UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

SECURITIES AND EXCHANGE COMMISSION, **Plaintiff,** **- against -** **DR. JOSEPH F. "CHIP" SKOWRON III; and** **DR. YVES M. BENHAMOU,** **Defendants,** **- and -** **FRONTPOINT HEALTHCARE FLAGSHIP FUND, L.P.;** **FRONTPOINT HEALTHCARE HORIZONS FUND, L.P.;** **FRONTPOINT HEALTHCARE I FUND, L.P.;** **FRONTPOINT HEALTHCARE FLAGSHIP ENHANCED FUND, L.P.;** **FRONTPOINT HEALTHCARE LONG HORIZONS FUND, L.P.; and** **FRONTPOINT HEALTHCARE CENTENNIAL FUND, L.P.,** **Relief Defendants.**	**Civil Action No.** **10-CV-8266 (DAB)** **ECF CASE**

AMENDED COMPLAINT

Plaintiff Securities and Exchange Commission (the "Commission") alleges as follows:

INTRODUCTION

1. Over a six week period in December 2007 and January 2008, Joseph F. "Chip" Skowron III ("Skowron"), a former portfolio manager for six healthcare-related hedge funds affiliated with FrontPoint Partners LLC ("FrontPoint"), sold approximately 6 million shares of Human Genome Sciences, Inc. ("HGSI") common stock for the funds while in possession of material negative non-public information concerning HGSI's clinical trial for the drug Albumin Interferon Alfa 2-a ("Albuferon").

2. Skowron's information came from Dr. Yves Benhamou ("Benhamou"). Benhamou was one of five members of a Steering Committee overseeing the clinical trial. At the same

time, he worked for an expert networking firm and consulted with Skowron and other hedge fund managers and investors that purchased and sold healthcare-related securities. Beginning in or about April 2007, however, Skowron and Benhamou oftentimes circumvented the expert networking firm by directly dealing with each other independent of the firm.

3. In November 2007, and on multiple occasions prior to January 23, 2008, Benhamou learned material non-public information about Phase 3 of the Albuferon trial that had negative implications for Albuferon's future commercial potential. In breach of his obligations to HGSI as a Steering Committee Member and investigative physician for the clinical trial, Benhamou communicated such information to Skowron for Benhamou's own benefit, including: (i) the receipt of financial benefits such as payments of cash and other expenses, (ii) friendship with Skowron and (iii) the development of a potential future business relationship.

4. Based on the business and personal relationship between Skowron and Benhamou, Skowron knew or should have known that Benhamou participated in the Albuferon trial and served on the trial's Steering Committee and as an investigative physician. He also knew or should have known based on his experience, as well as his employers' policies, that Benhamou had an obligation not to disclose confidential information about the trial. Nonetheless, immediately upon receiving material non-public information from Benhamou about the Albuferon trial, Skowron took action to sell the hedge funds' holdings of HGSI common stock. On key dates prior to HGSI's announcement of negative news concerning the trial, including minutes before the close of the markets on January 22, 2008, Skowron caused the six hedge funds to sell all of their remaining holdings of HGSI common stock.

5. On January 23, 2008, HGSI publicly announced that all patients who had been administered the higher dosage level of Albuferon in its clinical trial would be moved to the

lower dosage level due to a safety issue detected during Phase 3 of the trial. The higher dosage level was believed, until then, to have greater commercial potential than the lower dosage. In response to HGSI's announcement, the market price of HGSI's common stock fell by approximately 44 percent, to $5.62 a share by the close of the markets that day.

6. Overall, the hedge funds sold approximately 6 million shares of HGSI common stock – representing all of their holdings – thereby avoiding at least $30 million in losses.

7. Skowron later attempted to cover up his conduct. Among other things, in February 2008, after the Commission informed FrontPoint's counsel that it was investigating the funds' January 22, 2008 block trade of HGSI stock, FrontPoint's counsel scheduled Skowron's interview with the Commission. Skowron then contacted Benhamou, informed him of the Commission's investigation, and informed him that FrontPoint's counsel wanted to interview Benhamou. Skowron encouraged Benhamou to deceive FrontPoint's counsel by falsely telling them that Skowron and Benhamou had not discussed non-public information about the Albuferon trial but had only discussed the "basket of drugs" relating to the treatment of hepatitis C and other diseases of the liver. Benhamou acquiesced. Later, in April 2008, while in Milan, Italy for a liver conference, Skowron made a cash payment to Benhamou, after a failed attempt to do so in Boston, Massachusetts in February 2008. Similarly, when Benhamou told Skowron he no longer could afford counsel during the Commission's investigation, Skowron offered to pay the fees of the French law firm which then represented Benhamou.

8. By this conduct, Skowron and Benhamou violated the antifraud provisions of the federal securities laws, including Section 10(b) of the Securities Exchange Act of 1934 ("Exchange Act") [15 U.S.C. § 78j(b)] and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5], and Section 17(a) of the Securities Act of 1933 ("Securities Act") [15 U.S.C. § 77q(a)]. The hedge

funds, which are not alleged to have engaged in any federal securities law violations, hold or control funds that represent the fruits of the violations committed by Skowron and Benhamou which are the subject of this Amended Complaint.

JURISDICTION AND VENUE

9. This Court has jurisdiction over this matter pursuant to Securities Act Section 22(a) [15 U.S.C. § 77v(a)] and Exchange Act Sections 21(d), 21(e), 21A, and 27 [15 U.S.C. §§ 78u(d), 78u(e), 78u-1, and 78aa]. Venue is proper because certain of the acts, practices, transactions and courses of business constituting the violations alleged herein occurred within this judicial district.

DEFENDANTS

10. **Joseph F. "Chip" Skowron III, M.D., PhD. ("Skowron")**, age 41, resides in Greenwich, Connecticut. Skowron is a medical doctor who, throughout the period covered by this Complaint, was a Managing Director of Morgan Stanley and a co-portfolio manager of the six healthcare-related hedge funds named as Relief Defendants. Skowron worked in FrontPoint's Connecticut and New York offices. Skowron was put on administrative leave from FrontPoint on or about November 2, 2010, and was ultimately terminated. Throughout his employment at Morgan Stanley, Skowron was aware of and understood that Morgan Stanley's Code of Conduct and FrontPoint's Employee Trading Policy and Code of Ethics prohibited him from trading, personally or on behalf of clients, on the basis of material non-public information or communicating material non-public information to others. Indeed, during the six-week period in which he traded on material non-public information about the Albuferon trial, Skowron even signed a statement acknowledging that he understood the FrontPoint Employee Trading Policy and Code of Ethics and updates thereto. Skowron's compensation for 2007 and 2008 was linked

to the performance of the funds that he managed and the fees earned by each fund's investment adviser/management company.

