), but they had become quite prominent in some business circles. They were also generous "philanthropists."

The bad guys gave especially large sums of money to a priest who was famous for the wonderful work he had done to help people in Bangkok's most dire slums. The priest was, of course, grateful for the contributions, and he used every opportunity to speak highly of his benefactors. Even when the bad guys were charged with crimes – even when they became fugitives from the law – the priest spoke quite strongly in their defense. He simply refused to acknowledge that the criminals were anything other than "prominent" businessmen and "prominent" philanthropists.

The priest was not a bad man. He was as good as they come. But he had received so much money – and he had deployed this money to so much good purpose – that he was inclined to continue working with the criminals.

The famous priest should have condemned the miscreants. He was an important voice of moral authority. But by the wonders of human psychology, he believed, quite genuinely, that the criminals had done no wrong. We call this phenomenon "deep capture." The priest had been "captured" by the criminals. His judgment was clouded.

Perhaps Dr. Scher was a priest of the medical community. Michael Milken's Prostate Cancer Foundation had donated tens of millions of dollars to Dr. Scher's hospital, Memorial Sloan-Kettering (a hospital, it should be noted, by way of disclosure, that has also received significant donations from the family of *Deep Capture* reporter Patrick Byrne, whose cancer was successfully treated there). With support from the Prostate Cancer Foundation, Dr. Scher and Memorial Sloan have been able to continue their research into experimental treatments that perhaps will one day help patients.

No doubt, Dr. Scher was grateful for this generosity. No doubt, he was earnest about his Milken-financed investigations and believed that he was contributing to the advancement of science. Meanwhile, Milken and his foundation had become quite "prominent" players in the fight against prostate cancer. Indeed, it is fair to say that Milken, more than anyone, had come to dominate the prostate cancer establishment. Nobody had more influence. So, in Dr. Scher's view, it perhaps made perfect sense to collaborate with this criminal. As his collaboration grew, he perhaps became inextricably tied to the work – not just financially, but also emotionally.

The phenomenon of "deep capture" is indeed pervasive. And it is pervasive because it can swallow anyone – even those with the best of intentions.

That said, Dr. Scher's letter to the FDA was not merely the work of an earnest but "captured" physician. As we will see, it was conniving. It trashed Dendreon in a manner that was patently dishonest, and exaggerated the promise of a treatment (the one under development at Milken's Novacea) that would soon be shown to be ineffective.

Unwittingly or not, Dr. Scher aided the machinations of the criminal Michael Milken. And as we will see, there are good reasons to suspect that those machinations were not about philanthropy or fighting cancer, or even about investing in companies that had genuine value.

The machinations were about destroying a good company so that Milken and a network of hedge funds could make a big bundle of money.

* * * CHAPTER 9 * * *

Dr. Scher's letter makes clear that his concern about Dendreon was not, strictly speaking, that it didn't work, but that it would render irrelevant his work on Novacea's competing treatment, Asentar. A new phase 3 trial to test the effectiveness of Asentar (referred to in the letter by its medical name, DN-101) had been "designed, initiated and continues to accrue," Dr. Scher wrote. "I am the International Investigator on this trial."

Nowhere in his letter (and nowhere in the conflict-of-interest waiver form that he submitted in order to get a seat on the FDA advisory panel that voted on Dendreon's treatment) did Dr. Scher mention that he was not just the lead investigator in the Asentar trials, but also a board member and executive of Milken's ProQuest Investments, which was, along with affiliate Domain Associates, the biggest investor in Novacea, the company that was developing Asentar.

Also left unmentioned was the fact that Dr. Scher was the chairman of the "Therapeutic Consortium" of Milken's Prostate Cancer Foundation. The "Therapeutic Consortium" helps Milken's "philanthropic" outfit decide which treatments and hospitals deserve its support. It is clear that the Prostate Cancer Foundation's donations to hospitals such as Dr. Scher's Memorial Sloan are linked to the hospitals' support of specific treatments being developed by specific Milken-affiliated companies.

For example, in one typical press release, the Prostate Cancer Foundation stated that the "Therapeutic Clinical Investigation Consortium [the Milken Prostate Cancer Foundation outfit of which Dr. Scher is the chairman] played an important role by accelerating testing of this new agent [Abiraterone, the agent developed by Milken crony Lindsay Rosenwald's Cougar Biotechnology] in Phase II clinical trials…Right now, at MD Anderson and Memorial Sloan-Kettering, both NCI funded cancer centers, the Phase III trials of Abiraterone [Cougar's treatment] are going on. PCF contributions to Sloan-Kettering reached $18 million to date, possibly more…"

In other words, Milken raised money from unsuspecting donors, including the ordinary folks who slipped cash into the buckets that the Prostate Cancer Foundation places outside of supermarkets and shopping malls. Then Milken, with the support of Dr. Scher, directed that money to Dr. Scher's hospital, with the understanding that Scher and his hospital would attach their prominent names to drugs developed by companies in which either Milken or Milken's friends were investors.

Keep in mind that the prostate cancer drugs developed by Milken-affiliated companies were in the earliest stages of development – there was not yet much evidence that they could help patients. But, as we will see, there was lots of potential for them to make money for Milken and his friends.

Meanwhile, when Dendreon produced "substantial evidence" that its treatment could begin extending lives right away, the Prostate Cancer Foundation and affiliated doctors diverted attention from the treatment, and (in the case of Dr. Scher) worked vigorously to ensure that the treatment would not reach patients.

This is not exactly "philanthropy" in its purest form.

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Remember, on March 29, 2007, when Dr. Scher sat on the FDA's advisory panel, he was one of the 17 doctors who voted unanimously that Dendreon's treatment was safe. And two weeks later Dr. Scher wrote a letter to the FDA in which he argued that the treatment should not be approved.

As mentioned, this letter was strange in that it was unprecedented for an FDA-contracted doctor to lobby the FDA after an advisory panel had already voted. It was strange in that the presumably confidential letter was quickly published by The Cancer Letter, an outfit with a reputation for being an organ of short selling hedge funds. And the letter was strange in that it was disingenuous, to the say the least.

For one, Dr. Scher seemed to have changed his mind with regards to the safety of Dendreon's treatment.

In his letter to the FDA, he noted that the advisory panel had discussed the fact that Dendreon's trials showed that 4.9% of patients treated with Provenge had experienced "cerebrovascular events" compared to 1.7% of patients who were given a placebo.

The panel's 17 doctors, Scher included, had voted unanimously that this was an acceptable risk for patients with a deadly disease – especially since, in other regards, Provenge appeared to be perfectly safe. But now Scher was insisting in a letter to the FDA that these rare "cerebrovascular events" (few of which were fatal) were worrisome enough to deprive end-stage prostate cancer patients of a treatment that might extend their lives.

But Dr. Scher's "cerebrovascular events" argument was not new. It was precisely the same canard that had been delivered to the press by those dubious Wall Street players -- the singing Sendek, and doctor-impersonating Aschoff, the troubled UBS, and the whispering hedge fund managers.

As to the effectiveness of Provenge, Dr. Scher averred in his letter that Dendreon had not met its "primary end-points" and the data was "not considered definitive." He insisted that the treatment be delayed until Dendreon could provide "proof" that Provenge extended lives.

This was absurd. As Dr. Scher must have known, rarely in history has data on an experimental treatment shown definitive "proof" that the treatment works in every case. Instead, the legally established criteria for FDA approval (especially of treatments for life-threatening diseases) is that the data show "substantial evidence" that the treatment improves the health of patients. Neither medicine nor science progresses by "definitive proof".

Even if trials do not meet their "primary end-points," the FDA usually approves treatments for deadly diseases if the odds are good that the treatments increase survival. The odds might not be 100 percent, but if they are 98 percent, or even 51% percent, the treatment should be delivered to patients who will otherwise die. This criteria – "substantial evidence" of increased patient survival – is referred to as "the Gold Standard" by FDA officials and doctors everywhere.

In any case, "it may be time we focus less on statistical significance, and more on patient benefit." So said Dr. Scher himself, in an interview with a medical journal, just a few weeks before he wrote a letter to the FDA harping on Dendreon's statistical significance. Most likely, Dr. Scher was thinking about his trials of Asentar (the drug under development by Novacea, which was controlled by Milken's ProQuest Investments and an affiliate) and Abiraterone (the drug developed by Milken crony Lindsay Rosenwald's Cougar Biotechnology). These trials had not yielded particularly good results.

In fact, as we will see, Asentar was not just unhelpful to patients. During trials of the treatment, patients dropped dead. They dropped dead earlier than expected. And, as Novacea later acknowledged, the cause was clear: Asentar actually *killed* a significant number of people who were hoped to benefit from it. Provenge increased "cerebrovascular events" in a small number of patients, but patients on Asentar died in such large numbers that Novacea had to discontinue its trials of the drug.

The question is: Did Milken's Prostate Cancer Foundation, Dr. Scher, and the Wall Street hedge funds really believe that Asentar and Cougar's Abiraterone were superior to Provenge when they began their attack on Dendreon? Or were their attacks motivated by their financial interests?

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It was not necessary for Asentar to receive FDA approval in order for Milken's ProQuest to make heaps of money from its investment in Novacea. As we will see, the Milken clan had hatched a plan to cash in on their Novacea stock, regardless of what the FDA had to say about the company's prostate cancer treatment, and regardless of whether that treatment would eventually kill an unacceptable number of people.

Same goes for Cougar Biotechnology's investors, who included not just controlling shareholder Lindsay Rosenwald (son-in-law of "king of stock fraud," executive of Mafia-affiliated D.H. Blair, a firm indicted on 173 counts of securities fraud and famous for pumping phony biotech companies), but also two of the seven Milken network hedge funds that were betting big against Dendreon. Cougar's treatment, supported by Milken's philanthropy and by the four Prostate Cancer Foundation doctors who sat on Cougar's advisory board, was virtually untested, but as we will see, this did not prevent the company's investors from cashing in.

When Dendreon came under attack, similar plans to cash in had been hatched by investors in a company called Cell Genesys, whose experimental (and, we will see, ineffective) treatment was promoted in a most peculiar fashion (which I will describe in due course) by Milken's Prostate Cancer Foundation.

Investors in those companies did not need FDA approval to make money, but as we will see, their money-making plans would have been foiled if Dendreon *had* received approval. In reading the transcript of the FDA advisory panel meeting that voted on Provenge in March 2007, one has to wonder if Dr. Scher—who led trials for not only Novacea and Cougar, but also Cell Genesys--knew of these money-making plans, and if this knowledge informed the lobbying he undertook at the panel meeting, and in the days following it.

Among Dr. Scher's more revealing statements at the advisory panel meeting was this: "So if I start thinking, am I denying a potentially useful agent [Dendreon's Provenge] to men who clearly need it, the answer is unfortunately I don't know. So I say, well, what if we think that this really should be available, start thinking about the number of agents that are currently under development."

This is the same message that was whispered in the ears of reporters, who eagerly transcribed it into their stories. If the FDA approved Provenge, they said, it would become the standard of care. This would be unfortunate because other treatments "under development" might be better. One problem with this argument is that it would stop the FDA from approving *any* new drug, *ever*, And in this particular case, another problem with this argument was that there were very few other treatments "under development." And when Dr. Scher referred to treatments "under development," there was little else he could have been referring to other than the above-mentioned Asentar (Novacea), Abiraterone (Cougar Biotechnology), and GVAX (Cell Genesys).

As mentioned, Dr. Scher was connected to all three of those companies. Novacea's Asentar, we know, was killing people. At the time of Dr. Scher's attack on Dendreon, Cougar's Abiraterone had been tested on a total of 38 patients. The data showed that some of those 38 patients saw their blood tests improve, and Cougar Biotechnology trumpeted this information in multiple press releases, but there was zero evidence that Abiraterone increased patient survival. GVAX had been tested on 80 patients, and some of them lived longer, but the data did not yet show "substantial evidence" that GVAX was the reason.

All of these treatments had undergone only Phase 2 trials, whereas Dendreon had completed Phase 3 trials on 170 patients. The data from the Dendreon trials had reached statistical significance, and showed that Provenge reduced mortality. In other words, none of the competing treatments (all financed by Milken or Milken's friends and promoted by Milken's "philanthropic" foundation) had come anywhere close to achieving results like Dendreon's.

But Dr. Scher was insistent – "a number of alternatives" [those "alternatives" being drugs under development by Milken and his cronies with the assistance of Dr. Scher and Milken's 'philanthropy', drugs that would prove, in time, to be inferior] were "currently under development." And so patients must not have access to Dendreon's drug – a drug that was capable of saving lives right away.

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To understand the lengths to which some people went to derail Dendreon, it is necessary to recall the Dendreon conference call, when the singing-Sendek kept asking whether the FDA might have to "change the question." Others on Wall Street were whispering about "the question," the press transcribed into their stories these same whisperings about "the question," and Dr. Scher made "the question" a key feature of his letter to the FDA. All of them suggested that the FDA advisory panel vote was invalid because the 13 panelists who had voted that Provenge worked had, in fact, voted on the "wrong question."

The transcript of the Dendreon advisory panel meeting clarifies what was meant by all of this questioning of the "question". As noted, advisory panels are always asked to vote on two questions: Is the treatment safe? And, is there "substantial evidence" that the treatment is effective?

This is not just custom. It is the law of the land. The 1962 Kefauver Harris Drug Amendments, ratified by the U.S. Congress, stipulated that manufacturers of drug products must establish a drug's effectiveness by "substantial evidence."

On the first question, "Is the treatment safe?" the advisory panel had voted "yes", 17-0. Those 17 included Dr. Scher (though, as has been explained, within weeks he was lobbying the FDA by raising doubts as to the safety of Provenge).

The second question to be addressed was, therefore, "Is there substantial evidence that the treatment is effective?" Dendreon had clearly met this standard – the "Gold Standard" of providing "substantial evidence" of increased survival.

But remarkably, somebody at the FDA advisory panel meeting rewrote the "question." The chairman of the panel read the question out loud: "Does the submitted data establish the efficacy of [Provenge] in the intended population?"

Immediately, there was confusion. This was not the usual question. Did "establish the efficacy" mean that the panelists had to vote on whether the data had proved, with 100% conclusiveness, that Provenge extended lives? No experimental drug had ever faced such a standard.

