

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES ACT OF 1933
Release No. 11079 / July 7, 2022

SECURITIES EXCHANGE ACT OF 1934
Release No. 95204 / July 7, 2022

ADMINISTRATIVE PROCEEDING
File No. 3-20925

In the Matter of

HUGH LEE SWEENEY

Respondent.

ORDER INSTITUTING CEASE-AND-DESIST PROCEEDINGS PURSUANT TO SECTION 8A OF THE SECURITIES ACT OF 1933 AND SECTION 21C OF THE SECURITIES EXCHANGE ACT OF 1934, MAKING FINDINGS, IMPOSING REMEDIAL SANCTIONS AND A CEASE-AND-DESIST ORDER

I.

The Securities and Exchange Commission (“Commission”) deems it appropriate that cease-and-desist proceedings be, and hereby are, instituted pursuant to Section 8A of the Securities Act of 1933 (“Securities Act”) and Section 21C of the Securities Exchange Act of 1934 (“Exchange Act”), against Hugh Lee Sweeney (“Sweeney” 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, and without admitting or denying the findings herein, except as to the Commission’s jurisdiction over him and the subject matter of these proceedings, which are admitted, and except as provided herein in Section V, Respondent consents to the entry of this Order Instituting Cease-And-Desist Proceedings Pursuant To Section 8A of the Securities Act of 1933 and Section 21C Of The Securities Exchange Act of 1934, Making Findings, Imposing

Remedial Sanctions And A Cease-And-Desist Order (“Order”), as set forth below.

III.

On the basis of this Order and Respondent’s Offer, the Commission finds¹ that:

Summary

1. These proceedings arise out of insider trading by Respondent who sold stock after he obtained material nonpublic information regarding negative trial results of a study of a drug to be used in the treatment of muscular dystrophy. Sweeney either knew or was reckless in not knowing that he obtained this information in confidence and he was not permitted to trade on it. By engaging in this conduct, Sweeney violated Section 17(a) of the Securities Act and Section 10(b) of the Exchange Act and Rule 10b-5 thereunder.

Respondent

2. **Hugh Lee Sweeney** (“Sweeney”), age 68, resides in Gainesville, Florida. From approximately 2012 until December 2020, Sweeney was engaged by Catabasis Pharmaceutical, Inc. as a consultant in connection with the development of a drug to treat muscular dystrophy.

Other Relevant Entities

3. **Catabasis Pharmaceutical, Inc.** (“Catabasis”) known as Astria Therapeutics, Inc. since September 2021, is a Delaware corporation with its principal place of business in Boston, Massachusetts. Astria’s stock is listed on the NASDAQ Capital Market under the ticker symbol ATXS.

Background

4. From approximately July 2012 to November 2020, Sweeney was engaged by Catabasis as a consultant to provide data analysis and scientific consulting services relating to the development of a drug called edasalonexent for the treatment of muscular dystrophy. In connection with his engagement, Sweeney signed a consulting agreement with Catabasis in which he acknowledged that his relationship with the Company was one of high trust and confidence and that in the course of service to the Company he would have access to and contact with proprietary information including, but not limited to, research and clinical data. Pursuant to the consulting agreement, Sweeney also expressly agreed not to use such proprietary information for his own benefit.

¹ The findings herein are made pursuant to Respondent’s Offer of Settlement and are not binding on any other person or entity in this or any other proceeding.

5. On October 21, 2020, Catabasis provided Sweeney with material non-public information regarding the negative trial results of a blinded study of edasalonexent.

6 Sweeney understood that the information about the negative trial results was confidential. Sweeney knew, or was reckless in not knowing, that he had a duty to maintain the confidentiality of the information and was not permitted to trade on it. As a consultant working for Catabasis, Sweeney owed a fiduciary duty of trust and confidence to Catabasis and its shareholders.

7. Nevertheless, on October 21, 2020, and in advance of any public announcement of the negative trial results, Sweeney sold 15,000 shares of Catabasis stock. On the next day, also in advance of any public announcement, Sweeney sold his remaining 82 shares of Catabasis stock.

8. After the close of the market on October 26, 2020, Catabasis issued a press release announcing its negative clinical trial results. The Company also announced that based on the clinical trial results it would discontinue the clinical development of edasalonexent. In response, Catabasis' stock price decreased 70.9%, from \$5.36 per share to \$1.56 per share.

9. As a result of the conduct described above, Sweeney violated Section 17(a) of the Securities Act which prohibits fraudulent conduct in the offer or sale of securities.