11. **Yves Benhamou, M.D. ("Benhamou")**, age 50, is a citizen and resident of France. He is a medical doctor who is widely known in medical communities in Europe and the United States as an expert in the treatment of hepatitis C and other diseases of the liver. Throughout the period covered by this Complaint, Benhamou was the Chief of Department, Clinical Research in Hepatology, Hôpitaux de Paris–Pitié-Salpêtrière and an Associate Professor of Hepatology at the Hôpitaux de Paris–Pitié-Salpêtrière in Paris, France. He was also a clinical investigative physician for HGSI and was involved with the clinical trial for Albuferon as: (i) a member of the Steering Committee that oversaw Phase 3 of the trial and (ii) an investigative physician and "country lead" for France and other parts of Europe during Phase 2b and 3 of the trial. By virtue of his role in the clinical trial, and in accordance with the terms of his contract with HGSI, Benhamou owed HGSI a duty to hold in strict confidence all information learned in connection with his participation in the clinical trial and to use such information only for the benefit of HGSI. Benhamou also warranted, as part of his agreement with the expert network firm, that he would not disclose any confidential information (including confidential information learned from clinical trials) to the firm or its consulting clients.

RELIEF DEFENDANTS

12. **FrontPoint Healthcare Flagship Fund, L.P. (f/k/a FrontPoint Healthcare Fund, L.P.) ("Flagship Fund")** was a Delaware limited partnership whose stated investment strategy was to take long and short positions primarily in equity securities of healthcare and healthcare-related companies predominantly in the United States. Skowron was, at all times covered by this Complaint, a co-portfolio manager of this fund and, in his capacity as an executive officer of the

fund's general partner, had discretionary authority to select trades and determine the allocation of the fund's investments.

13. **FrontPoint Healthcare Horizons Fund, L.P. ("Horizons Fund")** was a Delaware limited partnership whose stated investment strategy was to take long and short positions primarily in equity securities of healthcare and healthcare-related companies predominantly in the United States. The Horizons Fund sought to have a longer investment horizon than the Flagship Fund. Skowron was, at all times covered by this Complaint, a co-portfolio manager of the Horizon Fund and, in his capacity as an executive officer of the fund's general partner, had discretionary authority to select trades and determine the allocation of the fund's investments. Skowron was also a limited partner of and personally invested in this fund.

14. **FrontPoint Healthcare I Fund, L.P. ("Healthcare I Fund")** was a Delaware limited partnership whose stated investment strategy was to take long and short positions primarily in equity securities of healthcare and healthcare-related companies predominantly in the United States. The Healthcare I Fund had a similar horizon and strategy to the Flagship Fund except it contained assets subject to the fiduciary provisions of the Employee Retirement Income Security Act of 1974 ("ERISA"). Skowron was, at all times covered by this Complaint, a co-portfolio manager of the Healthcare I Fund and, in his capacity as an executive officer of the fund's general partner, had discretionary authority to select trades and determine the allocation of the fund's investments.

15. **FrontPoint Healthcare Flagship Enhanced Fund, L.P. (f/k/a/ FrontPoint Healthcare 2X, L.P.) ("Flagship 2X Fund")** was a Cayman Islands exempted limited partnership whose stated investment strategy was to take long and short positions primarily in equity securities of healthcare and healthcare-related companies predominantly in the United

States. The Flagship 2X Fund sought to replicate the portfolio of the Flagship Fund but employed substantially more leverage to target a gross exposure and net exposure that is two times that of the Flagship Fund at the beginning of each month. Skowron was, at all times relevant to this Complaint, a co-portfolio manager of this fund and, in his capacity as an executive officer of the fund's general partner, had discretionary authority to select trades and determine the allocation of the fund's investments. Skowron was also personally invested in the Flagship 2X Fund through its onshore feeder fund, FrontPoint Onshore Healthcare Fund 2X, L.P, of which he was a limited partner.

16. **FrontPoint Healthcare Long Horizons Fund, L.P. ("Long Horizons Fund")** was a Cayman Island exempted limited partnership whose stated investment strategy was to take long and short positions primarily in equity securities of healthcare and healthcare-related companies predominantly in the United States. The Long Horizons Fund sought to employ the same investment process and approach as the Horizons Fund but to have a longer investment horizon and greater variability in its net exposure to the market over time. Skowron was, at all times relevant to this Complaint, a co-portfolio manager of this fund and, in his capacity as an executive officer of the fund's general partner, had discretionary authority to select trades and determine the allocation of the fund's investments. Skowron was also personally invested in this fund through its onshore feeder fund, FrontPoint Healthcare Long Horizons Onshore Fund, L.P., of which he was a limited partner.

17. **FrontPoint Healthcare Centennial Fund, L.P. ("Centennial Fund")** was a Cayman Islands exempted limited partnership whose stated investment strategy was to take long and short positions primarily in equity securities of healthcare and healthcare-related companies predominantly in the United States. Skowron was, at all times relevant to this Complaint, a co-

portfolio manager of this fund and, in his capacity as an executive officer of the fund's general partner, had discretionary authority to select trades and determine the allocation of the fund's investments.

18. The **Flagship Fund, Horizons Fund, Healthcare I Fund, Flagship 2X Fund, Long Horizons Fund**, and **Centennial Fund** are herein collectively referred to as the "**FrontPoint Healthcare Funds.**"

OTHER RELEVANT PERSONS AND ENTITIES

19. **Human Genome Sciences, Inc. ("HGSI")** is a biopharmaceutical company that is incorporated in Delaware and headquartered in Rockville, Maryland. HGSI's common stock is registered with the Commission pursuant to Exchange Act Section 12(b), and quoted on the NASDAQ Global Market under the ticker symbol HGSI.

20. **FrontPoint Partners LLC ("FrontPoint")** is a hedge fund sponsor which, at all times relevant to this Complaint, was an indirect wholly-owned subsidiary of Morgan Stanley. It is based in Greenwich, Connecticut with additional offices in New York and London. FrontPoint is a registered investment adviser under the U.S. Investment Advisers Act of 1940. On or about November 2, 2010, FrontPoint terminated Skowron's employment. The FrontPoint Healthcare Funds are the only hedge funds affiliated with FrontPoint that are alleged to have been affected by the activities alleged in this Amended Complaint.

21. **Co-Portfolio Managers 2 and 3** were, throughout the period covered by this Complaint, Managing Directors of Morgan Stanley and members of the FrontPoint healthcare investment team. Co-Portfolio Managers 2 and 3 worked principally out of FrontPoint's New York offices and were, with Skowron, co-portfolio managers of the six FrontPoint Healthcare Funds. Skowron and Co-Portfolio Managers 2 and 3 shared primary responsibility for the funds'

investment decisions. A fourth co-portfolio manager shared responsibility for investment decisions for two of the funds. As between the co-portfolio managers, Skowron had primary responsibility for, among other things, the funds' investment decisions relating to companies involved in the development of drugs intended to treat hepatitis C, an infectious disease affecting the liver. The approval of only one co-portfolio manager was needed to reduce risk in the funds' portfolios; the approval of two co-portfolio managers was needed to increase risk in the funds' portfolios.