Dr. Scher interjected to say that Dendreon's trials had failed to meet their "two primary end-points." To this, the FDA's representative on the panel, Cecilia Witten, remarked that the FDA was aware that the trials failed to meet its two primary endpoints, but that was not the issue. The issue was whether the evidence suggested that Dendreon's treatment saved lives.

"You know," Witten said. "We're given the application based on survival."

The chairman of the panel resumed with the same question. "Again I'll read it," he said. "Does the submitted data establish the efficacy…?"

Thus began the voting. Dr. Scher quickly voted, "No." So did another physician, Dr. Maha Hussain, and two other doctors. But confusion reigned.

One panelist, a certain Dr. Alexander, said, "So that's – so my vote is, I don't know what you would call that…"

A Dr. Chamberlain said, "Well, so I guess at this point I'm not sure how to answer this question. It's not a yes or no question in my opinion the way it's phrased. With the safety data and with what we've seen, I see no reason not to make this drug available, but I don't think it's 100 percent proven that it's efficacious."

A Dr. Chappell said, "There's a degree of belief, and 'establish' implies much more certainty…you need please, to specify, at least to me, what you mean."

A Dr. Alexander piped in, "Like is it a reasonable doubt, a shadow of a doubt?"

At this, there was a lot of mumbling and some laughter. Finally, the FDA's representative clarified. "Yes," she said, "the regulatory definition is 'provide substantial evidence.' So that's our standard. Is there *substantial evidence* that it works…"

The chairman of the committee responded, “So just to clarify what you’re asking, is there *substantial evidence* that the product is efficacious?”

“Yes,” said the FDA’s representative.

That resolved any doubts, and 13 of the 17 doctors on the panel confidently voted “Yes.” That is to say, when the doctors voted on the correct question – the question that was stipulated by law, as opposed to the question that had been tampered with -- the overwhelming consensus was that Dendreon’s treatment should be approved.

*** * * CHAPTER 10 * * ***

On April 20, three weeks after the advisory panel vote, and one week after Dr. Scher’s missive appeared in The Cancer Letter, Forbes journalist Matthew Herper published a story arguing that there was a good chance the FDA would not approve Dendreon’s cancer treatment outright. “If the agency wants to ask Dendreon for more data, it certainly has some outs,” Herper wrote. “The FDA changed the wording of the question…”

Three days later, Dr. Maha Hussain, one of the panel doctors who, along with Dr. Scher, had quickly voted “No” on the bogus question, wrote a letter to the FDA arguing that Dendreon’s treatment should not be approved. This letter, like Dr. Scher’s, was addressed to FDA commissioners and was presumably confidential. And this letter, like Dr. Sher's, immediately found its way to The Cancer Letter, which posted it just three days after it was written.

Dr. Hussain’s arguments were precisely the same as those employed by Dr. Scher and the whispering folks on Wall Street. “The recommendations for approval…are based on data that can only be characterized as best as ‘suggestive’ of possible benefit,” she wrote. “From the scientific and procedural aspects, in general, it would seem that at the end of the day what should determine a positive verdict in any therapeutic trial is the strength of the evidence as critically reviewed by an Advisory Committee…with clear guidance on *the question* posed to the committee within the framework of the regulatory guidelines and requirements of the FDA for approval.” [Italics mine]

That is, Dr. Hussain—like Dr. Scher, the singing Sendek, and whoever was feeding the journalist Matthew Herper--was suggesting that the FDA panel had voted on the “wrong question.”

Meanwhile, Jonathan Aschoff, the physician-impersonating financial analyst who’d set a target for Dendreon’s stock price to dive to $1.50, was telling journalists that the FDA panel would not have voted to approve Dendreon's treatment if it weren't for the "substantial" rewording of "the question." On April 25, Aschoff issued another damaging report, this one asserting, once again, that the FDA would ignore its panel because the panel had voted on the "wrong question."

By this time Dendreon supporters were busily circulating transcripts showing that the FDA panelists had, in fact, voted on the legal question. The supporters had also discovered Dr. Scher’s ties to Novacea, Cougar Biotechnology, Proquest, and Michael Milken, and began explaining to all and sundry that ProQuest and Novacea would cash in if Dendreon were not approved. Moreover, the supporters had revealed that Dr. Hussain, the second letter writer, had *also* done work for the Milken-invested Novacea, and was a member of the “Therapeutic Consortium” of Milken’s Prostate Cancer Foundation.

On April 26, Matthew Herper of Forbes published another article – this one repeating the arguments in Dr. Hussain’s letter. Herper, who had been told about Scher’s conflicts of interest, had apparently decided to investigate. This investigation seemed to have involved nothing more than asking Dr. Scher if he had any conflicts of interest. In his April 26 article, Herper reported that Scher’s spokesman said “that Scher had nothing to do with his letter leaking [and appearing in The Cancer Letter], and that he knew of no family members who would benefit financially either way if Provenge were approved.”

To reinforce Dr. Scher's credibility, and to make Dendreon's supporters look silly, Herper added that the supporters had alleged that "Scher's wife works for a hedge fund that might be short Dendreon…This is not true. She works in human resources for a nursing home company that could not conceivably benefit materially from any news about Dendreon."

Aside from ignoring Scher's ties to Milken's ProQuest Investments, which would profit handsomely if Dendreon were not approved, Herper misconstrued the information about Scher's wife. The truth was, Dendreon's supporters had revealed that Scher's wife had a cousin, Barry Lafer, who was a hedge fund manager. Phone records legally obtained by *Deep Capture* show that Scher called Lafer, at his office, on April 23, while Herper's article was in the works.

But the main point of Herper's article was that "all this debate" (i.e. the Wall Street whispering and the conjectures of two conflicted doctors) made "Dendreon an even riskier stock than other biotechs." Herper added that according to unnamed "others," Dendreon's "studies do not rise to the level usually required for approval."

Besides being false, this was another way of suggesting that the FDA panelists, all experts in their field, voted in favor of Dendreon because they had misunderstood the standards for approval.

They had been asked the "wrong question."

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On April 29, Bloomberg News reported that Dendreon's shares were being sold at "a record pace" as investors "bet the company's experimental prostate-cancer drug will fail to win approval from U.S. regulators."

Then, on May 4, there was yet another letter. This one was from a University of Washington biostatistician named Dr. Thomas Fleming. It is perhaps noteworthy that Fleming had done work for Gerson Lehrman, an outfit that is owned by former hedge fund managers.

Gerson Lehrman has a remarkable business model which can best be described as "institutionalized bribery." Clients, mostly hedge funds, hire Gerson to put doctors and other experts on the payroll. In exchange for the payments, the doctors agree to provide hedge funds with "insight" (some say they provide inside information) about clinical trials of drugs that are marketed by public companies. The doctors also agree to talk to reporters (and perhaps also to the FDA) about these drugs.

In one famous case that pit generic drug manfuacturer Biovail against Steve Cohen's SAC Capital and other hedge funds in his network, it was clearly established that doctors hired by Gerson Lehrman on behalf of the hedge funds actually lied to reporters (which could well explain, of course, why they were hired).

Like the letters from Dr. Scher and Dr. Hussain, within days of its creation Dr. Fleming's missive miraculously ended up in the hands of The Cancer Letter, which eagerly published it.

"Reportedly Scher felt motivated to write the letter after being kept awake the night following the [advisory panel]," wrote Dr. Fleming. "I also was kept awake the night following the panel."

In addition to knowing about Dr. Scher's sleeping habits, Dr. Fleming shared Dr. Scher's concern that approving Dendron's treatment might derail Asentar, the drug that was being developed by Milken's Novacea. How "could one defend internal consistency at FDA if [Provenge] were to be approved before the [Asentar] trial?" Fleming asked.

By this time, Dendreon's supporters (a rambunctious bunch) were screaming and howling about the dishonesty of those who had suggested that the advisory panel had been asked the "wrong question." So the party line changed a bit. Now it was that the panelists who had voted in Dendreon's favor must have been somehow confused. Dendreon trials did not "provide 'substantial evidence of efficacy', Dr. Fleming wrote. "Rather at best, these trials provide plausibility of efficacy…"

I'll leave it to the reader to parse the difference between "plausibility" and "substantial evidence." But clearly, this letter was yet another strange occurrence.

Four days later – May 8, 2007 -- the FDA told Dendreon that it was, for now, rejecting the company's application for Provenge, a paradigm-shattering vaccine for those terminally ill with prostate cancer.

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The SEC's partial data shows that more than 12 million Dendreon shares "failed to deliver" on Thursday, May 10, 2007. Given that traders are permitted three days to produce stock before their trades are registered as "failures to deliver," it is clear that hedge funds had sold the 12 million shares of phantom stock on Monday, May 7 -- the day *before* the FDA made its decision. This suggests that criminals were aware of this imminent decision. Of course, we do not know who the criminals were because, as far as the SEC is concerned, naked short selling is a big secret.

But we do know that a mere 10 hedge funds held large numbers of put options (a bet that the stock price would fall) as of March 31, a few days *after* the advisory panel's nearly unanimous vote in Dendreon's favor. Obviously, these hedge funds had remarkable foresight concerning a long-shot event (the FDA's decision to go against the overwhelming recommendation of its advisory panel to approve a drug for terminally ill cancer patients).

Seven of those hedge funds belong to a mischievous Wall Street network that is known for such foresight. Several of those seven hedge funds have been implicated in naked short selling infractions. And whenever any of these hedge funds target a company, that company inevitably is victimized by a great deal of phantom stock.

Five of these hedge funds I have already named. All have ties to Michael Milken or his close associates. Some have ties to the Mafia. They are: Bernard L. Madoff Investment Securities, Perceptive Advisors, Millennium Capital, Steve Cohen's Sigma Capital, and Pequot Capital.

In preparation for naming the sixth, we need to hearken back to September 2001, when two airplanes crashed into the twin towers of the World Trade Center, one airplane crashed into the Pentagon, and a fourth dove into a field in Pennsylvania. On the day before that attack, a short seller named Anthony Elgindy called his broker and ordered him to liquidate one of his accounts, giving the explanation that a big event was about to occur. Mr. Elgindy said that on the following day (that is, on September 11, 2001) the market was going to lose two-thirds of its value.

After the 9-11 attacks, that broker notified the FBI of Elgindy's eerie prediction, and the FBI launched an investigation. In the course of this investigation, the government learned that Elgindy had sold massive amounts of phantom stock, and that he routinely blackmailed and threatened companies that he was selling short. The government also learned that Elgindy had ties to terrorist outfits in the Middle East, and for a time prosecutors argued in court that Elgindy had advance knowledge of the 9-11 disaster.

Ultimately, though, Elgindy was convicted and sentenced to 11 years in prison for the more demonstrable crimes of stock manipulation and paying bribes to two FBI officials who fed him information from the FBI's National Crime Information System (one of those FBI agents actually kept Elgindy informed of the progress of the investigation into Elgindy's connection to the 9-11 attacks). In June, 2009, it was learned that the SEC's inspector general had begun investigating SEC officials who are also alleged to have collaborated with Elgindy, either by providing inside information on commission investigations, or launching destructive, dead-end investigations of companies that Elgindy was selling short.

Elgindy, like Bernard Madoff (the Dendreon short and Ponzi schemer who helped write the SEC's rules on naked short selling), is believed to have ties to organized crime. He once worked for a now-defunct Mafia-connected brokerage called Blinder Robinson (known on the Street as Blind'em, Rob-em), and a source close to the Elgindy investigation has told *Deep Capture* that, shortly before Elgindy appeared for sentencing, Russian mobsters forced Elgindy to saw off the tip of one of his own fingers as a reminder not to squeal on other members of his network.

There is evidence – including transcripts of Elgindy's private internet message board – that shows that Elgindy routinely attacked public companies in collaboration with certain hedge fund managers. A significant number of these hedge fund managers were part of the Milken network.

One of them was Jeffery Thorp, whose father once worked with the Genovese organized crime family to develop a method for cheating Las Vegas casinos. The government's investigation of Elgindy eventually led to Thorp, who was charged in 2006 with providing fraudulent "death spiral" PIPEs financing to 22 companies. The SEC's case, one of the rare instances in which the commission has identified a naked short seller by name, makes it clear that Thorp sold massive amounts of phantom stock, ultimately destroying the 22 companies that had received his fraudulent PIPEs.

Recall that similar "death spiral" PIPEs were arranged by Carl Icahn's Ladenburg Thalmann, ending in the phantom stock ruination of more than 20 companies. Icahn is the "prominent" investor who owes his status as a billionaire to Michael Milken and the Mafia-connected Zev Wolfson. Icahn is also the "prominent" investor who, along with Ziff Brothers and Steve Cohen, called ImClone immediately before The Cancer Letter published the "leaked" news of an FDA decision. And Icahn is the "prominent" investor whose Mafia-connected former employee was the last man to see Alain Chalem (a Mafia-connected naked short seller) before Chalem's head was riddled with bullets by Russian mobsters.

Do you still not believe that this network has ties to the Mob? Consider that Thorp's father, in addition to working for the Genovese organized crime family, was the single most important player in the stock manipulation network that Milken operated in the 1980s.

The father, Edward Thorp, ran a hedge fund called Princeton-Newport. The FBI eventually raided that operation, hauling away phone recordings and documents. Thorp was not ultimately charged, but the evidence that the FBI retrieved that day featured prominently in the prosecution's 98-count indictment of Milken. Indeed, people who worked on the case say that the Princeton Newport evidence was far more important to the prosecution than the testimony of Milken's more famous co-conspirator, Ivan Boesky.

Boesky is widely credited with putting Milken away, but actually he provided the authorities with very little information. When asked to provide more, Boesky told the authorities that he feared that he would be killed because Milken had "friends in Las Vegas."

Do you still not believe that people in this network employ precisely the same ruthless tactics? Consider that when the FBI investigated Elgindy, it also stumbled upon a hedge fund called Gryphon Partners. One of Gryphon's portfolio managers, Jonathan Daws, was eventually charged with participating in various short selling schemes hatched by Elgindy and his bribed FBI agent. In pleading guilty, Daws said, "others at Gryphon made trades in some of the relevant stocks, independent of me, and not at my direction." Daws was convicted. No charges were immediately filed against Gryphon.

However, in 2006, the SEC sued Gryphon for providing fraudulent "death spiral" PIPEs financing to 35 companies. Like Thorp and the hedge funds introduced by Carl Icahn's Ladenburg Thalmann, Gryphon provided its PIPEs financing knowing that it would cause stock prices to fall. The hedge fund then hammered the companies with naked short selling, sending their stocks into “death spirals.” Most of the 35 companies were destroyed.

