

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 89350 / July 21, 2020

ADMINISTRATIVE PROCEEDING
File No. 3-19888

In the Matter of

Joseph Zhang,

Respondent.

ORDER INSTITUTING CEASE-AND-DESIST PROCEEDINGS PURSUANT TO SECTION 21C OF THE SECURITIES EXCHANGE ACT OF 1934, MAKING FINDINGS, AND IMPOSING 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 21C of the Securities Exchange Act of 1934 (“Exchange Act”), against Joseph Zhang (“Zhang” 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 21C of the Securities Exchange Act of 1934, Making Findings, and Imposing 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 concern insider trading by Zhang in advance of a May 10, 2017 announcement by Sangamo Therapeutics, Inc. ("Sangamo") that it had entered into a strategic transaction with another pharmaceuticals company. Zhang traded based on a tip that he received from his cousin and close friend, Edmond Leung, who worked at Sangamo.

2. In early May 2017, Leung, then a manager in Sangamo's information technology department, became aware of material, nonpublic information concerning a transaction between Sangamo and another pharmaceutical company. On the morning of May 10, 2017, Leung tipped Zhang to purchase Sangamo stock, indicating that Zhang should do so quickly. Immediately after talking to Leung, Zhang placed several market orders and purchased 16,900 shares of Sangamo common stock just hours before Sangamo announced its collaboration with another pharmaceutical company. The next day, Sangamo's stock price rose almost 60%. In the days following the announcement, Zhang sold his entire position in Sangamo stock for a \$66,703 profit.

3. As a result of this conduct, Zhang violated Section 10(b) of the Exchange Act and Rule 10b-5 thereunder.

Respondent

4. Zhang resides in Alameda, California. During the relevant period of May 2017, he was an active duty member of the Air National Guard, assigned full-time to California's Counterdrug Task Force.

Relevant Individual and Entity

5. Leung resides in Alameda, California. He worked in Sangamo's information technology department from 2010 until his termination in June 2018.

6. Sangamo is a biotechnology company, incorporated in Delaware with its principal place of business in Richmond, California. Its common stock is registered with the Commission pursuant to Section 12(b) of the Exchange Act and trades on the Nasdaq Stock Market LLC under the ticker symbol "SGMO."

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.

Facts

7. In early May 2017, Leung, then a manager in Sangamo's information technology department, learned material, nonpublic information about Sangamo's unannounced collaboration with another pharmaceutical company. Leung owed Sangamo a duty to keep this information confidential and to refrain from trading on the information or tipping others to trade.

8. At 8:35 a.m. PT on the morning of May 10, 2017, Leung telephoned Zhang, his cousin and close friend, and communicated to Zhang that he should purchase Sangamo stock.

9. Zhang knew Leung worked at Sangamo and understood that Sangamo was about to announce good news.

10. Zhang knew, or at least was reckless in not knowing, that Leung's recommendation was based on material, nonpublic information and communicated for the personal benefit of making a gift to Zhang in breach of Leung's duty to his employer Sangamo.

11. Zhang immediately began buying Sangamo stock on the basis of Leung's tip. Before 9:15 a.m. PT, Zhang had placed several market orders and bought 16,900 shares of Sangamo stock at a cost of \$74,096.27. Zhang's average purchase price per share was approximately \$4.38. Zhang largely funded these purchases with a \$60,000 home equity line of credit, which he had transferred from his bank to his brokerage account on April 25, 2017.

12. After the market closed on May 10, 2017, Sangamo announced its collaboration with another pharmaceutical company to develop gene therapy programs for Hemophilia A. The day after the announcement, Sangamo's stock closed at \$7.00, an approximately 60% jump from the previous day's closing price of \$4.35.

13. On May 12 and 15, 2017, Zhang closed out his position in Sangamo, selling all 16,900 shares at an average sales price per share of \$8.33, for total proceeds of \$140,800 and generating illegal profits of \$66,703.

14. As a result of the conduct described above, Zhang 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.

IV.

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

Accordingly, it is hereby ORDERED that:

A. Pursuant to Section 21C of the Exchange Act, Respondent Zhang 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.

B. Respondent Zhang shall pay disgorgement of \$66,703, prejudgment interest of \$5,573, and a civil money penalty of \$66,703 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). Payment shall be made in the following installments: (i) \$34,744.75 due within 14 days of the entry of the Order; (ii) \$34,744.75 due within 120 days of the entry of the Order; (iii) \$34,744.75 due within 240 days of the entry of the Order; and (iv) any remaining amount outstanding due within 360 days of the entry of the Order. Payments shall be applied first to post-order interest, which accrues pursuant to SEC Rule of Practice 600 and/or pursuant to 31 U.S.C. § 3717. Prior to making the final payment set forth herein, Respondent shall contact the staff of the Commission for the amount due. If Respondent fails to make any payment by the date agreed and/or in the amount agreed according to the schedule set forth above, all outstanding payments under this Order, including post-order interest, minus any payments made, shall become due and payable immediately at the discretion of the staff of the Commission without further application to the Commission.

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 265, AMK-326
6500 South MacArthur Boulevard
Oklahoma City, OK 73169

Payments by check or money order must be accompanied by a cover letter identifying Joseph Zhang 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 Melissa Hodgman, Division of Enforcement, Securities and Exchange Commission, 100 F St., NE, Washington, DC 20549.

C. 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