22. **FrontPoint Trader** is a trader at FrontPoint who, during the relevant time period, accepted trade orders from the portfolio managers and submitted trades for the FrontPoint Healthcare Funds through various broker-dealers.

FACTS

I. HGSI's Expectations For Phase 3 Of The Achieve Trial

23. In or about August 2007, HGSI began conducting a Phase 3 (late-stage development) clinical trial to test the safety and efficacy of Albuferon, a drug to treat the liver disease Hepatitis C (hereinafter, the "Achieve Trial").

24. The Achieve Trial was administered to over 2250 patients worldwide, in three arms: (1) a 900 microgram dose of Albuferon, given once every two weeks; (2) a 1200 microgram dose of Albuferon, given once every two weeks; and (3) the standard (180 microgram) dose of Pegasys, the then-leading hepatitis C drug on the market, given once a week.

25. At the 58th Annual Meeting of the American Association for the Study of Liver Diseases held in Boston, Massachusetts from November 2 to November 6, 2007 ("2007 AASLD Conference"), HGSI announced that, if Phase 3 confirmed the findings from Phase 2, it expected to demonstrate that the 900 microgram dose of Albuferon was just as effective as the standard

dose of Pegasys, the 1200 microgram dose was more effective than the standard dose of Pegasys, and both doses of Albuferon improved the quality of life for patients compared to Pegasys.

26. Throughout Phase 3, HGSI publicly stated its expectation that, if its Phase 3 trial confirmed the findings of Phase 2, Albuferon could become the "interferon of choice" for the treatment of hepatitis C. HGSI believed Albuferon had tremendous commercial potential.

II. FrontPoint Healthcare Funds Acquired Positions In HGSI Throughout 2007 Based On A Belief That The Stock Did Not Fully Reflect The Value Of Albuferon

27. From February 1, 2007 through December 3, 2007, the FrontPoint Healthcare Funds purchased approximately 6.2 million shares of HGSI at an average price of $10.32 per share.

28. At the time, the investment thesis or rationale for the FrontPoint Healthcare Funds to own HGSI stock was the co-portfolio managers' belief that HGSI's stock price was undervalued and did not fully reflect the competitive opportunities presented by Albuferon. The co-portfolio managers established an internal price target for HGSI shares of $17 per share.

29. At the close of the market on December 3, 2007, the FrontPoint Healthcare Funds collectively owned 6,164,500 shares of HGSI, which were allocated among the funds as follows:

Fund	Shares Held Dec. 3, 2007
Flagship Fund	1,872,900
Horizons Fund	1,802,400
Healthcare I Fund	193,900
Flagship 2X Fund	1,379,600
Long Horizons Fund	760,400
Centennial Fund	155,300

Total	6,164,500

III. Skowron Sets The Stage For Getting Insider Information From Benhamou By Luring Him With Money And Friendship

30. Throughout the time that the FrontPoint Healthcare Funds were investing in HGSI stock, and earlier, Skowron was cultivating a relationship with Benhamou that ultimately led to Benhamou sharing with Skowron material non-public information about the Albuferon trial.

31. On April 12, 2007, while in Barcelona, Spain, for the 42nd Annual Meeting of the European Association for the Study of the Liver ("EASL 2007"), Benhamou met Skowron at Skowron's hotel for a one-on-one consultation that had been arranged through the expert networking firm, after which the two were to continue to dinner with a representative of the expert networking firm.

32. There, in his suite at the Hotel Arts Barcelona, Skowron gave Benhamou an envelope containing approximately € 5,000, which, on that date, was roughly equivalent to $6,713.00. He told Benhamou it was a present and that Skowron and FrontPoint were happy with all of their interactions with Benhamou to date.

33. The next day, on April 13, 2007, Benhamou emailed Skowron and, among other things, asked Skowron about HGSI stock: "What is your thought regarding human genome stock price within the next 4 months[?]" He concluded the email with a promise to call Skowron "in 8 or 10 days for wines in chambourcy."

34. In September 2007, while preparing to take a trip to New York with his wife, Benhamou contacted Skowron and asked for advice on hotels. Skowron asked his assistant to make reservations for the Benhamous at the Hotel Mandarin in New York. The Benhamous stayed at the Mandarin Oriental for four nights and checked out on September 20, 2007.

Skowron paid for their hotel stay, including dinner, which cost $5,152.15, and later expensed the cost, thereby passing the expense on to five of the FrontPoint Healthcare Funds, excluding the Healthcare I Fund.

35. On Saturday, November 3, 2007, while attending the 2007 AASLD Conference in Boston, Skowron and Benhamou met and spoke at a cocktail party hosted by the expert networking firm at the Westin Hotel.

36. Skowron and Benhamou met again on the evening of Monday, November 5, 2007, when Skowron gave Benhamou a tour of the Boston area, including the Harvard Medical School, and treated Benhamou to dinner and wine at Blue Ginger in Wellesley, Massachusetts. Benhamou emailed Skowron the next day to thank him for dinner and "the [very] pleasant time spent discussing with you ... I hope that I will have one day the opportunity to do the same for you, your wife and all the family." Skowron told him "it's just the beginning ... that was a fantastic dinner!" On Tuesday, November 6, 2007, Skowron reported to the expert networking firm that he had a one-on-one consultation with Benhamou during the AASLD conference. On November 19, 2007, Skowron submitted the receipt from his dinner with Benhamou for reimbursement from FrontPoint. The cost of the dinner was allocated among five of the FrontPoint Healthcare Funds.

37. Additionally, in or about November 2007, Skowron told Benhamou he was contemplating starting a new biotech fund and asked Benhamou if he wanted to be an advisor to the fund.

38. Skowron knew or should have known at the time that Benhamou served on the Achieve Trial Steering Committee or was otherwise affiliated with the Achieve Trial. Benhamou's name had been publicly associated with the trial. Among other things, he presented

interim and final trial results at EASL 2007 and at the 2007 AASLD Conference and spoke at seminars arranged by the expert networking firm, including the following:

- On the morning of Saturday, November 3, 2007, Benhamou spoke at a seminar in Boston that was attended by clients of the expert networking firm who were also attending the 2007 AASLD Conference. There Benhamou discussed, among other topics, the results of Phase 2b of the Achieve Trial.

- On Tuesday, November 6, 2007, HGSI formally presented the results the Achieve Trial's Phase 2b final results and its presentation slides identified Benhamou as affiliated with the Achieve Trial.

Additionally, beginning no later than November 2007, HGSI circulated materials to the Phase 3 investigators which identified Benhamou as a member of the Steering Committee and thus it was widely known that Benhamou was affiliated with Phase 3 of the Albuferon trial not only as an investigator but as a Steering Committee member.