So, at this point in the story, we have identified more than 70 companies that have been vaporized by “prominent” investors, all part of the same network.

At any rate, Gryphon Partners, the Elgindy-connected, PIPEs-financing, 35 company-destroying, SEC-sued, naked short selling “death spiral” finance house, was founded by Reid S. Walker and G. Stacy Smith, , two "prominent" investors who have since gone on to greater things. Messieurs Walker and Smith now run a hedge fund called WS Ventures.

And WS Ventures is the sixth of our seven "colorful" hedge funds that had the foresight to own large numbers of put options in Dendreon at the end of March 2007, just *after* the seemingly fantastic news that the advisory panel had voted overwhelmingly in Dendreon’s favor; and *during* the period when criminal naked short sellers (don’t know who they were; the SEC keeps that a big secret) were pounding Dendreon with phantom stock; and just *before* the disastrous news that the FDA had, for the first time in history, rejected the advice of its own advisory panel to approve a treatment for terminally ill patients.

A few months after that remarkable attack, Dendreon, on the verge of collapse and desperate for money to support its sabotaged prostate cancer treatment, went ahead and signed a deal to receive its first “death spiral” PIPEs finance.

* * * CHAPTER 11 * * *

Who in the government helped sabotage Dendreon? Despite the lobbying by the captured doctors, despite the Wall Street whispering, despite the singing Sendek and the media mimics -- despite all of this, it still seemed likely that the FDA would heed the advice of its advisory panel.

Instead, the FDA told Dendreon that it would not yet approve its treatment -- that the company had to get more data, which would take years, by which time the company could easily run out of money. The FDA handed Dendreon what seemed like a death sentence (and to thousands of prostate cancer patients, it was). This was a strange occurrence. It must have followed from some decision made by government officials in high places.

One official who might have advocated against Dendreon was then FDA Commissioner Andrew von Eschenbach, who was a close ally of Michael Milken. Dr. von Eschenbach was a founding director of Milken’s Prostate Cancer Foundation, and later he was at the forefront of an ultimately unsuccessful effort to convince George Bush to grant a presidential pardon forgiving Milken for his crimes. But it is clear that von Eschenbach was not the only official courted by Milken and his associates.

Long before I came along, an assortment of Dendreon shareholders, prostate cancer patients, honest folks on Wall Street (there are some), and concerned citizens spotted the connections among Milken, ProQuest Investments, and the captured doctors who led the lobbying effort against Dendreon. When the FDA failed to approve Provenge, these folks saw that an injustice had been done, and they hollered loudly. Soon after, a grass roots organization called Care-to-Live was founded to advocate on Dendreon’s behalf.

Care-to-Live (to whom I owe a debt of gratitude for uncovering some of the information that appears in this story) has not only chronicled Dendreon’s travails, but has also labored tirelessly to right the wrongs. It has organized street protests and letter-writing campaigns. It has lodged Freedom of Information Act requests and it has filed a lawsuit against the FDA. In the course of these efforts, it managed to get a hold of various documents and email communications between Dr. Scher (the physician with financial ties to Milken’s companies and “philanthropy”) and officials in the government bureaucracy.

What these documents and emails show is that Dr. Scher and his allies depended largely on support from a mid-level FDA employee and a key employee at the National Cancer Institute, which oversees government funding of cancer initiatives, and has considerable, though unofficial, influence over FDA decisions. Over the years, Milken and his Prostate Cancer Foundation have made great efforts to ingratiate themselves with the NCI, which may be one reason why Dendreon was never able to receive government funding, despite the revolutionary potential of its treatment.

On March 31, 2007, Alison Martin, who was in charge of the prostate cancer division of the National Cancer Institute, emailed Dr. Scher, who was busy crafting the missive that would be published with mysterious immediacy by The Cancer Letter. "Glad to hear letter is being drafted," Martin wrote. "If that [FDA] division's vote suggests [that Dendreon's treatment] be considered for approval, I was wondering if it then could go to ODAC, which is more clinically savvy, i.e. this is just a step in a process."

The "division" whose possible approval of Dendreon's treatment so discomfited Dr. Martin was the FDA's Center for Biologic Evaluation & Research (CBER), which was assigned the task of evaluating Dendreon's application. Martin was suggesting that if CBER were going to approve Provenge, perhaps the matter could be taken to ODAC – the FDA's Oncologic Drugs Advisory Committee, which was led by an FDA official named Dr. Richard Pazdur.

Pazdur has a close relationship with a Washington lobbyist named Samuel D. Turner. Some years ago, Turner, who helps run an organization called the Cancer Leadership Council, led a campaign to have Pazdur appointed as the commissioner of the FDA. Michael Milken supported that campaign. And Milken's advisors, such as Dr. Donald Coffey of the Prostate Cancer Foundation, have collaborated closely with Turner in another cancer lobbying group called C-Change, of which the Cancer Leadership Council is an affiliate.

As a result of this support, Milken and Pazdur have become very close friends.

Some years ago, a U.S. Congressional investigation determined that Pazdur, through his lobbyist friend Turner, had leaked inside information that the FDA was going to reject Erbitux, a cancer drug that was developed by ImClone. As you will recall, that inside information made its way to Martha Stewart, setting in motion the chain of events that landed her in jail. The ImClone inside information also was first published in The Cancer Letter, the same rag that published Dr. Scher's "confidential" letter to the FDA. And, remember, the records of phone calls made to ImClone at that time raise the distinct possibility that funds managed by Milken cronies Carl Icahn, Steve Cohen, and Dirk Ziff also were privy to that information before it was made public.

As an aside, after ImClone's stock crashed on the news, the company was seized by Milken crony Carl Icahn. And soon after Martha Stewart received the inside information, but before she was caught, hedge funds in the Milken network began short selling Martha Stewart's company, Martha Stewart Living Omnivision. One hypothesis that explains the exquisite timing of those hedge funds is that the funds knew Martha was about to be arrested and therefore shorted her company on the assumption that news of her arrest would crash the stock. They may well have been the ones who turned her in. But that is a story for another day.

For now, it merely needs to be emphasized that Pazdur, the FDA official, has unusually close relationships with Milken and some of his cronies. He was a key player in the ImClone scandal, which displays remarkable similarities (such as hedge funds in the Milken network betting with great prescience and insider information mysteriously appearing in The Cancer Letter) to the Dendreon scandal. And with the apparent encouragement of Dr. Scher and Alison Martin at the National Cancer Institute, Pazdur appears to have played a key role in derailing Dendreon's prostate cancer treatment.

Pazdur was not supposed to be the one who decided whether Dendreon's drug was approved. Instead, because the drug is a biologic, the decision rested with the FDA's Center for Biologics Evaluation and

Research (CBER). Nonetheless, Pazdur inserted himself into the decision process. It was at Pazdur's behest that Dr. Scher and Dr. Hussain were, despite their ties to competing companies controlled by Milken's funds and friends, appointed to the advisory panel that voted on Dendreon's application.

As you will recall, Dr. Scher and Dr. Hussain were among the four panelists who quickly voted "No" to the incorrectly phrased question about Dendreon's effectiveness. When the phrasing was changed to the correct, legally mandated question (Is there "substantial evidence" that the drug reduces mortality?) the remaining 13 experts on the panel voted "Yes."

According to eyewitnesses, just as panelists began noticing that there was something strange about the question they were being asked, Pazdur began passing notes to Dr. Maha Hussain, who then attempted to instill further confusion, apparently hoping that the panelists would continue voting on the incorrectly phrased question. Pazdur, who had come to the meeting uninvited and unannounced, also spent a good deal of time conversing with Dr. Hussain, giving the impression that they were working together to devise arguments that might turn the panel against Dendreon.

Curious to know whether it was Pazdur who ultimately derailed Dendreon's application, perhaps even delivering the captured doctors' "confidential" letters to The Cancer Letter – and wondering whether this had anything to do with Pazdur's relationship with Michael Milken -- Care-to-Live, as part of its lawsuit against the FDA, subpoenaed Pazdur's relevant emails and documents. Pazdur responded under oath as follows:

> "I searched both my paper and computer files and was unable to locate any documents that were responsive to Plaintiff's requests. I recall receiving…these letters…However, as these letters related to a specific regulatory application conducted by a different FDA Center (CBER), did not fall under my direct regulatory supervision…I shredded my hard copies of these letters and deleted any electronic copies. The documents were shredded and deleted within a month of receipt."

This response was strange indeed. For one thing, Pazdur seemed to be stating that he had no involvement in the Dendreon decision. If that were the case, what was he doing at the advisory panel meeting? Pazdur's statement also contradicted an earlier statement from the FDA. In response to complaints that Pazdur had participated in a decision that was supposed to be left to the CBER division, the FDA said that he had done so "at CBER's request." Clearly, Pazdur had been involved in the decision, so it was disingenuous for him to state otherwise in his efforts to explain why he had shredded and deleted all the relevant documents.

Moreover, if Pazdur is telling the truth (and not, that is, simply obstructing justice), then Pazdur violated the spirit of various initiatives, including a bill passed in the U.S. House of Representatives and directives from the Archivist of the United States, aimed at ensuring that government employees maintain records of their official business. The reason that government officials are asked to keep good records is that they are sometimes involved in controversies – controversies such as the one that was swirling around Dendreon's FDA application when Pazdur began shredding and deleting so promptly and thoroughly all relevant documents, paper and electronic.

In any case, most of the documents that Care-to-Live requested had been transmitted electronically, meaning that a simple computer excavation could have retrieved them, even if they were deleted. Clearly, Dr. Pazdur had reason not to hand over those documents. Perhaps he was advised not to by his lawyer, who happens also to be the same lawyer who represents The Cancer Letter, the rag that published the "confidential" letters that Dr. Scher and Dr. Hussain wrote to Dr. Pazdur and FDA commissioners.

Fortunately, Alison Martin of the National Cancer Institute did *not* shred everything – she handed over at least some of her documents. And the email quoted above suggests that her plan was to get Dendreon's application out of the hands of the designated authority, CBER, and into the hands of Richard Pazdur. In response to that email, Dr. Scher wrote to Martin that he, too, would try to have Dendreon's application "reviewed by ODAC" (which was controlled by Pazdur). In a follow-up email, Dr. Scher wrote: "Got a minute for quick question related to FDA processes?"

A minute later, Martin responded: "Consider this confidential, please…but I wanted you to know." As to what confidential information she delivered to Scher, that is unclear from the documents received by Care-to-Live. Perhaps the telling documents were also promptly shredded.

But other documents and emails show that by early April, 2007, as the hedge funds were building up their short positions, Martin was fully engaged in helping Dr. Scher draft his letter trashing Dendreon -- the "confidential" letter to the FDA that would be quickly published by The Cancer Letter. Indeed, a copy of a half-edited draft of Dr. Scher's letter was found on *Martin's* computer. And in one email, Martin appears to complain about all the work she has done on this letter. "Maybe you should write a letter, too," she jokes.

So Martin, the head of the prostate cancer unit at the National Cancer Institute, was helping a doctor – a doctor with financial ties to Michael Milken and to a competing, Milken-invested company -- sabotage Dendreon's treatment for prostate cancer. That is, an employee of the federal government was helping a conflicted doctor lobby the federal government.

As news of this started to reach Dendreon's supporters, Martin left her job at the National Cancer Institute. Soon after, she was appointed president and chief executive officer of the Melanoma Research Alliance (where one can safely suppose her compensation exceeds her previous government salary).

The Melanoma Research Alliance was a brand new "philanthropic" outfit. It had just been set up by a "prominent philanthropist."

The name of the "prominent philanthropist" is, of course, Michael Milken.

Milken founded the Melanoma Research Alliance and hired Alison Martin with an initial grant from Leon Black, the "prominent" billionaire and Milken crony who does business with an alleged Russian mobster named Felix Sater.

Sater, remember, is the fellow alleged to have sent the threat to have *Deep Capture* reporter Patrick Byrne murdered if Patrick did not end his crusade against abusive short selling and the "deep capture" of the nation's regulatory bodies.

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On May 11, three days after the FDA failed to approve Dendreon's treatment, The Wall Street Journal published a report that purported to investigate the allegations that the government approval process had been compromised. This "investigation" entailed asking Dr. Scher whether he had any conflicts of interest.

"'I try to keep to the high ground,'" Dr. Scher told The Journal. Apparently content with his reply, and eager to assuage any suspicions that something nefarious had gone down, The Journal added that Dr. Scher "serves as an advisor to Innovive, a small biotech not involved in prostate cancer, and works with Bristol-Myers Squibb in an unpaid capacity on early stage drugs that may hold promise in prostate cancer. He and his wife hold small amounts of stock in Biogen, Idec and Pfizer."

That was it. According to the Journal, Scher had no conflicts of interest.

The Journal did not mention that Dr. Scher was a board member and executive of Milken's ProQuest Investments. It did not mention the fact that ProQuest was heavily invested in Novacea, a Dendreon competitor. It did not mention that Dr. Scher was leading the trials of Novacea's prostate cancer drug, or that he was a paid director on the advisory board of another Dendreon competitor – Milken crony Lindsay Rosenwald's Cougar Biotechnology. And it did not mention that Dr. Scher was leading clinical trials for yet another Dendreon competitor, Cell Genesys, which, like Cougar and Novacea, was supported by Milken's Prostate Cancer Foundation, whose "Therapeutic Consortium" was chaired by none other than Dr. Scher.

The Wall Street Journal did not mention any of this, despite the fact that concerned citizens had plastered the information all over the internet.

Four days after the Journal article appeared– May 15, 2007 – the FDA issued new guidelines for evaluating immunotherapy agents, such as Dendreon's treatment. Now it was official – Pazdur's division would have some influence.

This seemed like the FDA was papering over a scandal. If Pazdur had violated the guidelines by influencing the Dendreon decision, now the FDA could say that, in fact, there were new guidelines, and Pazdur had followed them (never mind that the new guidelines were written one week after the FDA failed to approve Dendreon's treatment, possibly because Pazdur had violated the old guidelines).

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Just a few weeks after the FDA said it would not yet approve Dendreon's treatment, it was easier to understand why Dr. Scher, Milken and their allies were so eager to see Dendreon fail. On May 30, 2007, Novacea, the company whose largest investors were Milken's ProQuest Investments and the affiliated Domain Associates, announced that it had signed a $500 million deal to jointly develop its prostate cancer treatment with pharmaceutical giant Schering Plough. Within 24 hours, Novacea's stock price jumped 86 percent.