10. As a result of the conduct described above, Sweeney violated Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, which prohibit fraudulent conduct in connection with the purchase or sale of securities.

Disgorgement and Civil Penalties

11. The disgorgement and prejudgment interest ordered in section IV. B. is consistent with equitable principles, does not exceed Respondent's net profits from its violations, and returning the money to Respondent would be inconsistent with equitable principles. Therefore, in these circumstances, distributing disgorged funds to the U.S. Treasury is the most equitable alternative. The disgorgement and prejudgment interest ordered in paragraph IV.B. shall be transferred to the general fund of the U.S. Treasury, subject to Section 21F(g)(3) of the Exchange Act.

IV.

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

Accordingly, it is hereby ORDERED that:

A. Pursuant to Section 8A of the Securities Act, Respondent Sweeney shall cease and desist from committing or causing any violations and any future violations of Section 17(a) of Securities Act.

B. Pursuant to Section 21C of the Exchange Act, Respondent Sweeney shall cease and desist from committing or causing any violations and any future violations of Section 10(b) of the Exchange Act and Rule 10b-5 thereunder.

C. Respondent Sweeney shall, within 10 days of the entry of this Order, pay disgorgement of \$57,931 and prejudgment interest of \$2,499.71 to the Securities and Exchange Commission for transfer to the general fund of the United States Treasury, subject to Exchange Act Section 21F(g)(3). If timely payment is not made, additional interest shall accrue pursuant to SEC Rule of Practice 600.

D. Respondent Sweeney shall, within 10 days of the entry of this Order, pay a civil money penalty in the amount of \$57,931 to the Securities and Exchange Commission for transfer to the general fund of the United States Treasury, subject to Exchange Act Section 21F(g)(3). If timely payment is not made, additional interest shall accrue pursuant to 31 U.S.C. §3717.

Payment must be made in one of the following ways:

- (1) Respondent may transmit payment electronically to the Commission, which will provide detailed ACH transfer/Fedwire instructions upon request;
- (2) Respondent may make direct payment from a bank account via Pay.gov through the SEC website at <http://www.sec.gov/about/offices/ofm.htm>; or
- (3) Respondent may pay by certified check, bank cashier's check, or United States postal money order, made payable to the Securities and Exchange Commission and hand-delivered or mailed to:

Enterprise Services Center
Accounts Receivable Branch
HQ Bldg., Room 181, AMZ-341
6500 South MacArthur Boulevard
Oklahoma City, OK 73169

Payments by check or money order must be accompanied by a cover letter identifying Hugh Lee Sweeney as a Respondent in these proceedings, and the file number of these proceedings; a copy of the cover letter and check or money order must be sent to Glenn S. Gordon, Division of Enforcement, Securities and Exchange Commission, 801 Brickell Avenue, Suite 1950, Miami, FL 33131.

E. Amounts ordered to be paid as civil money penalties pursuant to this Order shall be treated as penalties paid to the government for all purposes, including all tax purposes. To preserve the deterrent effect of the civil penalty, Respondent agrees that in any Related Investor Action, he shall not argue that he is entitled to, nor shall he benefit by, offset or reduction of any award of compensatory damages by the amount of any part of Respondent's payment of a civil penalty in this action ("Penalty Offset"). If the court in any Related Investor Action grants such a Penalty Offset, Respondent agrees that he shall, within 30 days after entry of a final order granting the Penalty Offset, notify the Commission's counsel in this action and pay the amount of the Penalty Offset to the Securities and Exchange Commission. Such a payment shall not be deemed an additional civil penalty and shall not be deemed to change the amount of the civil penalty imposed in this proceeding. For purposes of this paragraph, a "Related Investor Action" means a private damages action brought against Respondent by or on behalf of one or more investors based on substantially the same facts as alleged in the Order instituted by the Commission in this proceeding

V.

It is further Ordered that, solely for purposes of exceptions to discharge set forth in Section 523 of the Bankruptcy Code, 11 U.S.C. §523, the findings in this Order are true and admitted by Respondent, and further, any debt for disgorgement, prejudgment interest, civil penalty or other amounts due by Respondent under this Order or any other judgment, order, consent order, decree or settlement agreement entered in connection with this proceeding, is a debt for the violation by Respondent of the federal securities laws or any regulation or order issued under such laws, as set forth in Section 523(a)(19) of the Bankruptcy Code, 11 U.S.C. §523(a)(19).

By the Commission.

Vanessa A. Countryman
Secretary