IV. Benhamou Learned Of Serious Adverse Events During Phase 3 Of The Achieve Trial

39. On November 12 and 29, 2007, two participants who were receiving the 1200 microgram dosage of Albuferon in the Achieve Trial developed interstitial lung disease and were hospitalized. One of them died on December 1, 2007.

40. As a member of the Achieve Trial's Steering Committee – a committee of five doctors who were responsible for overseeing the conduct of the Achieve Trial – Benhamou learned of the existence and underlying details of these serious adverse events ("SAEs") no later than Saturday, December 1, 2007. He learned at the same time that HGSI's next step was to alert the Achieve Trial's Data Monitoring Committee ("DMC"), an independent committee responsible for overseeing the safety of patients involved in the Achieve Trial. The DMC had the authority to recommend whether to stop, continue or modify the Achieve Trial.

41. Based on its conversations with the DMC, HGSI informed all Steering Committee members between December 7 and December 8, 2007, that the DMC (i) was considering recommending a dose reduction to 900 micrograms for all subjects then being treated with 1200 micrograms of Albuferon and (ii) would hold a meeting during the week of December 10, 2007 to further review and discuss the data and make a recommendation as to how to proceed with the trial.

42. On Sunday, December 9, 2007, at approximately 8 p.m. EST, HGSI held an urgent phone conference with Benhamou and other Steering Committee members to plan for the upcoming meeting with the DMC. HGSI and the Steering Committee were concerned that the DMC would eliminate the 1200 microgram arm of the Achieve Trial without fully considering all relevant data. They discussed, among other things, putting in place an enhanced patient monitoring plan with intensified focus on patients with cough and dyspnea.

43. Benhamou participated in the December 9 phone conference from Hawaii where he was attending HEP DART 2007, a scientific conference dedicated to the advancement of knowledge about ongoing drug development processes for the treatment of hepatitis B and C. Benhamou and two other Steering Committee members were scheduled to give (and did give) presentations at the conference, on December 11 and 12, 2007.

44. On Monday, December 10, 2007, at 10:44 a.m. EST, HGSI emailed all Steering Committee members a draft proposal – intended for circulation to the DMC in advance of the upcoming meeting – which set forth a plan for the enhanced monitoring of all participants in the Achieve Trial and also recommended obtaining further input from pulmonologists. Between December 10 and 11, 2007, HGSI, Benhamou and other members of the Steering Committee had

multiple communications in which they discussed and revised the proposal for enhanced monitoring and prepared for the upcoming DMC meeting.

45. The DMC meeting took place on Wednesday, December 12, 2007, by teleconference, and occurred in three phases: (i) an initial open session meeting in which the Steering Committee members and various representatives of HGSI and others participated, (ii) a closed session meeting with DMC members, and (iii) a concluding open session.

46. After hours of deliberation, the DMC decided to allow the Achieve Trial to continue unchanged in order to allow HGSI time to conduct additional pulmonary screening of all trial participants, beginning with patients exhibiting ongoing symptoms of cough and dyspnea. The DMC wanted data on symptomatic patients by Christmas 2007 and stated that, after receiving and reviewing such data, it would reconvene and make its complete recommendation regarding the 1200 microgram arm.

47. By no later than 10 p.m. EST on December 12, 2007, all members of the Steering Committee were aware of the details of the DMC's recommendation, including its desire to receive additional data by Christmas 2007.

V. <u>The November/December 2007 Tip and Trades</u>

48. Upon information and belief, on or before December 7, 2007, but after Benhamou learned of the two cases of interstitial lung disease and that the DMC would be notified and make a recommendation affecting the future of the Achieve Trial, Benhamou tipped material, non-public, negative information about the Achieve Trial to Skowron. Skowron caused each of the FrontPoint Healthcare Funds to sell a small percentage of their holdings of HGSI common stock based on the information Benhamou tipped to him.

49. On December 10, 2007, after Benhamou learned that the DMC was considering modifying the Achieve Trial's dosage levels and after the Steering Committee and HGSI formulated an action plan for the upcoming DMC meeting, Benhamou called Skowron from the HEP DART 2007 Conference. Telephone records reflect that the call lasted 5 minutes, starting at 2 p.m. EST. During the call, Benhamou tipped Skowron additional material non-public information about the Achieve Trial. Skowron knew or should have known from the content of the tip that Benhamou was affiliated with Phase 3 of the trial and that the information was confidential and was disclosed by Benhamou in breach of the duty of confidentiality he owed to HGSI. Nonetheless, Skowron caused the FrontPoint Healthcare Funds to trade on the information that Benhamou tipped to him.

50. At 2:05 p.m. EST, on December 10, 2007, as soon as Skowron finished his call with Benhamou, he called Co-Portfolio Manager 2 and caused Co-Portfolio Manager 2 to place an order to sell half of the FrontPoint Healthcare Funds' holdings of HGSI common stock. Co-Portfolio Manager 2, who was in New York at the time, placed the order with FrontPoint's trader while he was still on the phone with Skowron. Immediately thereafter, Skowron emailed Benhamou at the HEP DART 2007 Conference and asked Benhamou to keep the information confidential.

51. Two days later, on December 12, 2007, Skowron reduced the size of the December 10 sell order. Before giving FrontPoint's trader any instructions, Skowron exchanged the following instant message with Co-Portfolio Manager 3, in which he referenced non-public information about the Achieve Trial and the hepatitis conference that Benhamou was attending in Hawaii, but also referenced developments with other products in HGSI's pipeline:

9:44:00 a.m. EST	*Skowron:* "i think we should reduce the size of our sale in hgsi to 1/3 instead of 1/2"

9:44:16 a.m. EST	*Skowron:* "interferon's are known to have infections associated with them"
9:44:17 a.m. EST	*Co-Portfolio Mgr. 3:* "reason?"
9:44:28 a.m. EST	*Skowron:* "it's 2 cases in over 4k patients"
9:44:33 a.m. EST	*Co-Portfolio Mgr. 3:* "fair pint"
9:44:35 a.m. EST	*Co-Portfolio Mgr. 3:* "point"
9:44:47 a.m. EST	*Co-Portfolio Mgr. 3:* "plus movement forward with pipeline"
9:44:51 a.m. EST	*Co-Portfolio Mgr. 3:* "GLP and LPPLA2 [two other drugs HGSI was developing, one for the treatment of diabetes, the other for the control and treatment of cardiovascular disease]"
9:44:52 a.m. EST	*Skowron:* "yeah"
9:44:54 a.m. EST	*Skowron:* "exactly"
9:44:59 a.m. EST	*Skowron:* "people will be bullish on this"
9:45:04 a.m. EST	*Co-Portfolio Mgr. 3:* "agreed"
9:45:17 a.m. EST	*Skowron:* "the meeting is giong [sic] on right now in hawiaii [sic] and no one is saying anything about this"

Less than a minute later, Skowron instructed FrontPoint's trader to sell only one-third of the FrontPoint Healthcare Funds' holdings of HGSI common stock, instead of one-half.