In subsequent days, the business media reported this "news" as if it were not just a business triumph, but also a major breakthrough in the world of medicine. "On Tuesday, Novacea was just another young biotech, with a modest market capitalization of $187 million," enthused Forbes magazine. "That all changed on Wednesday when the drug maker announced it had signed a deal worth over $500 million with pharma juggernaut Schering-Plough."

Forbes added that Novacea's treatment "appears to significantly increase the chance of survival among androgen-independent prostate cancer patients…"

As this $500 million figure and news of Novacea's medical miracle made its way around the other news organizations, and appeared everywhere on the internet, Novacea's stock continued to soar.

Nobody in the media paused to consider whether a "$500 million deal" constitutes a medical breakthrough (like, for example, reducing mortality by 20% in late-stage prostate cancer patients, as Dendreon had done). The assumption was, if there is big money and the stock is soaring, the company's prostate cancer treatment must be good.

Furthermore, nobody in the media paused to consider that had Dendreon received approval for its competing treatment, this "$500 million deal" would almost certainly not have happened. Nor did anybody in the media report that the people (Milken and friends) who stymied Dendreon were the same people who stood to profit from this purported "$500 million" deal.

At any rate, the deal was not quite what it was made out to be. Novacea did not receive $500 million. It received $60 million up front. Meanwhile, Schering-Plough was given $12 million worth of Novacea stock at a bargain price. By cashing out of the stock after it soared in value, Schering-Plough could significantly reduce that upfront investment. The rest of the much-trumpeted $500 million was dependent on Novacea's clinical trials showing that its cancer treatment actually improved the health of patients.

Sure enough, just a few months later, in November 2007, Novacea announced that the clinical trial of its treatment had been terminated "due to an unexplained imbalance of deaths…" In other words, Novacea's drug was not improving the health of patients. It was killing patients. And as soon as this news was released, the much-heralded $500 million Schering-Plough deal was cancelled.

Either shortly before or soon after the trials were terminated due to an "imbalance of deaths," Milken's ProQuest Investments and Domain Associates sold their stock in Novacea. Given the enormous boost the stock price had received after the "$500 million" news, it appears that ProQuest and Domain (i.e. Michael Milken and friends) sold their stock at a significant profit.

So the questions remain: Did Dr. Scher (who worked for ProQuest and lead Novacea's clinical trials) really believe that Novacea's treatment was superior, as he claimed during his successful campaign to get the FDA to reject Dendreon's drug? Did Michael Milken's Prostate Cancer Foundation, which was an extension of ProQuest and snubbed its nose at Dendreon's treatment, really believe that there were better treatments in the pipeline?

Did ProQuest and its affiliate Domain, which founded Novacea, ever care about producing a marketable drug? Or was Novacea a scam? A scam that was built on real science (though Dr. Scher was less than upfront about the results of his clinical trials, his efforts to develop Novacea's treatment were no doubt sincere). A scam that was more sophisticated than those perpetrated by the bucket shops of yore, and whose every component may have been technically legal.

But nonetheless a scam – an old-fashioned pump and dump scam.

* * * CHAPTER 12 * * *

"Black Wednesday at the FDA."

That is how Dr. Mark Thornton, a former medical officer in the FDA's Office of Oncology Products, described the FDA's decision not to approve Dendreon's Provenge. In an op-ed for the Wall Street Journal, Dr. Thornton described vaccines such as Provenge as the "Holy Grail of cancer treatment." Without directly referring to anyone by name, Dr. Thorton described Dr. Scher's lobbying effort as "arrogant" and "unprecedented."

Dr. Thornton added that when the FDA succumbed to that lobbying, "the dawn of a new era in cancer immunotherapy was driven back into the night. It will be years before we know the full impact of these decisions and how many cancer patients...have had their lives cut short as a result."

This scandal infuriated many other physicians and patient advocates (with the exception of those affiliated with Milken's Prostate Cancer Foundation). Some Dendreon supporters took to the streets.

On June 2, 2007, there was a protest in front of the American Society of Clinical Oncology. Two days later, several prostate cancer advocacy groups rallied in Washington. On June 6, there was yet another protest, this one attended by still more physicians who demanded to know why the FDA had failed to approve Dendreon's treatment.

"I'd like to explain in the most basic of terms," said Dr. Mark Moyad of the University of Michigan medical school, at the June 6 rally. "We think a mistake has been made. We are here in a friendly way to start the process of correcting that mistake."

That word -- “friendly” – seems to me to perfectly describe Dendreon’s supporters. I might add “intelligent,” and “fair,” and “engaged.” But the mainstream media played its customary role by portraying such advocates as vexatious wackos (notwithstanding the fact that many of Dendreon’s supporters were respected physicians).

“Oncologists do not usually need bodyguards…” began a story in the Washington Post, which was all about the Dendreon “controversy.” The gist of this story was that people advocating for prostate cancer patients might somehow be dangerous – that it was strange how vocal they were, it was strange that they used the internet to get the word out – and Dr. Scher (the physician who helped derail Dendreon) feared for his safety. He had even received some “threats.”

Nowhere in the story was it suggested that a great many prominent doctors were saying that the FDA had made a “mistake” in failing to approve Dendreon’s application. Nowhere was it mentioned that Dr. Scher played a significant role in engineering this "mistake." And nowhere was it mentioned that Dr. Scher was egregiously conflicted due to his financial ties to Michael Milken’s investment fund and Dendreon’s competitors, Novacea and Cougar Biotechnology.

Essentially identical stories appeared in the Philadelphia Inquirer, the New York Times, the Boston Globe, the Seattle Times, and on CNBC. Every one of these media outfits portrayed Dendreon's supporters as potentially dangerous lunatics. Every one of them stated unequivocally that Dr. Scher had been "threatened." Yet, not one of them specifically described the threats, or identified any source of the threats, and as far as I can ascertain, there *were* no “threats.”

Clearly, there was a new party line – Dr. Scher was the victim. Given the near verbatim repetition of this party line in so many newspapers, and given my experience working in the mainstream media, I can say with near certainty that this was the work of an orchestrated public relations campaign – a campaign to distract attention from what was really happening to Dendreon.

Meanwhile, Dendreon remained one of the most manipulated stocks on Nasdaq. On the day that the Washington Post story appeared, SEC data showed that criminal naked short sellers had sold, and failed to deliver, more than 13 million Dendreon shares. Following the mainstream media's standard operating procedures, no mention was made of this phantom stock in any of the stories on the Dendreon “controversy.”

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By June of 2007, Dendreon’s stock price was averaging around $7 – down from its early April high of $25. After such a drop there was no way the company could raise more money on the stock market, and so it had to significantly scale back its work on Neuvenge, a promising treatment that fought breast cancer in the same way that Provenge fought prostate cancer. In order to get enough cash to continue work on Provenge, Dendreon issued over $100 million worth of convertible bonds.

Sometimes, hedge funds that buy a company’s convertible bonds are well-intentioned – they want the company to succeed so that the company can repay the loan.

But, often, hedge funds that buy convertible bonds do not have the company’s best interests at heart. Indeed, *Deep Capture* has obtained an internal client presentation given by a well-known investment bank stating that the single largest segment of investors in convertible bonds are hedge funds that actually intend to increase their bets *against* the companies that they are financing.

A convertible bond is debt that can be “converted” into stock. A hedge fund lends a company, say, $100 million. As repayment, the hedge fund can either receive the $100 million plus interest at maturity, or instead it can receive, say, 10 million shares in the company.

If the share price is $8 at the time of the loan, those 10 million shares would be worth $80 million. But if the share price rises to $20, the hedge fund can convert his $100 million loan into $200 million worth of stock. If the hedge fund manager is a value investor who wishes the company well, he will make his loan and wait for the stock to rise.

But there are various ways that convertible bonds can be put to malevolent use. Suppose a group of hedge funds have launched a full scale short selling attack against a company, but the hedge funds want to short sell even more stock. To do that legally, the hedge funds must first locate more stock to borrow, and then sell it. But sometimes there is simply no more stock available for short sellers to borrow.

Now, suppose the share price has already been significantly hammered, so the company can no longer raise money through the stock market. The hedge funds know this. And the hedge funds are important clients of an investment bank. So the hedge funds and the investment bank hatch a plan.

It works like this: the investment bank tells the victim company that it can resolve the company's cash problems by brokering a convertible bond offering. If the company agrees, the investment bank says, "great, but there's just one hitch – you, the company, have to lend us, the investment bank, the shares that the company would normally keep on hand in case the bond holders convert."

To assuage any fears, the investment bank might promise the company that it will not re-lend those shares to short sellers, but will merely sell them to long buyers – people who want to invest in the company. The company says, "fine," and issues, say, $100 million worth of debt convertible to 10 million shares. The company also agrees to that "hitch" -- so now the investment bank has wangled a "stock loan" agreement that gives it exclusive rights to borrow those 10 million shares until such time as the bond holders convert.

Meanwhile, the investment bank returns to that group of hedge funds, who agree to buy the convertible bonds as a means to extricating those 10 million shares from the company. Once the investment bank is in possession of those shares, it cannot (at least according to its agreement with the company) lend them to the hedge funds for purposes of short selling. But it can do one better. It can broker swap contracts that oblige counterparties to pay the hedge funds a certain amount of money in the event that the company's stock price decreases in value.

Then, the investment bank dumps those 10 million shares into the market all at once, causing the stock price to further collapse. Meanwhile, the hedge funds and the investment bank might be engaging in naked short selling – selling stock that has never been borrowed by anybody (i.e. stock that does not exist).

If anyone asks about this illegal naked short selling, the hedge funds say they thought they had "a locate" on stock that they could borrow and deliver. If anyone asks the hedge funds to be more specific, the hedge funds say that they had "located" those 10 million shares that the investment bank had borrowed from the victim company. If the SEC notes that the investment bank had an agreement not to lend those shares to short sellers, the hedge funds say they didn't know about that.

Of course, the SEC can generally be counted on not to ask hedge funds such impertinent questions, , but the convertible bonds provide immunity, just in case.

As the stock price hits rock bottom, the company depletes the cash it raised from the bond offering. And the only way for the company to receive new funding is to issue more convertible bonds to the hedge funds, or do one of those dreaded "death spiral" PIPE deals.

If this were a game of chess, it would now be "check" for the hedge funds. The company knows that its stock price and its financing depend entirely on the hedge funds, which are put in the position of being able to drive (and trade ahead of) the company's business decisions. This scheme might even allow a set of hedge funds to take control of, say, a $700 million company, for a $100 million loan.

With the exception of the naked short selling, most of this scheme's elements can be found in the standard PowerPoint presentations that some banks deliver to their hedge fund clients behind closed doors. The investment banks market the scheme as a way to profit from volatility in the stock. When the stock crashes, the hedge funds make money from the swaps and their short selling. If the stock subsequently increases in value, the hedge funds can convert their bonds and use some of the proceeds to pay the counterparties to the swaps.

But sometimes the hedge funds intend to fully destroy the company. They make plenty on their short positions and swaps, and their bonds pull in some money during the bankruptcy proceedings. Sometimes, during bankruptcy, the hedge fund lenders get their hands on company assets (such as blockbuster medical treatments) that are actually worth considerably more than what they spent on their bonds.

At other times, the ultimate goal is not to destroy the company outright, but to crash the stock, and then accumulate shares, giving the hedge funds still more influence over company decisions, and perhaps paving the way for a hostile takeover.

I do not know for certain the motivations of the hedge funds that bought Dendreon's convertible bonds. I do not know if they engaged in naked short selling. After all, the identities of the naked short sellers and the real amount of failed trades they are generating are, as far as the SEC is concerned, still a big secret. Remember that the SEC says that releasing information about (illegal) naked short sales would reveal the (criminal) hedge funds' "proprietary trading strategies." And the SEC cannot have that.

I do know, however, that nearly every one of Dendreon's convertible bond holders are connected in important ways to Michael Milken or the seven affiliated hedge fund managers who held large numbers of put options in Dendreon prior to the strange occurrences of March 2007. This raises the suspicion that the convertible bond holders were not typical investors (that is, investors who put in capital hoping that the company would prosper).

Instead, the fact that the buyers of the converts were part of the same network that was placing large bets *against* Dendreon (and taking steps, with help from Milken's "philanthropy", to derail Dendreon's treatment for prostate cancer) raises the distinct possibility that these bond investments were made as part of a strategy to manipulate Dendreon's stock price down, during which time members of this network would (with help from Milken's Prostate Cancer Foundation) pump up the stock prices of Dendreon's "competitors" – the companies controlled by Milken and his friends.

If this hypothesis is accurate, the natural play would be that, once the competing, Milken-connected companies had been thoroughly pumped, and then dumped (on the news that their treatments were worthless), it would be time to exert greater control over the one company--Dendreon--that actually had a treatment that could extend lives.

As we will see, members of the Milken network – some of the hedge funds that bought the convertible bonds, and some of the seven hedge funds that were betting big against Dendreon in 2007 – have, as a group, recently become the company's largest shareholders. Their precise intentions remain a mystery, but this fact does fit the hypothesis described above.

Incidentally, in the two years that these shenanigans were going on, 60,000 American men died of prostate cancer, a fact of no apparent concern to this network of miscreants.

While we do not have photo-perfect pictures of what was going on behind the scenes of Dendreon's bizarre trading (the SEC does not let that get public), we do know that this paradoxical play of participating in a convertible bond in order to further a manipulative scheme against a company, is in fact a standard play on Wall Street. Given this, we would be remiss not to name the colorful hedge funds that bought Dendreon's convertible bonds.

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As we have covered, Milken crony Carl Icahn founded the options department at Gruntal & Company, which owed its existence to Michael Milken and was one of the more disreputable trading houses on the Street. Ultimately, Gruntal was found to have employed several traders with ties to the Mafia, and soon after, it was charged with a massive fraud and forced to pay what was then one of the largest fines in Wall Street history.

Many of Gruntal's former employees ended up working for White Rock Capital, which was run by the alleged Russian mobster, Felix Sater, the fellow allegedly behind the threat to have *Deep Capture* reporter Patrick Byrne murdered if he did not end his crusade against naked short selling and the "deep capture" of important institutions.

