

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 65783 / November 17, 2011

INVESTMENT ADVISERS ACT OF 1940
Release No. 3318 / November 17, 2011

ADMINISTRATIVE PROCEEDING
File No. 3-14633

In the Matter of

DR. JOSEPH F. SKOWRON III,

Respondent.

**ORDER INSTITUTING
ADMINISTRATIVE PROCEEDINGS
PURSUANT TO SECTION 15(b) OF THE
SECURITIES EXCHANGE ACT OF 1934
AND SECTION 203(f) OF THE
INVESTMENT ADVISERS ACT OF 1940,
MAKING FINDINGS, AND IMPOSING
REMEDIAL SANCTIONS**

I.

The Securities and Exchange Commission (“Commission”) deems it appropriate and in the public interest that public administrative proceedings be, and hereby are, instituted pursuant to Section 15(b) of the Securities Exchange Act of 1934 (“Exchange Act”) and Section 203(f) of the Investment Advisers Act of 1940 (“Advisers Act”) against Dr. Joseph F. Skowron III (“Skowron” or “Respondent”).

II.

In anticipation of the institution of these proceedings, Respondent has submitted an Offer of Settlement (the “Offer”) which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, Respondent consents to the Commission’s jurisdiction over him and the subject matter of these proceedings and to the entry of this Order Instituting Administrative Proceedings Pursuant to Section 15(b) of the Securities Exchange Act of 1934 and Section 203(f) of the Investment Advisers Act of 1940, Making Findings, and Imposing Remedial Sanctions (“Order”), as set forth below.

III.

On the basis of this Order and Respondent's Offer, the Commission finds that:

1. Skowron was, from at least January 2007 through February 2008, a managing director of Morgan Stanley, a co-portfolio manager of six healthcare related hedge funds, and an officer of the investment advisers to those funds. In this capacity, Skowron was an associated person of Morgan Stanley, a registered broker dealer, and of FrontPoint Universal GP, LLC, a registered investment adviser.

2. On November 16, 2011, a final judgment was entered by consent against Skowron, permanently enjoining him from future violations of Section 17(a) of the Securities Act of 1933, Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, in the civil action entitled SEC v. Dr. Joseph F. "Chip" Skowron III, et al., Civil Action No. 10-CV-8266-DAB, in the United States District Court for the Southern District of New York.

3. The Commission's complaint alleged that Skowron ordered the sale of approximately six million shares of Human Genome Sciences Inc. ("HGSI") based on tips he received from Dr. Yves Benhamou, a medical researcher overseeing HGSI's trial for Albuferon, a potential drug to treat hepatitis C. These sales occurred in accounts held by the six health-care related funds that Skowron co-managed and took place during the six-week period prior to HGSI's public announcement of negative results from the Albuferon trial. The hedge funds sold their entire inventory of HGSI stock and thus had no exposure to HGSI by the close of markets on January 22, 2008. Indeed, two million of the six million shares were sold in a block trade just prior to the close of markets on January 22, 2008. The next morning, HGSI publicly announced changes to its Albuferon trial, including the elimination of one arm of the trial. HGSI's share price dropped 44 percent by the end of January 23, 2008. The hedge funds avoided losses of approximately \$30 million.

4. On August 15, 2011, Skowron pled guilty to one count of conspiracy to commit securities fraud and obstruct justice, in violation of 18 U.S.C. § 371, in United States v. Joseph F. Skowron III, Case No. 11-CR-699-DLC (S.D.N.Y.), which carries, among other things, a maximum sentence of five years' imprisonment. The sentence stipulated by the United States Sentencing Guidelines is 60 months imprisonment and Skowron has agreed not to seek a sentence other than 60 months.

5. The counts of the criminal information to which Skowron pled guilty allege, inter alia, that:

A. Skowron was a portfolio manager of six healthcare-related hedge funds affiliated with Hedge Fund A and was responsible for the hedge funds' investments in companies developing drug treatments for hepatitis C, including Human Genome Sciences, Inc. ("HGSI"). In or about December 2007 and January 2008, Dr. Yves M. Benhamou ("Benhamou"), a leading hepatologist with whom Skowron routinely consulted in the course of doing

research on healthcare-related stocks, provided Skowron with material non-public information relating to negative developments in a clinical drug trial conducted by HGSI on a hepatitis drug called Albuferon. On the basis of this material non-public information, Skowron caused the healthcare funds to sell their holdings of HGSI stock prior to HGSI's announcement of the negative developments on January 23, 2008, thereby avoiding approximately \$30 million in losses. Skowron knew that Benhamou was a consultant to HGSI with respect to the Albuferon clinical trial and that Benhamou had an obligation to HGSI not to disclose confidential information about the Albuferon clinical trial. Skowron knew that Benhamou provided this information about the Albuferon clinical trial to Skowron for Benhamou's benefit, and to develop Benhamou's business and personal relationship with Skowron.

B. In or about February 2008, after the Securities and Exchange Commission commenced an investigation into the hedge funds' sales of HGSI common stock, Skowron and Benhamou agreed to provide false and misleading information to the Commission to conceal their involvement. Among other things, Skowron made a cash payment to Benhamou in April 2008 in furtherance of this conspiracy to provide false and misleading information to the Commission.

IV.

In view of the foregoing, the Commission deems it appropriate and in the public interest to impose the sanctions agreed to in Respondent Skowron's Offer.

Accordingly, it is hereby ORDERED pursuant to Section 15(b)(6) of the Exchange Act and Section 203(f) of the Advisers Act that Respondent Skowron be, and hereby is:

barred from association with any broker, dealer, investment adviser, municipal securities dealer, municipal advisor, transfer agent, or nationally recognized statistical rating organization; and

barred from participating in any offering of a penny stock, including: acting as a promoter, finder, consultant, agent or other person who engages in activities with a broker, dealer or issuer for purposes of the issuance or trading in any penny stock, or inducing or attempting to induce the purchase or sale of any penny stock.

Any reapplication for association by the Respondent will be subject to the applicable laws and regulations governing the reentry process, and reentry may be conditioned upon a number of factors, including, but not limited to, the satisfaction of any or all of the following: (a) any disgorgement ordered against the Respondent, whether or not the Commission has fully or partially waived payment of such disgorgement; (b) any arbitration award related to the conduct that served as the basis for the Commission order; (c) any self-regulatory organization arbitration award to a

customer, whether or not related to the conduct that served as the basis for the Commission order;
and (d) any restitution order by a self-regulatory organization, whether or not related to the conduct
that served as the basis for the Commission order.

By the Commission.

Elizabeth M. Murphy
Secretary