52. On December 18, 2007, at 2:50 p.m. EST, Skowron cancelled the remainder of the sell order. Earlier that day, HGSI announced positive results relating to a fourth drug in its pipeline, ABthrax, for the treatment of inhalation anthrax; HGSI's stock price and volume were up on the news. But, by then, FrontPoint's trader had already sold all but 60,000 shares of the original order, leaving the FrontPoint Healthcare Funds with approximately 3.2 million shares.

53. Between December 7 and 18, 2007, the FrontPoint Healthcare Funds sold approximately 2.8 million shares, or 46 percent, of their HGSI holdings at an average price of $10.65 per share.

Fund	**Shares Sold Dec. 7 - 18, 2007**
Flagship Fund	849,829
Horizons Fund	865,171

Fund	Shares Sold Dec. 7 - 18, 2007
Healthcare I Fund	88,100
Flagship 2X Fund	626,000
Long Horizons Fund	364,400
Centennial Fund	81,000
Totals	2,874,500

54. Trading in the portfolios of the FrontPoint Healthcare Funds was accomplished as follows: FrontPoint's trader would enter into a computerized order management system instructions to sell a certain percentage of the total HGSI shares held across all FrontPoint Healthcare Funds. Once the shares were sold the system automatically increased or decreased each Fund's position in the stock in accordance with a pre-determined formula.

VI. Benhamou Learned Date Of The DMC Meeting In Which The DMC Would Deliver Its Final Recommendation

55. Shortly after the DMC made its December 12, 2007 recommendation, Benhamou received and was asked to comment on a draft communication that HGSI intended to send to the Achieve Trial investigators, asking them to: (i) run additional pulmonary tests on patients with ongoing cough or dyspnea and to provide the data to HGSI by December 21, 2007; (ii) contact all patients every two weeks to assess for symptoms of cough or dyspnea and bring them in for further evaluation; and (iii) perform pulmonary function tests and chest x-rays on asymptomatic patients in the next four weeks. In his capacity as an investigator, he received the finalized version of the communication on December 13, 2007 and a follow-up communication that was sent to investigators on December 14, 2007, both of which reiterated that patient visits should be completed and the underlying data faxed to HGSI by December 21. Benhamou knew by then

that the DMC would not meet until late December and, even then, probably not until January 2008.

56. Throughout December 2007 and early January 2008, Benhamou and the other Steering Committee members received from HGSI numerous communications regarding the incoming test results, which HGSI told Benhamou it was just starting to receive on January 4, 2008. Benhamou also received and was asked to comment on drafts of an HGSI white paper and presentation slides for the upcoming DMC meeting.

57. By January 8, 2008, the Steering Committee was informed that the DMC would meet on January 17, 2008 to give its recommendation on the Achieve Trial.

58. Between January 8 and January 18, 2008, Skowron and Benhamou exchanged numerous emails. Skowron told Benhamou that he was "desperately trying to find time to get over to Paris before Milan [where the 43rd annual meeting of the European Association for the Study of the Liver ("EASL 2008") Conference would be held in April 2008]," so he could have dinner with Benhamou. He also invited Benhamou to his home where, according to his email, "the wine sits and waits for us in my cellar!" In a January 10 email, Benhamou also asked Co-Portfolio Manager 1 for stock advice, including advice regarding HGSI stock:

> As I am thinking to put money in the stock I would like to have your opinion on:
> 1. Human Genome, do you think the stock will go up? What price? When?
> 2. Do you have any information on KING PHARMA?
> Any other ideas for the near future[?]

In response, the portfolio manager stated, "I think HGSI is a good company and not currently reflecting the value of albuferon ... let alone the rest of their pipeline ... but rest is VERY high risk. The stock will go up on the albuferon data ... this year."

59. Upon information and belief, during one of these January exchanges, Benhamou tipped additional material non-public information about the Achieve Trial to Skowron, including

information about the DMC meeting. On the morning of January 17, 2008, less than four hours before the DMC met, Skowron emailed Benhamou and asked, "Want to touch base today?"

VII. <u>Benhamou Learned Of The Steering Committee's Recommendation</u>

60. The DMC meeting took place at 1:30 p.m. EST on Thursday, January 17, 2008, by teleconference, and occurred in three phases: (i) an initial open session meeting in which HGSI, the Steering Committee members, and others participated, (ii) a closed session meeting with DMC members and (iii) a concluding open session.

61. After more than an hour of closed session deliberations, the DMC recommended that (i) the 1200 microgram arm of the Achieve Trial be stopped and that all patients receiving that dosage level be given the 900 microgram dose instead and (ii) all patients with interstitial findings on their chest x-rays (of which there were eighteen) be removed from treatment.

62. Benhamou did not participate in the concluding open session, but, later that afternoon, at 4:38 p.m. EST, HGSI emailed him and other Steering Committee members details of the DMC's recommendation. The email informed Benhamou that, among other things, "[t]he DMC was clear in their recommendation to drop the 1200 arm – dose reduce all patients to 900."

VII. <u>The January 2008 Tip and Trades</u>

63. On January 18, 2008, at 9:41 a.m. EST, HGSI sent the Steering Committee members a second email in which HGSI (i) detailed the DMC recommendation to dose reduce all patients on the 1200 microgram arm to the 900 microgram arm; (ii) requested guidance from the Steering Committee on how to convey the DMC's recommendation in a letter to investigators and in a press release, a draft of which was to be ready later that day or over the weekend; and (iii) requested guidance from Benhamou on how to address concerns that may be raised by European Union investigators and others participating in the trial. HGSI also requested times in which to call Benhamou to discuss the DMC recommendation.

64. Less than ten minutes after receiving HGSI's email, at 9:49 a.m. EST, Benhamou told HGSI that he was not available and requested a time to call the following day.

65. At 9:50 a.m. EST, exactly one minute after telling HGSI he was not available, Benhamou contacted Skowron and the two had a conversation in which Benhamou tipped additional material negative non-public information about the Achieve Trial to Skowron. Skowron knew or should have known from the content of the tip that Benhamou was affiliated with Phase 3 of the trial and that the information tipped by Benhamou was confidential and was disclosed in breach of the duty of confidentiality Benhamou owed to HGSI.

66. Within minutes of receiving the tip from Benhamou, Skowron caused each of the FrontPoint Healthcare Funds to sell their remaining holdings of HGSI common stock based on the information Benhamou tipped to him. Specifically, at 9:58 a.m. EST, on January 18, 2008, Skowron instructed FrontPoint's trader via instant message to sell all remaining shares of HGSI common stock held by the FrontPoint Healthcare Funds.

67. Shortly after receiving Skowron's instructions, FrontPoint's trader contacted a certain investment bank ("Investment Bank") and asked for a bid to buy all remaining 3.2 million shares of HGSI held by the FrontPoint Healthcare Funds. When the Investment Bank came back with a bid of approximately $10 per share, Skowron and FrontPoint's trader declined the offer and instead decided to sell the FrontPoint Healthcare Funds' HGSI shares into the market.