As we also know, when Icahn left Gruntal, he handed over direction of the options department to Milken crony Ron Aizer. The first trader Aizer hired was Steve Cohen, who was reportedly investigated by the SEC for trading on inside information provided by Milken's shop, and who later became "the most powerful trader on Wall Street" -- the fourth of those seven hedge fund managers prescient enough to bet big against Dendreon before Milken's other cronies derailed the company in 2007.

The second trader hired by Aizer was a man named Andrew Redleaf, who later went on to co-found two hedge funds -- Deephaven Capital Management and Whitebox Advisors. According to a media account posted on Whitebox's website, Redleaf's family kept its investment accounts at Drexel Burnham Lambert, where Michael Milken was then running his stock manipulation and junk bond empire. Redleaf was recommended to Aizer by Andy Stillman, who was then managing Drexel's propriety options trading.

In later years, Redleaf became well-known for investing in Sun Country Airlines in partnership with Tom Petters, who was recently arrested at gunpoint amid allegations that he had orchestrated a massive Ponzi fraud in cahoots with a fellow named Michael Catain. Catain's father, Jack Catain, was a Genovese Mafia enforcer and loan shark who had been involved, along with Michael Milken, in ZZZZ Best, a fraudulent carpet cleaning company run by Barry Minkow.

Minkow was eventually imprisoned for the ZZZZ Best fraud, and when he was released, he began a career as a self-described "fraud investigator." He works in partnership with Sam Antar, the convicted felon who masterminded a massive fraud in the 1980s at an appliance retailer called Crazy Eddie. Antar, who is close to Milken and his network (members of which once tried to help Antar seize control of Crazy Eddie) now spends most of his time on the internet, smearing and threatening people who work to expose the crime of naked short selling.

For example, Antar once posted on the internet the names and address of *Deep Capture* reporter Judd Bagley's young daughters. Antar writes with almost daily regularity that *Deep Capture* reporter Patrick Byrne is running a fraudulent company (Overstock.com), though he has produced nothing to support his claims, and every reputable person who has examined his arguments has concluded that they are absurd.

Meanwhile, Antar has littered the internet with all manner of falsehoods about me—stating, for example, that I'm a drug addict and was fired from my last job. Ever the charmer, Antar has also let it be known that he is friendly with violent people, including those who once ambushed me, punched me in the face, and suggested that I should stop working with Patrick Byrne.

It is interesting to note that, these facts notwithstanding, in 2008 Fortune magazine saw fit to grace its pages with a highly flattering 2,738 word profile of Antar ("It Takes One to Know One"). Fortune did this even as it humbly acknowledged:

> "As would-be fraudbuster, Sam E. [Antar] has yet to notch his first kill. (Although in fairness he doesn't hold himself out to be a full-time 10-Q detective. 'I don't have 40 people working for me like the SEC,' he says.) He hasn't brought any companies down or caused any regulators to open any investigations."

That is, concerning a notorious swindler and convicted felon who threatens little girls, smears other journalists, is denounced by public officials, and who has not actually been the source of any credible investigation that Fortune can cite, Fortune published a perfectly complimentary puff piece. How odd of Fortune Magazine.

As for the above-mentioned Andrew Redleaf, I noted that he is a founding partner in Deephaven Capital Management. In 2006, Deephaven was sanctioned by the SEC for short selling 19 public companies (almost all biotech firms) on inside information that his hedge fund colleagues were giving the companies "death spiral" PIPEs finance.

As you will recall, similar schemes have involved Milken crony Carl Icahn (the founder of Gruntal's options department); Jeffrey Thorp (son of the Mafia-linked card counter who was the most important figure in Milken's stock manipulation network during the 1980s); Milken crony Lindsay Rosenwald (who used to run the Mafia-linked D.H. Blair, the president of which was Milken's former national sales manager); and Gryphon Partners (which was tied to the Mafia-linked, nine-fingered Anthony Elgindy, a naked short seller who is now serving an 11 year sentence for stock manipulation schemes and bribing two FBI agents).

My apologies for the repetition, but there are some who are new to this, and it is difficult for even the well initiated to keep track of so many miscreants, so permit me to remind the reader that Gryphon's founder and Lindsay Rosenwald were among the seven colorful hedge fund managers who bet big against Dendreon in March 2007, just before the company was derailed by strange occurrences engineered by cronies of Michael Milken. Also among those seven hedge fund managers was Steve Cohen, who was, earlier in his career, investigated for trading on inside information provided by Milken's shop, and was the first trader hired at Gruntal by Milken-crony Ron Aizer.

Andrew Redleaf, the second trader hired by Aizer at Gruntal, is, remember, not just a co-founder of Deephaven Capital (sanctioned for short selling on inside information that companies were to receive dubious financing), but also the proprietor of Whitebox Advisors.

And Whitebox Advisors is among those hedge funds that "financed" (by purchasing its convertible bonds) a company called Dendreon, which suffered a two-year, sustained naked short selling attack while trying to bring to market a treatment for dying cancer patients.

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A hedge fund called DKR Management also bought convertible bonds issued by Dendreon. DKR was founded by Barry L. Klein and Gary S. Davis. Previously, Klein worked for Michael Milken as the President of Drexel Burnham Lambert Trading. Davis also worked for Milken at Drexel.

In later years, Klein and Davis founded the predecessor to AIG Trading Group, a unit of American International Group. AIG Trading Group was later run by Joseph Cassano, who had also been a Milken employee at Drexel.

While at AIG, Cassano sold tens of billions of dollars worth of credit default swaps (contracts that pay out if a company defaults on its debt) to hedge funds and investment banks.

Rolling Stone magazine's Matthew Taibbi, who is one of the mainstream media's finest journalists, was among the first to establish that AIG Trading Group and Milken crony Cassano destroyed AIG, which ultimately had to be nationalized by the U.S. government – contributing to the collapse of the financial system last fall. Since then, several reports have also implicated Cassano's Milken-tied predecessors, Klein and Davis.

Meanwhile, various government investigations are seeking to know whether short sellers acquired and manipulated the prices of AIG's credit default swaps as a way to weaken their target companies – including Lehman Brothers and Bear Stearns. The question that remains unanswered is whether the short sellers that bought credit default swaps from Milken cronies Cassano, Klein and Davis were also members of the Milken network (which would mean that some members of the Milken network wrecked the world while the other members of the network bet that they would).

Another highly significant factor in the collapse of the financial system – as can be discerned from statements by countless officials and by reports in virtually every newspaper in the land, though the newspapers seem content not to investigate the matter or state this explicitly – was the naked short selling of AIG, Bear Stearns, Lehman Brothers, Fannie Mae, Freddie Mac, and hundreds of other companies.

In the years leading up to the financial cataclysm (and during the time when Dendreon was under attack by naked short sellers), certain hedge funds orchestrated an effective public relations campaign aimed at covering up the crime of naked short selling. As part of this public relations campaign, the hedge funds would regularly trot out a certain Yale professor, who would do his utmost to defend the criminals.

This professor's favorite stratagem was to divert discussion away from *illegal naked* short selling, and repeat, over and over, that *legal* short selling was good for the markets--a fact that was never in dispute. The professor's capacity for obfuscation was unmatched, but he nonetheless became a favorite source for some members of the media. He appeared regularly on CNBC and was quoted in dozens upon dozens of articles – all of which communicated the *non sequitor* that *illegal* naked short selling is not bad for the markets because *legal* short selling is good for the markets. Of course, this is like arguing that sexual harassment is not bad because sex is good.

The name of this professor is Owen Lamont. To this day, the professor is still sought out by the press, which dutifully regurgitates his baloney. But the professor does not work for Yale anymore.

Now he works for the above-mentioned DKR Management, one of the Milken-connected hedge funds that bought Dendreon's convertible bonds while Dendreon was brutally attacked by criminal naked short sellers.

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There are interesting stories to be told about most every hedge fund that bought Dendreon's convertible bonds. One of them, Eagle Rock Capital, run by an Iranian fellow named Nadir Tavakoli, was once a controlling investor in the International Fight League, a promoter of ultimate fighting matches. The other controlling investor in the International Fight League (which went bankrupt amidst allegations of ultimate fighting's connections to the Japanese Yakuza and stories that fighters were committing suicides and murders at alarming rates) was a "Russian whiz kid" (according to the media) named Dmitry Balyasny.

The first things to know about Dmitry Balyasny are that he is closely affiliated with Steve Cohen, and he is the seventh of those seven hedge fund managers who were betting big against Dendreon by holding put options on the company's stock, after the FDA advisory panel had recommended that Provenge be approved, and before Milken's cronies successfully lobbied the FDA to ignore that recommendation. So I will return to Balyasny soon.

But first, let's continue with our list of hedge funds that held Dendreon's convertible bonds.

One was GLG Partners. As we know from emails acquired in a lawsuit, GLG Partners received updates on Steve Cohen's attack on Canadian insurer Fairfax Financial, so it would be unsurprising if GLG was also clued in to Cohen's attack on Dendreon.

Recall also that (shortly before GLG bought Dendreon's convertible bonds) French authorities fined GLG for being part of an insider trading ring that included UBS O'Conner (a unit of UBS investment bank, which, until March, 2007, was led by former Milken employee Ken Moelis) and Meditor Capital, a hedge fund (also, of course, with ties to Steve Cohen) that had just made a large investment in Novacea, the prostate cancer company that was then being promoted (by Milken's fund and Milken's "philanthropy") as a competitor to Dendreon.

In short, GLG was "in the mix."

Another outfit that bought lots of Dendreon's convertible bonds (shortly after it was caught running an insider trading ring with Meditor and GLG Partners) was…UBS O'Conner. Meanwhile, of course, the research department of UBS was continuing to trash Dendreon in its reports.

Then there was Quattro Partners, which bought Dendreon bonds convertible into a more than a million Dendreon shares. The founding partner of Quattro is named Michael Baldock. He had a long career in biotech investing after spending time as an investment banker at Michael Milken's Drexel Burnham Lambert.

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Another of the big investors in Dendreon's convertible bonds was Forest Investment Management, a hedge fund controlled by a man named Michael Boyd. Prior to founding Forest, Boyd was a partner in an outfit called Forum Capital Markets. Boyd's co-founder in Forum was C. Keith Hartley, yet another of Milken's disciples from Drexel, Burnham Lambert.

Boyd was also the co-founder of a brokerage called McMahan Securities. The vice president of that operation was Santo Maggio, who later became chief executive officer of Refco Securities, the brokerage that was allegedly processing the phantom stock sales of Rhino Advisors, which illegally naked shorted companies after providing them with finance brokered by Milken crony Carl Icahn's Ladenburg Thalmann. When Refco was found to be fraudulently hiding $400 million worth of liabilities (liabilities that many believe were related to naked short selling), Maggio pled guilty to two counts of securities fraud, one count of conspiracy, and one count of wire fraud.

Another of Michael Boyd's many accomplishments is his son, Roddy. Refco employed Roddy as a trader, perhaps as a favor to his father's former co-worker, the criminal Santo Maggio.

But Roddy soon abandoned the securities business to become a business journalist – first at the New York Post and now at Fortune magazine. Roddy Boyd is a key figure among the small coterie of journalists who turn up repeatedly in *Deep Capture*'s analyses.

Like all members of the coterie, Roddy has spent several years trying to cover up the naked short selling scandal, ridiculing anyone who mentions the crime or the remarkable coincidence of companies appearing on the Reg Sho list (the SEC's list of companies suffering from naked short selling) when those companies are the targets of a select group of hedge funds whose names will be familiar to the reader who has made it this far.

In addition to covering up naked short selling crimes, Roddy writes hatchet jobs on the public companies targeted by this same select group of short selling hedge funds. The sources of the information in Roddy's stories are, of course, the short sellers themselves, and most of the short sellers are, as has been explained over and over, tied to Michael Milken or his close associates.

For example, Roddy spent a great deal of time working with a soon-to-be arrested criminal named Spyro Contogouris, who had been hired by a subsidiary of Steve Cohen's SAC Capital, to sabotage, harass, and trash Fairfax Financial.

As mentioned, we have obtained a great number of emails between Cohen, Jim Chanos of Kynikos Associates, and others in the network that was attacking Fairfax. In one email, hedge fund manager Chanos writes to journalist Roddy Boyd, "your courtesy was a boon to me. Thank you!"

With the exception of Roddy's particular clique of journalists, it is not typical for reporters to receive thank you notes for the "courtesies" that they have extended to help hedge funds make money.

Another holder of Dendreon's convertible bonds was CNH Partners, run by Todd Pulvino, who used to work for Grosvenor Capital. Grosvenor is managed by Scott Lederman, who was the grad school roommate of Steve Cohen and later the chief operating officer of Cohen's SAC Capital. While Pulvino was presenting himself as a legitimate investor in Dendreon's debt, was he in touch with Steve Cohen, who had bet big against Dendreon right before Provenge was derailed by the unprecedented lobbying effort of Milken's other cronies?

We can't say. Just as we can't say who was illegally naked short selling Dendreon's stock. That, remember, is a big secret – "proprietary trading strategies."

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On October 12, 2007, Dendreon, still desperate for capital to continue clinical trials that might eventually help its cancer treatment receive FDA approval, signed the paperwork on its first PIPE deal. A dreaded PIPE – the sort of deal that dilutes equity and tends to attract naked short selling that sends a company's stock into a "death spiral."

The provider of this PIPE finance was the Azimuth Opportunity Fund, managed by an outfit called Acqua Wellington Asset Management.

Acqua Wellington is controlled by a "prominent" investor named Isser Elishis. In an otherwise flattering article, Herb Greenberg – a journalist whose entire career (at TheStreet.com, MarketWatch.com and CNBC) was devoted to granting "courtesies" to hedge funds in the Milken network – described Elishis as the "banker of last resort."

Herb, who disappeared from the world of journalism after he was exposed by *Deep Capture*, now owns a company that ostensibly sells financial research to hedge funds in the Milken network (or, arguably, merely receives payment from them for the extensive string of "courtesies" that Herb extended while working as a journalist).

Among Azimuth's first forays into the markets was an investment in a company called SulphCo, which claimed to have a method for turning sulphrous crude into clean-burning oil. Elishis collaborated on this deal with SulphCo's principal investor, Zev Wolfson, who, you will recall, was the investor who financed

Milken cronies Carl Icahn, Saul Steinberg, John Mulheren, and various brokerages tied to the Mafia, naked short selling, or both.

