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Notorious **Turing** CEO **Martin Shkreli** Arrested for Securities Fraud

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By Alex Keown, BioSpace.com Breaking News Staff

NEW YORK – **Martin Shkreli**, the pharmaceutical industry's so-called “bad boy,” has been arrested on charges of securities fraud related to his tenure as chief executive officer of **Retrophin Inc. (RTRX)**

Shkreli, who became something of an industry pariah after increasing the price of a 65-year-old drug 5,000 percent, then **lamenting** the fact that he didn't raise it even higher in order to increase profit, was arrested at his home this morning, Bloomberg **reported**. Shkreli is being charged with a misuse of company funds when he was CEO of that company.

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Prosecutors allege that Shkreli took company stock and used it to pay off personal debts. Additionally, Shkreli is charged with playing shell games with his former hedge fund, **MSMB Capital Management**, which lost millions of investor's dollars, Bloomberg said.

In January, Shkreli came under investigation by U.S. prosecutors for possible securities violations and from the **U.S. Securities and Exchange Commission** for the distribution of stock without letting shareholders know. An internal probe conducted by **Retrophin** and filed with the **Securities and Exchange Commission** on Feb. 19 alleged Shkreli used corporate funds to pay off personal legal debts and was hiding company legal matters from public disclosure. Additionally, the probe said Shkreli used corporate funds to resolve legal matters with **MSMB Capital Management**, a hedge fund he managed, as well as disguised legal settlements as consulting agreements with **Retrophin**, both of which cost the company millions of dollars and a transfer of thousands of shares of stock

In August, **Retrophin sued** Shkreli for \$65 million over his use of company funds while helming that company. In its lawsuit, **Retrophin** said Shkreli breached his duty of loyalty to the biopharmaceutical company and he engaged in self-dealing and also seeks disgorgement of money paid to him. **Retrophin** said Shkreli used company funds for personal use, enriched himself through false consulting contracts and referred to Shkreli as "the paradigm faithless servant" who "is not entitled to compensation or post-separation benefits." **Retrophin** alleges Shkreli struck payoff agreement up to 10 **MSMB** investors who lost money when the hedge fund collapsed. Shkreli paid some investors through fake consulting agreements and others through unauthorized appropriations of stock and cash, the company alleged in its lawsuit.

Shkreli, who maintains a defiant presence on social media, said the lawsuit was without merit and said **Retrophin** still owes him millions of dollars. Shkreli defended himself in a post at Investorshub.com. He said the accusations noted in the **Retrophin** internal investigation are "false, untrue at best and defamatory at worst," he said in his post.

"Every transaction I've ever made at **Retrophin** was done with outside counsel's blessing (I have the bills to prove it), board approval and made good corporate sense. I took **Retrophin** from an idea to a \$500 million public company in three years—and I had a lot of help along the way," he said in his post.

In addition to Shkreli's arrest, attorney **Evan Greebel** was also charged with conspiring with Shkreli.

After his ouster from **Retrophin**, Shkreli **founded Turing Pharmaceuticals** in February. In August, the company acquired Daraprim, a treatment for toxoplasmosis, for \$55 million, then **increased the price of the drug** used by about 2,000 people in the United States by 5,000 percent. That move earned him endless amounts of public derision and **prompted** members of Congress to launch investigations into the high price of prescription drugs, as well as becoming the target of presidential candidates, including **Donald Trump** referring to Shkreli as a "spoiled brat."

Most recently, Shkreli **acquired a majority stake** in **KaloBios (KBIO)** and became the CEO of that company. Since news broke of his arrest, shares of KaloBios plummeted in 50 percent in Thursday's pre-market session. It last traded at \$11.75 before being halted at 6:50 a.m., Yahoo Finance reported this morning.

Brooklyn U.S. Attorney **Robert Capers** is scheduled to hold a press conference with officials from the **Federal Bureau of Investigation** and **U.S. Securities and Exchange Commission** at noon EST to discuss the charges.

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