68. By the close of the markets on January 18, 2008, the FrontPoint Healthcare Funds had sold almost 700,000 shares of HGSI common stock at an average price of $10.72 a share.

Fund	Shares Sold Jan. 18, 2008
Flagship Fund	201,800
Horizons Fund	199,300

Fund	Shares Sold Jan. 18, 2008
Healthcare I Fund	20,800
Flagship 2X Fund	176,100
Long Horizons Fund	84,100
Centennial Fund	15,800
Totals	697,900

VIII. Benhamou Continued To Receive Information About The Timing And Content Of The Press Release And Investigator Letter Throughout The Long Weekend

69. From January 18, 2008 through Monday, January 21, 2008, Benhamou worked closely with executives at HGSI on (i) the content and logistics of the letter to investigators, which was to be issued simultaneously with HGSI's press release announcing the dose reduction and (ii) on HGSI's response to questions that were expected to arise from the public and the Achieve Trial investigators.

70. Benhamou knew, no later than Friday, January 18, 2008, that HGSI planned to issue its press release during the middle of the following week. He knew, no later than January 21, 2008, that HGSI would issue its press release on Wednesday, January 23, 2008.

71. Upon information and belief, on or before January 22, 2008, Benhamou tipped additional material non-public information about the Achieve Trial to Skowron, including information about HGSI's planned press release. On the morning of Tuesday, January 22, 2008 – the first trading day after the Martin Luther King Holiday weekend and the day before HGSI was to issue its press release about the dose reduction – Skowron emailed Benhamou and asked "are you around for a quick call today. Love to catch up."

IX. **The Other January 2008 Tip And Trade Acceleration**

72. Skowron called Benhamou at 10:44 a.m. EST, on January 22, 2008. During that call, Benhamou tipped Skowron additional material non-public information about the Achieve Trial, including information about HGSI's planned press release. Skowron knew or should have known from the content of the tip that Benhamou was affiliated with Phase 3 of the trial and that the information was confidential and was disclosed by Benhamou in breach of the duty of confidentiality owed to HGSI. Skowron reacted to this information by causing the FrontPoint Healthcare Funds to accelerate their sales of HGSI common stock.

73. While Skowron was still on the telephone with Benhamou, he and FrontPoint's trader engaged in the following communication via instant message, in which he indicated, among other things, that he expected HGSI's stock price to drop from approximately $10 per share to $7 to $8 per share and instructed the trader to become more aggressive with the sales:

10:49:59 a.m. EST	*Skowron:* "[FrontPoint Trader], try and get a little more aggressive with hgsi"
10:50:08 a.m. EST	*FrontPoint Trader:* "ok"
10:50:33 a.m. EST	*FrontPoint Trader:* "225K out of 980 is pretty aggressive but I hear you"
10:51:12 a.m. EST	*Skowron:* "i show we still own 2.3m shares."
10:51:13 a.m. EST	*Skowron:* "is that right"
10:51:33 a.m. EST	*FrontPoint Trader:* "yes, we held over 3MM"
10:51:37 a.m. EST	*Skowron:* "ok."
10:51:40 a.m. EST	*Skowron:* "work out of all of it"
10:51:48 a.m. EST	*FrontPoint Trader:* "i AM TRYING"
10:51:51 a.m. EST	*Skowron:* "oh"
10:51:54 a.m. EST	*Skowron:* "ok"
10:53:01 a.m. EST	*Skowron:* "[FrontPoint Trader] let's look together at the optino market"
10:53:28 a.m. EST	*FrontPoint Trader:* "optino? Is that Latin for options?"
10:53:28 a.m. EST	*Skowron:* "i think this stock could see 7 or 8"
10:54:25 a.m. EST	*Skowron:* "we can sell calls?"
10:55:14 a.m. EST	*FrontPoint Trader:* "We need to find someone willing to amke [sic] a bid on that many calls and that is problematic in this environment"

74. Approximately half an hour later, at 11:28 a.m. EST, Benhamou informed Skowron that his daughter would be visiting New York and asked if Skowron could recommend a car service to pick her up at the airport. Skowron said he would make the arrangements and pay for the car service and told Benhamou, "Don't hesitate to let me know if you need anything."

X. **FrontPoint Healthcare Funds Sold All Remaining HGSI Shares In A Block Trade At The End Of The Day On January 22, 2008**

75. Throughout the day on January 22, 2008, the FrontPoint Healthcare Funds continued to sell HGSI shares into the market at an average price of $10.37 per share. Near the end of the trading day, with almost 2 million HGSI shares remaining, FrontPoint's trader contacted the Investment Bank again and asked for a bid on their remaining shares. The Investment Bank came back with a bid of $9.63 per share for the block trade. Skowron accepted the offer and all remaining shares of HGSI common stock held by the FrontPoint Healthcare Funds were sold shortly prior to the close of the markets.

76. The FrontPoint Healthcare Funds' sale of HGSI shares on January 22 comprised 47 percent of the total trading volume in HGSI shares that day.

77. The FrontPoint Healthcare Funds, collectively, made little profit on their sales of HGSI common stock between December 7, 2007 and January 22, 2008 and certain of the funds realized losses on the transactions:

Fund	Realized Profit/Loss on Shares Sold Dec. 7, 2007 – Jan. 22, 2008
Flagship Fund	$(495,108.24)
Horizons Fund	$48,010.64
Healthcare I Fund	$(55,290.53)
Flagship 2X Fund	$117,518.63

Long Horizons Fund	$382,477.97
Centennial Fund	$38,885.87
Totals	$36,494.33

Nonetheless, in anticipation that HGSI's announcement on January 23 would cause HGSI's stock price to decline, Skowron and the other co-portfolio managers instant-messaged each other on January 22 to congratulate FrontPoint's trader for having completely sold out of the HGSI position:

3:36:12 p.m. EST	*Skowron:* "how did we make out on hgsi?"
3:36:13 p.m. EST	*Skowron:* "net"
3:37:11 p.m. EST	*FrontPoint Trader:* "we would have been better off hitting the $10 bid"
3:37:17 p.m. EST	*Skowron:* "by how much?"
3:37:32 p.m. EST	*Skowron:* "and in the context of a market meltdown . . . i'm not concerned about that"
3:37:36 p.m. EST	*FrontPoint Trader:* "calculating it now"
3:37:42 p.m. EST	*FrontPoint Trader:* "right"

* * * * *

4:10:50 p.m. EST	*FrontPoint Trader:* "HGSi we are flat"
4:11:03 p.m. EST	*Co-Portfolio Mgr. 2:* "nice"
4:11:07 p.m. EST	*Co-Portfolio Mgr. 3:* "awesome"

XI. HGSI Issued Its Negative Press Release And The Healthcare Funds Bought HGSI Shares

78. On January 23, 2008, at 7:00 a.m. EST, HGSI issued its press release concerning the DMC's recommendation and its decision to stop the 1200 microgram arm of the Achieve Trial. As a result of the announcement, HGSI's share price dropped from $10.02 a share at the close of the previous day, to $5.62 a share at the close of January 23, 2008, or 44 percent.