SEC data shows that on the day that Dendreon signed its PIPE deal with Azimuth, naked short sellers flooded the market with more than 2 million phantom shares. During the following week, more than a million Dendreon shares "failed to deliver" every day, despite (or perhaps because of) the news that Dendreon had enrolled 500 patients in a trial to confirm its earlier positive results, putting Provenge back on the track to FDA approval.

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In the late 1980s, a fellow named Jeffrey Yass and his two friends, Eric Brooks and Kenneth Brodie, set up a partnership to place bets at horse racing tracks across the country. On one single day at Sportsman Park in Chicago they pulled in winnings of more than $600,000. This seemed somewhat excessive, so Sportsman Park banned the three friends from its premises. The punters filed a lawsuit claiming that Sportsman Park had violated their rights to visit a public facility.

It's not clear from public documents who won this case, but the court noted, "The proprietor wants to be able to keep someone off his private property even if they only look like a mobster. As long as the proprietor is not excluding the mobster look-a-like because of his national origin (or because of race, color, creed, or sex) then the common law, and the law of Illinois, allows him to do just that." There is no evidence that Yass, Brooks or their friend were engaged in illegal activity. I merely note as point of biographical interest that these fellows began their careers betting on the ponies.

At any rate, Jeffrey Yass and Eric Brooks eventually abandoned the business of betting on horse races and instead pursued careers on Wall Street. Now they are "prominent" investors, the proprietors of a mid-sized investment and trading house called Susquehanna International.

In the spring of 2008, Susquehanna was introduced to Dendreon by a placement agent, Lazard Capital Markets. It is not clear why Dendreon would want to do business with Lazard. After all, Lazard was home to the singing Joel Sendek, who had been busily trashing Dendreon in his research reports.

Sendek had also been trumpeting Dendreon's competitor, Cougar Biotechnology, as the next big thing in cancer treatment. In turn, Cougar Biotechnology (the company then controlled by Milken crony Lindsay Rosenwald, formerly of the Mafia-affiliated pump-and-dump shop D.H. Blair) had been quoting Sendek in its SEC filings.

Sendek's endorsement, Cougar seemed to be suggesting, was evidence that the company was making progress toward bringing its prostate cancer treatment to market. This was odd, because most pharmaceutical companies use data collected from clinical trials to demonstrate this, not quotes from singing Wall Street analysts.

Meanwhile, it was widely understood that Lazard's stock loan department was one of the go-to shops for hedge funds looking to short sell Dendreon's shares. We cannot say that Lazard was loaning phantom stock to the short sellers (if it were, that would be a big secret), but Lazard's coziness with short sellers ought to have given Dendreon pause.

There was also the fact that Lazard Capital had only recently been spun off from Lazard Ltd. Given that the two operations remained closely affiliated (sharing business and so forth), it might have been of some concern that the chairman of Lazard Ltd. was Bruce Wasserstein, a close associate of Michael Milken.

In "Den of Thieves," James Stewart, the Pulitzer Prize winning author, quotes a criminal named Denis Levine as saying that Wasserstein was "owned" by Milken's famous co-conspirator, Ivan Boesky. Given that Denis Levine was indicted for participating in Boesky's insider trading schemes, one would think he knew of what he spoke, but there is no hard evidence to support his allegation.

In any case, Dendreon followed Lazard's advice, and did a "registered direct offering" with Capital Ventures International, an affiliate of Susquehanna, the firm founded by Yass and Brooks. A "registered direct offering" is similar to a PIPE, the difference being that the securities sold to the investor are registered with the SEC and immediately tradeable.

For most of March 2008, naked short sellers were failing to deliver less than 500,000 shares per day. As negotiations for the "registered direct offering" were underway, the amount of phantom stock gradually increased. And on the day the deal was signed, April 3, at least 1.6 million phantom shares had been sold into the market and remained undelivered.

For the next two months, more than one million Dendreon shares remained "failed to deliver" every day. This despite (or perhaps because of) the fantastic news, on March 12, 2008, that the FDA had agreed to an amended "Special Protocol Assessment," which would enable the company to release, one year ahead of schedule, the results of an "IMPACT" trial that seemed likely to confirm the company's Phase 3 trials showing substantial evidence that Provenge was safe and effective.

As Dendreon's enemies must have known, it would soon be impossible to stymie the company with arguments about data, but stock manipulators were not yet ready to end their campaign against the company.

* * * CHAPTER 13 * * *

In December 2007, three U.S. Congressmen -- Mike Michaud (D-Maine), Dan Burton (R-Indiana) and Tim Ryan (D-Ohio) -- called on the House Commerce Committee to investigate why the FDA failed to approve Dendreon's treatment for prostate cancer. Referring to Dr. Scher and his ally, Dr. Hussain, the lawmakers wrote in a letter that "there are reasons to believe that serious ethics rules were violated by two FDA advisory panel members in their decision [to vote and lobby against Dendreon] and that these violations played a role in the subsequent FDA decision not to approve Provenge at this time."

A bipartisan group of 12 additional Congressmen eventually signed on to the request for an investigation. And in February 2008, as outrage over this scandal spread through the medical community, a group of seven respected doctors, calling themselves "Physicians for Provenge" wrote a letter to the ranking members of the House Commerce Committee, suggesting that the investigation should urgently proceed.

"Please consider why our colleagues and we KNOW that Provenge works and why tens of thousands of men with late stage prostate cancer should be given access to it," the physicians wrote. Noting the "egregious conflicts of interest" of Dr. Scher and Dr. Hussain, the "Physicians for Provenge" added that the "FDA should be carefully assessing risk versus reward for the treatment of terminally ill patients, rather than 'gate keeping' based on outdated statistics, reducing short-term health costs or backroom shenanigans."

Nonetheless, Commerce Committee Chairman John Dingell denied the requests for an investigation. To justify this decision, Dingell wrote in a letter to the committee that an "investigative hearing prior to an agency's final decision runs the risk of interfering with the normal regulatory process."

Apparently, it was fine if FDA-contracted doctors and government officials tied to Michael Milken corrupted the normal regulatory process by obfuscating approval standards ("substantial evidence" versus "proof") and by drafting unsolicited post-vote letters with back-channel help from a government employee who was weeks away from taking a job newlycreated by Michael Milken. But in the eyes of Commerce Committee Chairman John Dingell, *investigating* such improprieties would corrupt the regulatory process.

Dingell also pointed out that "a new law strengthening conflict of interest provisions now governs FDA panels." Unfortunately, that law was passed in September 2007, some months after Milken's conflicted allies derailed Dendreon's application.

In any case, it is not clear that the old conflict of interest provisions were not violated in the Dendreon case. Dr. Scher received a conflict of interest waiver, but his application for that waiver did not mention his financial ties to Milken's ProQuest Investments. There should have been an investigation into why that waiver was granted. And while he was at it, Representative Dingell should have investigated the illegal naked short selling of Dendreon and the "backroom shenanigans" of Milken's captured officials at the FDA and the National Cancer Institute.

At any rate, while the congressional investigation was being stopped in its tracks, Milken's Prostate Cancer Foundation was becoming more brazen.

In March 2008, for example, the Prostate Cancer Foundation sent out a peculiar mass mailing. Written by a cardiologist on Prostate Cancer Foundation letterhead, the mailing began, "I'll never forget the day my 5-year-old son came home from school, worried. One of the other kids told him I was going to die."

The letter went on to describe the horrors of being diagnosed with prostate cancer. So far, all kosher. But then came the strange part – the charity's solicitation explicitly promoted a mostly untested experimental treatment that was being developed by a public company that was considered to be one of the few competitors to Dendreon. The treatment was called GVAX, and the company developing it was called Cell Genesys.

The author of the letter noted that during his treatment, he had "learned about some of the groundbreaking research projects supported by the Prostate Cancer Foundation, such as **GVAX**, a drug now in phase 3 clinical trials that boosts the immune system to fight off prostate cancer cells."

Notice that the name of the drug – GVAX – was printed in boldface letters, so nobody could miss it. Notice, too, the underlining, which stressed that this treatment (as opposed to others, such as Dendreon's) was endorsed and supported by the Prostate Cancer Foundation. And, finally, notice the unequivocal statement that GVAX works – that it "boosts the immune system" and is able to "fight off" cancer.

Lest there be any question that Milken was eager to promote GVAX, the Prostate Cancer Foundation, soon after, began distributing flyers at supermarkets and shopping malls with a similar message. "My 5-year-old didn't want to lose his daddy," read the flyers, which then proceeded to describe a "groundbreaking" new medicine – GVAX.

At the time, Cell Genesys was nowhere near bringing GVAX to market. It had just finished phase 2 clinical trials on a total of 65 patients. Lab results showed that GVAX might increase prostate cancer antibodies, but they did not show that the immune system was actually boosted in such a way as to better "fight off" cancer or improve survival. Phase 3 trials, which would determine whether GVAX actually improved the health of patients, had just begun.

But if you were an average Joe who read those flyers – or a wealthy Mary who received that solicitation in the mail – you'd be mighty convinced that Cell Genesys was the next big thing in cancer therapy. You might even be tempted to buy its stock.

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When Milken's Prostate Cancer Foundation began distributing his fliers promoting GVAX, a number of hedge funds had accumulated large numbers of shares in Cell Genesys.

One of these was Millennium Management, the hedge fund that had been founded by the fellow who planned to murder Ivan Boesky when it seemed that Boesky might cooperate with the authorities in their case against Milken. Again, Millennium is one of those seven hedge funds that had the foresight to own put options in Dendreon back in March 2007, right before Dendreon's treatment was unexpectedly scuttled by the FDA.

Another hedge fund with a big stake in Cell Genesys was Forest Investment Management, owned by Michael Boyd, the father of hedge fund shill Roddy Boyd, currently of Fortune Magazine. Michael Boyd, remember, had previously been involved in two big ventures – one with a former Milken colleague from Drexel Burnham; the other with Santo Maggio, the future convicted criminal CEO of Refco Securities.

Hedge fund Perceptive Advisors also held a significant stake in Cell Genesys. Recall that Perceptive was then run by Joseph Edelman, who was not only another one of those seven hedge fund managers who held put options in Dendreon, but was also simultaneously serving as a trader for Paramount Capital.

As you might recall, the vice president of Paramount Capital was a former employee of Milken crony Steve Cohen, who was also one of those seven hedge fund managers betting big against Dendreon. The owner of Paramount is, of course, Lindsay Rosenwald, who used to run the Mafia-controlled D.H. Blair with Milken's former national sales manager, and controlled Cougar Biotechnology, another Dendreon competitor promoted by the Prostate Cancer Foundation.

Another big buyer of Cell Genesys shares was Mazama Capital, a hedge fund based in California. In December 2006, Mazama also owned 2.1 million shares of Dendreon. It dumped more than a million of those shares sometime before or immediately after the March advisory panel meeting, when it seemed certain that Dendreon would receive FDA approval.

Only one other hedge fund dumped similar quantities of Dendreon shares at that time. It was JL Advisors, which is controlled by the above-mentioned Steve Cohen. This dumping of shares contributed to the selling volume that was amplified by the call options exercised by the employee of Paramount Capital, and by whoever was selling massive amounts of phantom stock in Dendreon.

Then there was Renaissance Technologies, which held 800,000 shares in Cell Genesys when Milken's "philanthropy" began promoting the company. The CFO of Renaissance is James Rowen, who was previously the chief financial officer of SAC Capital, the hedge fund run by the above-mentioned Steve Cohen, who is known to be maniacal about making sure that his former employees remain satellites of his trading empire.

Meanwhile, hedge funds Balyasny Asset Management and Visium Capital held a combined 12 million shares of Cell Genesys. Balyasny and Visium have overlapping ownership (Dmitry Balyasny is a partner in both hedge funds) though they don't generally disclose that in their SEC filings.

Dimitry Balysasny is a close associate of Steve Cohen. He has employed some of those former SAC Capital traders and managers with whom Cohen maniacally maintains relationships. And he and Cohen attack the same companies.

As I mentioned, Balyasny was one of our seven hedge fund managers with large numbers of put options in Dendreon. I will return to him, because this enigmatic Russian might have more surprises in store for Dendreon.

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Three weeks after Milken's Prostate Cancer Foundation began publicly promoting Cell Genesys's virtually untested prostate cancer treatment, Cell Genesys announced that it had signed a gargantuan $320 million deal to develop and commercialize GVAX with Takeda Pharmaceutical, the Japanese biotech giant.

The press reported this deal dutifully and uncritically, making it sound like GVAX was the next big thing. The stock price soared, earning large profits for the Milken-network hedge funds that had invested in Cell Genesys.

But just as there was something fishy about the Milken-invested Novacea and its $500 million deal with Schering Plough, so too did the "$320 million" Cell Genesys deal deserve a hearty dose of skepticism.

For starters, only days before Cell Genesys announced the Takeda deal, Takeda had bought a company called Millennium Pharmaceuticals. Millennium had been transformed into Takeda Pharmaceutical Capital Ventures. It was Takeda Capital Ventures, not the Takeda parent company, that signed the deal with Cell Genesys. In other words, it was almost certain that Millennium's management, most of whom had been retained by Takeda Capital, orchestrated the whopping $320 million deal.

That was rather strange because Millennium had been founded by a man named Mark Levin. It was Levin who orchestrated Millennium's merger with LeukoSite, the biotech company that belonged to Marty Peretz, the Boesky-Milken crony who founded TheStreet.com. And more important to this particular episode, it was Levin who had founded Cell Genesys. He founded the company basically by investing in himself (just as Domain Associates had created the Milken-invested Novacea out of thin air).

So, assuming Levin still had influence over Millennium/Takeda, and assuming he was still invested in Cell Genesys, he had just orchestrated a deal to use other people's money to invest $300 million in *himself*.

Or, at least Cell Genesys's press release said that Takeda (which was, in fact, Millennium) was going to "pay Cell Genesys an upfront payment of $50 million and additional milestone payments totaling up to $270 million…Takeda [actually Millennium, now known as Takeda Capital Ventures] will pay Cell Genesys tiered, double-digit royalties based on net sales of GVAX immunotherapy for prostate cancer…"

Sounds good, doesn't it? Sounds like those "net sales" are imminent, right? In fact, just as the Milken-invested Novacea's $500 million deal was dependent on clinical trials showing good results, so too was Cell Genesys's big deal with itself dependent on the company producing some evidence that it's drug actually worked. The operative phrase in that press release was "*milestone* payments totaling up to $270 million."