79. By virtue of having sold all of their holdings (or approximately 6 million shares) of HGSI common stock by the close of the prior day, the FrontPoint Healthcare Funds avoided at least $30 million in losses.

80. Representatives of the Investment Bank contacted FrontPoint on January 23, soon after HGSI issued its press release, and made a request to break the January 22 block trade. Skowron refused to do so.

81. Nonetheless, on the morning of January 23, 2008, Skowron told his co-portfolio managers that he still wanted to own HGSI stock and he recommended that, if HGSI's share price hit $6, they should buy HGSI shares again. Co-Portfolio Manager 3 opined that, if Albuferon's safety proves to be safe at the lower (900 microgram) dose level, then the investment thesis for owning HGSI has not changed. Skowron separately expressed the view that Albuferon remains the thesis for owning HGSI until the investor base changes.

82. On January 23, 2008, Skowron caused the FrontPoint Healthcare Funds to purchase, in a single day, more than 2.2 million shares of HGSI common stock at an average price of $5.60 per share.

Fund	**Shares Purchased Jan. 23-2009**
Healthcare Fund	763,541
Horizons Fund	439,400
Healthcare I Fund	79,200
Healthcare 2X Fund	666,900
Long Horizons Fund	489,700
Centennial Fund	0
Totals	2,438,741

83. On January 24, 2008, after HGSI's stock price had been upgrade by numerous analysts, Skowron ordered FrontPoint's trader to sell the shares that had been acquired on January 23 for a quick profit:

8:52:22 a.m. EST	*Skowron:* "also load the hgsi to sell"
8:52:31 a.m. EST	*Skowron:* "27 upgrades today"
8:52:32 a.m. EST	*FrontPoint Trader:* "ok"
8:52:38 a.m. EST	*Skowron:* "we'll trade around it"
9:52:44 a.m. EST	*Skowron:* "..... some more"

84. Between January 24 and 31, 2008, FrontPoint's trader sold at a profit more than 1.5 million of the shares that the FrontPoint Healthcare Funds acquired on January 23, 2008.

85. The co-portfolio managers maintained their investment thesis that HGSI was undervalued based on Albuferon's commercial opportunities and maintained their target of $17 per share through at least April 2008.

XII. **Skowron Attempts A Cover-Up When His Trading Scheme Comes To FrontPoint's Attention**

86. As set forth above, as soon as HGSI announced its news about the Albuferon trial, suspicions were raised about the January 22, 2008 trades. Skowron thereafter undertook actions to cover up his wrongdoing.

87. On February 20, 2008, approximately one week before Skowron was scheduled to be interviewed by the Commission in connection with its investigation into the FrontPoint Healthcare Funds' January 22 block trade in HGSI stock, Skowron contacted Benhamou by email purportedly to set up a consultation through the expert networking firm. Skowron's email said that he wanted to speak to Benhamou about "Hep C drug development" and to "set something up for Milan."

88. On that date, starting at approximately 2:40 p.m. EST, Skowron and Benhamou spoke for approximately 6.4 minutes. Upon information and belief, during this call, Skowron told Benhamou about the Commission's investigation and also that FrontPoint's counsel wished to interview Benhamou by phone. Skowron asked Benhamou to deceive FrontPoint's counsel and tell them that he never gave Skowron confidential information about the Albuferon trial and only

discussed the "basket" of drugs available for liver disease. Shortly after the conclusion of his 6.4 minute conversation with Benhamou, Skowron emailed the expert network and reported that he had a consultation with Benhamou.

89. The next day, at approximately 8:26 a.m. EST, Skowron called Benhamou and then conferenced in FrontPoint's counsel and made the introduction. FrontPoint's telephone records reflect that the conversation lasted for approximately 21.4 minutes, or, until 8:47 a.m. EST. Upon information and belief, Benhamou deceived FrontPoint's counsel on the call and told FrontPoint's counsel that he did not give Skowron any non-public information about the Albuferon trial. At 8:50 a.m. EST, FrontPoint's counsel emailed Skowron and told him that the call with Benhamou "went well." Skowron forwarded that email to Benhamou.

90. Days later, Benhamou was in Boston for a meeting with a large pharmaceutical company. Skowron knew of the trip in advance and drove to Boston to take Benhamou to lunch. After the lunch, Skowron drove Benhamou to Benhamou's Hotel in Boston and attempted to give Benhamou a bag containing two stacks of U.S. currency wrapped in bands. Benhamou understood that Skowron was offering this money as payment for the material non-public information about the Albuferon trial that Benhamou had tipped to Skowron in January 2008. Benhamou, who was slated to fly back to France the next day, did not accept the money.

91. In April 2008, while in Milan, Italy, for EASL 2008, Skowron met Benhamou at a hotel bar. There, on or about April 22, 2008, Skowron gave Benhamou an envelope containing U.S. currency worth at least $10,000. He told Benhamou it was in appreciation of Benhamou's contributions, consultations and time. He reiterated that Benhamou should continue to falsely state that the two had only discussed publicly-available information about the "basket of drugs"

available for the treatment of hepatitis C and other diseases of the liver. Skowron also assured Benhamou that everything would be fine and the Commission's investigation would end soon.

92. In November 2009, after Benhamou ceased retaining the French law firm that had earlier represented him in the Commission's investigation due to costs, Skowron offered to take care of Benhamou's attorneys fees relating to this matter.

CLAIMS FOR RELIEF

CLAIM I
Violations of Exchange Act Section 10(b) and Rule 10b-5
(Against Benhamou)

93. Paragraphs 1 through 6, 8 through 31, 33 through 36, 38 through 85 are realleged and incorporated by reference.

94. The information concerning Phase 3 of the Achieve Trial was material and non-public and considered by HGSI to be confidential. HGSI had policies protecting such confidential information and, in addition, protected such information through its contractual arrangements.

95. Benhamou learned the material non-public information regarding Phase 3 of the Achieve Trial in the course of serving on the Achieve Trial Steering Committee and in his capacity as a country lead investigator for France. Benhamou knew, recklessly disregarded, or should have known, that he directly, indirectly or derivatively owed a fiduciary duty, or obligation arising from a similar relationship of trust and confidence, to keep the information confidential.

96. Benhamou tipped material non-public information concerning Phase 3 of the Achieve Trial to Skowron, with whom he had a consulting relationship and friendship, with the expectation of receiving a benefit.

97. In connection with the purchase or sale of securities, Skowron knew, recklessly disregarded, or should have known, that the material non-public information received from Benhamou was disclosed or misappropriated in breach of a fiduciary duty, or similar relationship of trust and confidence.