Of course, just three months later, Cell Genesys halted its trials of GVAX after its Independent Data Monitoring Committee, in a "routine safety review meeting," observed "an imbalance of deaths…" In other words, GVAX was not helping patients. It was killing them. And, of course, the $270 million worth of "milestone payments" announced with so much fanfare were unceremoniously canceled.

Either before this announcement, or immediately after, the big investors in Cell Genesys – Mazama, Balyasny, Millennium, Perceptive Advisors – all dumped their shares. Given the big boost those shares got from Milken's Prostate Cancer Foundation promotions and the giddy announcement that Cell Genesys would receive $330 million, we can assume that those investors made a nice profit on their sales, just as Milken's ProQuest and affiliated funds made nice profits on their sales of Novacea.

It appears to me that Cell Genesys, like Novacea, was a sophisticated pump and dump scam, aided by Michael Milken's "philanthropic" outfit, the Prostate Cancer Foundation.

Which brings us to Cougar Biotechnology, the third Dendreon "competitor" promoted by Milken's Prostate Cancer Foundation. Cougar Biotechnology, as we know, was controlled by Lindsay Rosenwald, who used to help run D.H. Blair, the Mafia-linked pump-and-dump shop whose two vice chairman pled guilty to securities crimes, and whose president was Milken's former national sales manager.

D.H. Blair was indicted on 173 counts of securities fraud, and it was notorious for pumping and dumping biotech companies with no real medicine. But who knows? Maybe Cougar has a genuine product. It is hard to say at the moment, and will remain that way for years to come, because its prostate cancer treatment remains virtually untested.

In any case, just last month, Cougar, no doubt aided by the Prostate Cancer Foundation's vigorous endorsements, wangled a $1 billion deal to merge with Johnson & Johnson, so Rosenwald and friends did quite well on their investments.

Remember that while Milken's Prostate Cancer Foundation was using unwitting donors' money to promote Novacea, Cell Genesys, and Cougar Biotechnology, its top officials, and perhaps Milken himself, were actively seeking to derail Dendreon, the one company that actually had a promising treatment for prostate cancer. This was certainly to the benefit of the short sellers (some of whom were illegally *naked* short selling) and the buyers of put options who were betting big against Dendreon

Meanwhile, it should be noted that Cougar Biotechnology experienced almost no naked short selling, according to SEC "failures to deliver" data. The Milken-invested Novacea also experienced virtually zero naked short selling, even after it announced that its treatment was killing people. The same goes for Cell Genesys -- relatively little naked short selling, even when its treatment flopped.

The miscreant party line is that hedge funds do not engage in naked short selling to manufacture phantom stock. The party line is that most “failures to deliver” are the result of mechanical “errors.” It’s funny how those “errors” tend to occur when miscreants in Milken's network are short a company. It’s also funny that those “errors” don’t happen to companies in which Milken and his cronies are invested.

If only there were a pattern.

* * * CHAPTER 14 * * *

In July 2008, not long before Cell Genesys announced that its drug was killing people, CNBC’s Jim Cramer called Dendreon a “dog.” Cramer, of course, did not mention that the illegal naked short selling of Dendreon was continuing apace. Throughout that month, more than 1 million Dendreon shares “failed to deliver” every day, according to SEC data.

At the end of August 2008, after Cell Genesys announced that its drug was killing people, Milken’s Prostate Cancer Foundation posted a story that suggested that this failure was a sign that Dendreon could be in trouble, too. Clearly, the Prostate Cancer Foundation, whose top officials had done so much to derail Dendreon in 2007, were not eager to see the company’s treatment reach patients.

Not once did the Prostate Cancer Foundation note that the difference between Dendreon and the three companies promoted by the Prostate Cancer Foundation was that Dendreon had provided heaps of evidence that its treatment worked, and those other three companies had not.

In October 2008, Dendreon released still more favorable data. Its Independent Monitoring Committee’s studies were showing that Provenge was safe, and offered a significant survival advantage over a placebo (just as the company’s phase 3 trials in 2007 had shown).

Meanwhile our two favorite financial analysts – the singing Sendek and Jonathan Aschoff – continued to reiterate their sell ratings on Dendreon.

The attacks continued through March 2009, which is when we were treated to the reappearance of Matthew Herper, the Forbes reporter who had dismissed Dendreon during those strange occurrences in April 2007. Now, Herper published a story in which he made it clear that Dendreon's treatment would not, and should not, be approved by the FDA.

In support of his claims, he cited the analysis of Thomas Fleming, the fellow who had, in April 2007, along with Dr. Scher and Dr. Hussain, written a missive to the FDA that had immediately appeared in The Cancer Letter. To show that Fleming (who is a biostatistician, not a physician) was not the only "expert" opposed to Dendreon's treatment, Herper cited several other "experts" – Susan Ellenberg, Donald Berry, and Janet Wittes – who had views that were remarkably similar to Fleming's.

What Herper did not mention is that Susan Ellenberg had co-authored a book with Fleming, Janet Wittes was credited with editing that book, and that book enthusiastically cited the work of Donald Berry. Clearly, these "experts" had worked together to make sure that one message was whispered in Herper's ear. Meanwhile, Berry was assisting clinical trials of Abiraterone, the drug that was under development by Dendreon's competitor, Cougar Biotechnology, which was then still controlled by Lindsay Rosenwald -- the son-in-law of the Mafia-connected "king of stock fraud."

While Herper was working on his article, John Stewart of the "Daily Show" began exposing Jim Cramer as a fraud. This created quite a stir, and in the midst of it Cramer went on CNBC to tout none other than….Cougar Biotechnology. Cramer said he thought Cougar was the next big thing in prostate cancer treatment, and everybody should load up on its stock.

Meanwhile, with Novacea and Cell Genesys killing people, Milken's "philanthropic" outfit was now directing much of its energy to promoting the mostly untested treatment then being hawked by Cougar Biotechnology.

Cougar's treatment "has recently attracted global media coverage," began one Prostate Cancer Foundation press release, which described the treatment as "a promising experimental medication with the potential to treat patients who have failed conventional medical treatment for advanced prostate cancer…"

The press release continued: "The [Prostate Cancer Foundation] Therapeutic Clinical Investigation Consortium played an important role by accelerating US clinical testing of this new agent in Phase II clinical trials….In Phase 1 studies, [Cougar's treatment] exhibited the potential to attenuate disease progression and shrink tumors."

Actually, the studies were not quite so encouraging as Milken's foundation would have one believe. Abiraterone had been tested on a total of 30 patients. These patients purportedly experienced declines in levels of "prostate specific antigen," but this is a long way from demonstrating that Cougar's treatment "attenuates disease" or "shrinks tumors." As for that "potential to treat patients," it will be at least two years before Cougar has enough data to submit an application for FDA approval.

For the sake of prostate cancer patients everywhere, *Deep Capture* hopes that Cougar's drug proves to be successful. We wish merely to note the different reception the network of Milken cronies delivers to a drug like Provenge, whose supporting data is ample and overwhelmingly positive, versus the opinions the network expresses about a drug whose data is preliminary and inclusive, but whose investors hail from the Milken network.

We also wish to reiterate that Milken's Prostate Cancer Foundation and people tied to Milken gave ringing endorsements to companies – Novacea, Cell Genesys, and Cougar Biotechnology – right before those companies entered into purportedly massive deals with major pharmaceutical companies. In the cases of Novacea and Cell Genesys, those massive deals were cancelled soon after they were signed because the companies' treatments were shown to be ineffective.

Yet, in all three cases, investors with ties to Milken or his close associates made large fortunes selling out their stock soon after the companies received over-the-top endorsements from the Prostate Cancer Foundation. Meanwhile, the Prostate Cancer Foundation, whose officials had played a key role in derailing Dendreon back in 2007, continued to snub Dendreon's Provenge, the one treatment that could be safely and effectively administered to patients – *right away.*

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It is not clear if Milken himself was invested in Cougar, but Dr. Samuel Saks, who was a director on Cougar's advisory board, was also a board member of Milken's fund, ProQuest Investments. Three other members of Cougar's advisory board were doctors affiliated with Milken's "philanthopy," the Prostate Cancer Foundation.

In addition to Rosenwald, the biggest investors in Cougar Biotechnology have included Millennium Management (the hedge fund that was co-founded by the guy who was going to murder Ivan Boesky, and later died of an early heart attack) and Visium Capital, which is co-owned by Dimitry Balyasny and Jacob Gottleib.

As noted, Millennium, Visium and Balyasny were also among the largest shareholders in Cell Genesys when the Prostate Cancer Foundation began promoting that company's treatment, GVAX (and arguably, its stock), in mass mailings and flyers handed out in front of shopping malls. Millennium's manager and Dmitry Balyasny, meanwhile, were among the seven traders who were betting big against Dendreon in March 2007.

Gottleib, the co-owner of Visium, is something of a mystery man. I have been able to find little information about his background.

The few media stories about Balyasny make him seem like he is a "prominent" investor – and a poster boy for the American dream. Born in Russia, he came to America as a young man and soon started raking in the bucks as a "whiz kid" investor. In addition to Visium, Balyasny is the proprietor of Balyasny Asset Management and BAM Capital. Some of Balyasny Asset Management's employees -- including, for a period of time, the fund's chief risk officer -- hail from SAC Capital, the hedge fund run by Milken crony Steve Cohen.

A great many of Balyasny's other employees were hired from a hedge fund called Magnetar Capital. The senior partner and investment committee chairman of Magnetar is Michael S. Gross, who was previously a founding partner of Apollo Advisors, the investment fund run by Milken crony Leon Black.

As you will recall, Leon Black funded the new Milken "philanthropic" foundation that hired National Cancer Institute prostate cancer chief Alison Martin after she helped the chairman of Milken's Therapeutic Consortium foil Dendreon's FDA application. Leon Black is also a business partner of Felix Sater, the alleged Russian mobster who once stuck the broken stem of a wine glass through a stock broker's face and then went on to run White Rock Partners, a Mafia-infested brokerage that was indicted for manipulating stock in cahoots with the above-mentioned Lindsay Rosenwald's D.H. Blair.

Prior to starting his own hedge funds, Balyasny was the top trader at an outfit called Schonfeld Securities, the proprietor of which is a man named Steven Schonfeld. Prior to founding his firm, Schonfeld worked for Blinder Robinson (then known on the Street as "Blind'em and Rob'em"). Blinder Robinson was among the first firms to be shut down by the Feds when they began investigating a network of Mafia-linked brokerages that included Rosenwald's D.H. Blair and Sater's White Rock Capital.

Schonfeld worked at Blinder Robinson with Anthony Elgindy, the criminal naked short seller who was later sentenced to prison for stock manipulation and bribing FBI officials. As you will recall, Elgindy appeared for his sentencing missing a finger – reportedly because the Russian Mafia forced him to saw it off, giving him something on which to meditate while he served his 11 years in jail. Meanwhile, the Elgindy investigation led the authorities to other hedge funds, such as Gryphon Partners, whose manager was later among the few who bet big against Dendreon.

As should be clear by now, it is significant that a preponderance of the hedge funds that bet big against Dendreon, and a preponderance of the hedge funds that were invested in the three Milken-promoted companies – Cell Genesys, Novacea, and Cougar Biotechnology – were part of the same network. And it is significant that much of this network seems to be centered around Michael Milken and Steve Cohen, who became the "most powerful trader on Wall Street" some years after he was investigated by the government for trading on inside information provided to him by Milken's shop at Drexel Burnham.

Permit me to repeat a few facts: Cohen was once the top earner for Gruntal & Company, which was simultaneously employing several traders who were later tied to the Mafia. When Gruntal was indicted for embezzling millions of dollars, many of its former employees went on to fill the ranks of White Rock Capital, run by the alleged Russian mobster Felix Sater (he of the broken wine glass).

Cohen, meanwhile, had left to start his own hedge fund empire. Cohen's hedge funds have helped pump stocks promoted by D.H. Blair, which was eventually indicted on 173 counts of securities fraud and implicated in a Mafia stock manipulation scheme that was orchestrated by White Rock Capital.

Lindsay Rosenwald, who is the son-in-law of D.H. Blair's founder and a former top executive of D.H. Blair, was not only the controlling shareholder of Cougar Biotechnology, but also the proprietor of a hedge fund called Paramount Capital. The vice president of Paramount was formerly a top trader for Steve Cohen's SAC Capital. The vice president of the above mentioned Millennium Management is *also* a former top trader of SAC Capital.

And Cohen, who is maniacal about his working relationships, is on close terms with Schonfeld Securities, run by the former employee of Blind'em and Rob'em. Cohen has employed Schonfeld's traders, including Anthony Bassone, who was until recently assistant controller of SAC Capital; and Rob Cannon, who is Cohen's top personal trader at SAC. Another "Russian whiz kid", Michael Orlov, created the computerized trading infrastructure at both SAC and Schonfeld Securities. And, as mentioned, Cohen shares employees and trading strategies with that other "Russian whiz kid" -- Dmitry Balyasny, who was once Schonfeld's biggest earner.

All of which I mention only because I fancy myself a biographer of a particularly destructive network of Wall Street personalities. It may be of no significance that out of Planet Earth's 11,500 hedge funds, there were only ten hedge funds with large numbers of Dendreon put options at the end of March, 2007. There may be no significance to the fact that of those ten hedge funds, seven were in the same network -- Millennium Management; Balyasny Asset Management; WS Capital (the successor to Gryphon Partners); Perceptive Advisors (whose manager was simultaneously working for Paramount Capital); Bernard Madoff Investment Securities; Pequot Management; and SAC Capital (managed by Steve Cohen, who is said to be maniacal about maintaining working relationships with people in his network).

And it could be purely coincidence that these hedge funds were the largest holders of put options on Dendreon shares right at the time that Dendreon was getting clobbered by massive amounts of illegal naked short selling – and right before Dendreon's treatment for prostate cancer was stymied by an unprecedented lobbying effort led by FDA-contracted doctors and government officials tied to Michael Milken.

By the way, three months later – at the end of June, 2007 -- there was just one more hedge fund with large numbers of Dendreon put options. It is not clear from SEC filings whether these put options were bought before or after the FDA announced (on May 8, 2007) that it would not approve Dendreon's treatment.

Either way, it is probably another coincidence that this eleventh hedge fund that bought large numbers of put options in Dendreon was the above-mentioned Magnetar Capital.

*** * * CHAPTER 15 * * ***

When Dendreon's FDA application was derailed as a naked short selling attack flooded the market with tens of millions of phantom shares, Dendreon's supporters went berserk. They sent the government hundreds of letters complaining about the naked short selling and the apparent machinations of Michael Milken's associates. After that, all but one of the ten hedge fund managers ceased to own "put options" in Dendreon.

However, for the following two years the naked short selling continued more or less unabated. And in April 2009, Dendreon was again on the SEC's "Reg Sho" list of companies whose stock was "failing to deliver" in excessive quantities. Dendreon stayed on that list even after the company's CEO announced that results of an Independent Monitoring Committee study of 500 patients were "unambiguous in nature…a clear hit" for Provenge.

After the CEO's announcement, Dendreon's stock, which had been as low as $4 weeks earlier, rose to the mid-20s. Then, on April 28, 2009, just hours before Dendreon was to present this "unambiguous" data to an all-important meeting of the American Urological Association, the now legendary Yahoo! message board post appeared, warning of a "BEAR RAID" that was to occur at precisely 12:30pm Central time. Right on cue, within minutes of the moment predicted by that message, Dendreon's stock tanked 65% (to $7) in only 75 seconds.

Within hours of that amazing crash, Nasdaq announced that it had investigated the matter and decided to let the trades stand. This was remarkable, given that it would have been impossible for the exchange to identify that message board poster and sort through the trading data in such a short period of time. It is all the more remarkable considering that this "BEAR RAID" was most likely the work of naked short selling criminals.

At any rate, it is likely that short sellers, recognizing that it was now going to be more difficult to prevent Dendreon from getting FDA approval, used the opportunity of that sharp price drop to cover their short positions. Some short sellers might also have used the opportunity to go long, hoping to cash in on the bonanza that was to follow. After the "BEAR RAID," Dendreon's stock price quickly rose back above $27.

The night after the "BEAR RAID", CNBC's Jim Cramer (who has begun a "crusade" against the crime of naked short selling in an effort to distance himself from his previous efforts to cover up the crime of naked short selling) said "I'm not qualified to talk about Dendreon." This was two weeks after Cramer had screamed that Dendreon had no chance of receiving FDA approval. Now he was no longer commenting on Dendreon's chances, but he noted, "I am a big believer in taking profits when I see a short squeeze. So I am going to recommend taking profits."

Some people clearly did "take profits." After Cramer's comment, the stock started to fall, and by May 8, it was at $19. Then the buying started again. Quite possibly, some of the hedge funds that had been short selling Dendreon used the dip to $19 to purchase still more Dendreon shares. After May 8, the stock rose back up to around $25, which is approximately where it remains today. When SEC filings for this period are in, it will be interesting to see which hedge funds bought shares.

But it will remain impossible to know who the criminal short sellers were. As far as the SEC is concerned, that is a big secret – "proprietary trading strategies."

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After Dendreon reported its data to the American Urological Association – data that showed almost precisely what the data showed two years earlier (that is, that Provenge was safe, and that it lengthened survival times while greatly improving the quality of life for end-stage prostate cancer patients who would otherwise be subjected to the misery of chemotherapy) -- Milken's Prostate Cancer Foundation, which had long shunned Dendreon as Milken's allies maneuvered to derail it, finally concluded that it was time to say something positive about Provenge.

"The PCF is delighted to see evidence of increased patient survival from Provenge," the Milken "philanthropic" foundation said in a press release. "We share the analysis of Dr. Philip Kantoff, a leader in the PCF Clinical Therapy Consortium…and a principal investigator of the Provenge Phase III clinical study. The results validate 16 years of modern research to harness a patient's own immune system to fight their prostate cancer and prolong their lives…"

The Prostate Cancer Foundation continued: "The PCF first provided funding to Dr. Eric Small…to support clinical research around measuring immune responses in patients treated with Provenge…"

In other words, Milken's "philanthropy" hadn't spent two years ignoring, and in some cases trying to quash Dendreon's treatment. In fact, the Prostate Cancer Foundation had supported Dendreon all along!

This is nonsense. What the Prostate Cancer Foundation did not mention is that Dr. Philip Kantoff, the physician mentioned in the press release, was on the advisory board of Cougar Biotechnology, the company that Milken's "philanthropic" foundation was promoting as a better alternative to Dendreon. Moreover, Dr. Kantoff was one of the few physicians to publicly cast doubts on Provenge. He was never able to say that Provenge did not work, but when talking to the press at the time of the FDA advisory panel meeting in 2007, he was dismissive, or at least confused.

"I didn't think [Provenge] had a snowball's chance in hell of working," Dr. Kantoff told Forbes magazine's Matthew Herper, the journalist who went to lengths to argue against FDA approval. "I'm still skeptical, but I think there's something going on here." Kantoff suggested that Provenge could be a "slam dunk," but maybe the trial size was too small. Left unmentioned was the fact the FDA had regularly approved treatments for dying patients when relatively small trials had shown such stunning results.

As for Dr. Small, he too was on the advisory board of Cougar Biotechnology. The Prostate Cancer Foundation did indeed give him funding to measure immune responses in patients treated with Provenge, but it is not at all clear that Milken's "philanthropic" outfit was keen to see Dr. Small's study yield positive results. When the study *did* yield positive results, Dr. Scher, the chairman of the Prostate Cancer Foundation's Therapeutic Consortium (referred to in the above press release as the "Clinical Therapy Consortium"), spun them as negative results.

In his letter to the FDA (the one that quickly and mysteriously ended up in the hands of The Cancer Letter), Dr. Scher quoted Dr. Small as saying the following: "In summary, this study suggests that while sipuleucel-T fell short of demonstrating a statistically significant difference in TTP, it *may* provide a survival advantage to asymptomatic [prostate cancer] patients." Dr. Small had not written the word "may" in italics. That was Dr. Scher's improvisation, part of his effort to convince the world that absolute "proof" of efficacy was needed for FDA approval.

As both Dr. Small and Dr. Scher knew, the "gold standard" for physicians, and the federally mandated standard for drug approval, is "survival" -- "substantial evidence" that a treatment *may* help patients live longer. Perhaps Dr. Small felt constrained in challenging Dr. Scher's misuse of his study. Perhaps he also felt uncomfortable about joining Dr. Scher (who was, after all, the powerful chairman of Milken's Therapeutic Consortium) at the meeting of the FDA advisory panel that voted on Provenge in March 2007.

Dr. Small was supposed to speak on behalf of Provenge at that panel. Perhaps this concerned the folks at the Prostate Cancer Foundation. Either way, Dr. Small was a no-show at the panel that day.

He apologized – something about a hitch in his travel plans.

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In May 2009, while Milken's Prostate Cancer Foundation was rewriting history, Milken's hedge fund crony, Steve Cohen, who was one of those seven hedge fund managers who had bet big against Dendreon after the advisory panel meeting in 2007, reached out to Care-to-Live, the grass-roots organization that had done so much to highlight the connections among Milken's "philanthropy," Milken's investments, and Dendreon's travails

On May 19, 2009, one of Care-to-Live's founders received an email from an employee of CR Intrinsic Investors, which is one of Steve Cohen's hedge funds. "I'm an investor in biotechnology and pharmaceutical companies and I'm interested in understanding the patients perspective on Provenge and any other therapies in development…," the email began. "Would you or someone from Care-to-Live be available speak with me…? I have spoken to a number of academic thought leaders, but I'd like to better understand what the patients want…"

And by the way, "I'm happy to provide compensation for time spent speaking with me if that is of interest."

Milken-affiliated hedge funds already have analysts and journalists regurgitating their party line on command. They also have doctors on the payroll. Might as well put the troublemakers on the payroll, too.

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Or perhaps Cohen is genuinely thinking about investing in Dendreon. Perhaps he already has. The intentions of this network remain a matter of some speculation.

Much of this speculation focuses on Dmitry Balyasny, the Russian "whiz kid." As recently as March of this year, when they filed their last SEC documents, Balyasny's hedge funds – Balyasny Asset Management, BAM and Visium – held around 3 million put options in Dendreon. Simultaneously, these hedge funds owned an almost equal number of call options. It is possible that Balyasny and his associate, the mysterious Jacob Gottleib, were implementing a split-strike pricing strategy – selling out-of-the-money calls and buying out-of-the-money puts. The effect is to create a large synthetic short position.

But SEC documents show that during much of the past two years, Balyasny's funds also owned large numbers of Dendreon shares. These could have been shares that they bought to cover short positions. Or it could be that they owned shares to gather proxy votes and put pressure on Dendreon's management to act in ways that might not be good for the company.

Whatever the case, Dendreon's latest Schedule 14-A, filed on April 30, showed that Balyasny (previously one of the seven hedge funds with large bets *against* Dendreon) had become Dendreon's largest shareholder, with a 9.8% stake in the company. The second largest shareholder was Capital Ventures International, the unit of Susquehanna that did the PIPEs deal with Dendreon. Visium Capital owned 5.5% of Dendreon. Meanwhile, Joseph Edelman, the hedge fund manager who was employed in 2007 by Lindsay Rosenwald, formerly of the Mafia-connected D.H. Blair, has bought at least 2 million Dendreon shares.

In addition to those purchases, many of the Milken network hedge funds that bought Dendreon's convertible bonds now have the capability to convert, so they, too, might soon count themselves among

Dendreon's largest shareholders. Altogether, this network may already control (or have the ability to convert into enough shares to control) as much as 30% of the company.

If Balyasny had acquired more than 10% of the company, he would have been subjected to reporting requirements designed to identify hostile takeover attempts. Given that he acquired 9.8% (that is, just under 10%), and given that he nowhere declares his co-ownership of Visium, which adds 5.5% to his stake, it is possible that Balyasny and others in his network have considered seizing control of the company by stealth.

Incidentally, this was the *modus operandi* of the Milken network in the 1980s. As most every book on Milken recounts, affiliated investors (some combination of Michael Milken, Ivan Boesky, Carl Icahn, Princeton-Newport, John Mulheren, and others) would each buy, say, 4.9% or 9.8% of a company without declaring themselves to be affiliated investors. In some cases, Milken would "park" stock (e.g. Princeton would secretly buy stock on Milken's behalf) in order to conceal that he had any ownership at all.

By secretly holding large blocks of shares, the network was able to acquire controlling stakes in firms while bypassing regulatory requirements to declare such positions. Besides putting them in a position to manipulate prices, Milken and friends then put pressure on companies' managements by quietly letting it be known that they had, as a group, a controlling number of proxy votes.

If Milken's friends come to control Dendreon, Milken's "philanthropic" foundation will no doubt continue to articulate its new position of being "delighted" that the data shows that Dendreon's treatment is safe and effective (which is the same thing the data showed two years and 60,000 American deaths ago). And if the Milken network takes over Dendreon, perhaps Michael Milken will, in the name of "philanthropy," convince his government minions to grant approval to Provenge, so that it can be administered to the patients who desperately need it.

But that should not cause us to ignore the ordeal that Dendreon has endured during these past few years. And we should demand an end to a *status quo* which cedes our capital markets to Wall Street miscreants, cheats, and manipulators who decide which companies survive unmolested, and which will be crippled or killed off entirely.

But it is not surprising that criminals see fit to maim public companies.

There is a legal principle that holds that one can only insure something in which one has "an insurable interest." For example, one cannot buy life insurance on another person's life. But imagine that this were not the case. Imagine if it were possible for people to buy insurance on other people's lives. One can see that there might evolve a type of criminal who would buy life insurance on the lives of others, and then arrange for those people to die.

One can even imagine that, as society wised up to this practice, such criminals would evolve new tactics. For example, the criminals might target newborn babies in hospitals, because babies are vulnerable, and it would be difficult for anyone to know for certain when they were dying naturally, or as a result of criminals manipulating outcomes.

One could even imagine that the most sophisticated of these criminals would come to target newborn babies who were already sick, because manipulating their medical outcomes in order to cause their deaths would leave the slightest statistical footprint possible.

In our society one cannot buy life insurance on another person, but one *can* buy "life insurance" on a company: that is, one can make a bet that a company will fail, and collect on that bet when the company dies. It is the contention of *Deep Capture* that there are criminals who take out life insurance policies against companies, and then manipulate their outcomes so as to collect on those policies.

And just as we can understand the logic of criminals focusing on newborn babies, so too can we understand why financial criminals have learned to focus on small, early-stage public companies. And to extend the morbid metaphor one last step: just as the criminals might focus on newborns who are already sick, because their outcomes are already in the most doubt (making the criminal manipulations hardest to spot), so too have the financial criminals learned to focus not just on early-stage public companies, but on early stage public companies working in the field of biotechnology.

That is because in biotechnology the difficulties in valuing a company are at their greatest. There is often little to no revenue. The idea behind the company may be nothing more than the theory of a scientist. No one knows whether it will work. If it works, no one knows how long it will take to prove that it works. And even if it can be proven to work, no one knows how long it will take to clear all the legal and regulatory hurdles it will face. Such companies are favored targets for manipulators because it is easy to manipulate the truth when no one knows the truth, and whatever truth exists lies behind so many veils.

In the case of Dendreon , the truth was hard to miss. It was more than a company with a blockbuster treatment. It was the first company in decades to develop a medicine that could truly revolutionize the way that doctors treat cancer. The company had gathered its data, and the data was conclusive (to a 95% confidence level): Provenge was safe and effective. A panel of experts assembled by the FDA had declared that the treatment should be approved.

So when naked short sellers attacked, and the treatment was derailed, it was obvious that there had been foul play. Hundreds of concerned citizens took it upon themselves to investigate, and document, the footprints of the miscreants. As a result we have been able to present a highly discernible, if admittedly incomplete, picture of their scheme.

But we must ask: How many other small biotech companies have been victimized in less obvious ways? How many companies were like the babies of our morbid metaphor -- snuffed out before they could demonstrate their potential; killed by criminal naked short sellers and their accomplices (captured journalists, regulators, doctors) who successfully pled innocence, saying the companies died because they were sick or weak? And how many of those murdered companies, weak or not, had medicines that could have saved lives?

Our morbid metaphor, you see, is not entirely metaphor. Real people have died.

In answer to the question of how many people have died, we know only from the data that abusive and illegal short selling has affected many hundreds of small biotech companies with all manner of medicines. We know that the vast majority of those companies are now gone, and that some number of them, if left to the rigors of the market (but not to the whims of criminal short sellers), would have one day delivered their medicines to patients.

But, of course, we do not know who the criminal short sellers are. According to the Securities and Exchange Commission, that is a big secret – “proprietary trading strategies.”

*** * * THE END * * ***