98. Benhamou is jointly and severally liable with Skowron for the funds' trades because he unlawfully tipped material, non-public information to Skowron, who effect trades on behalf of the funds, controlled the funds and/or unlawfully tipped the information to the funds.

99. By virtue of the foregoing, Benhamou directly or indirectly, in connection with the purchase or sale of a security, by use of means or instrumentalities of interstate commerce, of the mails, or the facilities of a national securities exchange:

a. employed devices, schemes, or artifices to defraud;

b. made untrue statements of material fact or omitted to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; or

c. engaged in acts, practices, or courses of business which operated or would operate as a fraud or deceit upon other persons.

100. By engaging in the foregoing conduct, Benhamou directly or indirectly violated, and unless enjoined, will again violate Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5].

CLAIM II
Violations of Exchange Act Section 10(b) and Rule 10b-5
(Against Skowron)

101. Paragraphs 1 through 92 are realleged and incorporated by reference.

102. The information concerning Phase 3 of the Achieve Trial was material and non-public and considered by HGSI to be confidential. HGSI had policies protecting such confidential information and, in addition, protected such information through its contractual arrangements.

103. Benhamou learned the material non-public information regarding Phase 3 of the Achieve Trial in the course of serving on the Achieve Trial Steering Committee and in his capacity as a country lead investigator for France. Benhamou knew, recklessly disregarded, or should have known, that he directly, indirectly or derivatively owed a fiduciary duty, or obligation arising from a similar relationship of trust and confidence, to keep the information confidential.

104. Benhamou tipped material non-public information concerning Phase 3 of the Achieve Trial to Skowron, with whom he had a consulting relationship and friendship, with the expectation of receiving a benefit.

105. In connection with the purchase or sale of securities, Skowron knew, recklessly disregarded, or should have known, that the material non-public information received from Benhamou was disclosed or misappropriated in breach of a fiduciary duty, or similar relationship of trust and confidence.

106. Skowron is liable for the trades that occurred in the funds he advised – directly or indirectly – because he effected trades on behalf of the funds, controlled the funds and/or unlawfully tipped information to the funds.

107. By virtue of the foregoing, Skowron directly or indirectly, in connection with the purchase or sale of a security, by use of means or instrumentalities of interstate commerce, of the mails, or the facilities of a national securities exchange:

a. employed devices, schemes, or artifices to defraud;

b. made untrue statements of material fact or omitted to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; or

c. engaged in acts, practices, or courses of business which operated or would operate as a fraud or deceit upon other persons.

108. By engaging in the foregoing conduct, Skowron directly or indirectly violated, and unless enjoined, will again violate Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5].

CLAIM III
Violations of Securities Act Section 17(a)
(Against Benhamou)

109. Paragraphs through 6, 8 through 31, 33 through 36, 38 through 85 are realleged and incorporated by reference.

110. By virtue of the foregoing, Benhamou, directly or indirectly, acting knowingly, recklessly, or negligently in the offer or sale of securities, by use of means or instruments of transportation or communication in interstate commerce or by use of the mails:

a. employed devices, schemes, or artifices to defraud;

b. obtained money or property by means of untrue statements of a material fact or omitted to state material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; or

c. engaged in transactions, practices, or courses of business that operated or would operate as a fraud or deceit upon the purchaser.

111. By engaging in the foregoing conduct, Benhamou directly or indirectly violated, and unless enjoined will again violate, Section 17(a) of the Securities Act [15 U.S.C. § 77q(a)].

CLAIM IV
Violations of Securities Act Section 17(a)
(Against Skowron)

112. Paragraphs 1 through 92 are realleged and incorporated by reference.

113. By virtue of the foregoing, Skowron directly or indirectly, acting knowingly, recklessly, or negligently in the offer or sale of securities, by use of means or instruments of transportation or communication in interstate commerce or by use of the mails:

a. employed devices, schemes, or artifices to defraud;

b. obtained money or property by means of untrue statements of a material fact or omitted to state material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; or

c. engaged in transactions, practices, or courses of business that operated or would operate as a fraud or deceit upon the purchaser.

114. By engaging in the foregoing conduct, Skowron directly or indirectly violated, and unless enjoined will again violate, Section 17(a) of the Securities Act [15 U.S.C. § 77q(a)].

CLAIM V
Unjust Enrichment
(Relief Defendants)

115. Paragraphs 1 through 92 are realleged and incorporated by reference.

116. Each of the FrontPoint Healthcare Funds earned profits or avoided losses as a result of the violations by Benhamou and Skowron, as alleged above, and under circumstances in which it is not just, equitable or conscionable for the FrontPoint Healthcare Funds to be so enriched. As a consequence, the FrontPoint Healthcare Funds must be compelled to disgorge the amount of their unjust enrichment, with prejudgment interest.

RELIEF REQUESTED

WHEREFORE, the Commission respectfully requests that this Court enter a final judgment:

(a) permanently restraining and enjoining each Defendant, their officers, agents, servants, employees, and attorneys, and those persons in active concert or participation with them who receive actual notice of the injunction by personal service or otherwise, pursuant to Securities Act Section 20(b) [15 U.S.C. § 77t(b)] and Exchange Act Section 21(d)(1) [15 U.S.C. § 78u(d)(1)], from violating, directly or indirectly, Securities Act Section 17(a) [15 U.S.C. § 77q(a)], Exchange Act Section 10(b) [15 U.S.C. § 78j(b)], and Exchange Act Rule 10b-5 [17 C.F.R. § 240.10b-5];

(b) ordering each Defendant jointly and severally to disgorge, with prejudgment interest, all illicit trading profits and/or losses avoided and all other ill-gotten gains received as a result of the conduct alleged in this Complaint;

(c) ordering each Defendant to pay civil penalties pursuant to Securities Act Section 20(d) [15 U.S.C. § 77t(d)] and Exchange Act Section 21A and/or 21(d)(3) [15 U.S.C. §§ 78u(d)(3), 78u-1];

(d) ordering the Relief Defendants, as constructive trustees of illegally-obtained funds resulting from Defendants' above-described conduct, to return those funds as to which they have no legitimate claim, with prejudgment interest; and

(e) granting such other and further relief as the Court may deem just and proper.

DEMAND FOR JURY TRIAL

Pursuant to Rule 38 of the Federal Rules of Civil Procedure, the Commission demands trial by jury in this action of all issues so triable.

Dated: April 12, 2011
Washington, DC

Respectfully submitted,

S/ Romajas

Suzanne J. Romajas (SR-4531)
Assistant Chief Litigation Counsel

Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-4030
Tel: 202-551-4473 (Romajas)
Fax: 202-772-9245 (Romajas)
Email: RomajasS@sec.gov

Counsel for Plaintiff

Of Counsel:
Cheryl J. Scarboro
Charles J. Felker
Deborah A. Tarasevich
Matthew L. Skidmore