Press Release

SEC Charges Eight in Georgia-Based Insider Trading Ring

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Washington, D.C., Aug. 28, 2012 — The Securities and Exchange Commission today charged eight individuals living in the Griffin, Ga., area for their involvement in an insider trading ring that generated more than $500,000 in illegal profits based on nonpublic information about an upcoming company merger.

The SEC alleges that local accountant **Thomas D. Melvin** exploited confidential information from a client who was on the board of directors at Chattem Inc., a Tennessee-based pharmaceutical company known for such over-the-counter products as Allegra, Gold Bond, and Icy Hot. In late 2009, after Chattem's board was informed that French pharmaceutical manufacturer Sanofi-Aventis Inc. made a tender offer to purchase the company, Melvin's client sought his professional advice on the financial impact of his Chattem stock options being involuntarily exercised due to a change in control of the company. Melvin breached his duty of confidentiality to the client and proceeded to tip four of his friends and associates about the likely increase in the company's stock price as a result of the impending transaction. Those individuals then knowingly traded on the confidential information ahead of the public announcement of the merger, and some even tipped others who traded illegally as well.

Four of the eight men agreed to settle the SEC's charges and pay back all of their ill-gotten gains plus interest and penalties for a combined total of more than $175,000.

"It is particularly troubling when professionals like Melvin violate their professional obligations and breach a client's trust by misusing confidential information," said William P. Hicks, Associate Director for Enforcement in the SEC's Atlanta Regional Office. "These traders similarly jeopardized their reputations or careers by trading on information that was off-limits."

According to the SEC's complaint filed in federal court in Atlanta, the Chattem board member made clear to Melvin during their private conversations and meetings that the topic of discussion was confidential. The board member shared the likely increase in stock price ($20 to $25 per share) from the pending transaction as well as its potential timing. Nevertheless, Melvin illegally tipped three friends and a partner at his accounting firm Melvin, Rooks, and Howell PC.

The SEC alleges that each of Melvin's four tippees traded on the nonpublic information:

- **C. Roan Berry** – Melvin's friend who lives in Jackson, Ga.
- **Michael S. Cain** – Melvin's friend who lives in Griffin, Ga.
- **Joel C. Jinks** – Melvin's friend who lives in Griffin, Ga., and was a one-time candidate for local sheriff.
- **R. Jeffrey Rooks** – Melvin's longtime accounting partner who lives in Griffin, Ga.

The SEC alleges that Berry tipped his friend and neighbor in Jackson, **Ashley J. Coots**, who in turn tipped his friend and former co-worker **Casey D. Jackson**, who lives in Atlanta.

The SEC alleges that Cain, who works at a brokerage firm, tipped his friend **Peter C. Doffing**, who lives Milner, Ga. and purchased out-of-the-money call options based on the nonpublic information.

The four traders settling the SEC's charges agreed to pay back all of their ill-gotten gains plus interest and penalties:

- Berry agreed to pay disgorgement of $55,091.51, prejudgment interest of $4,860.37, and a penalty of $55,091.51.
- Coots agreed to pay disgorgement of $17,360.43, prejudgment interest of $1,565.48, and a penalty of $13,231.80.
- Jackson agreed to pay disgorgement of $2,369.78, prejudgment interest of $221.93, and a penalty of $1,184.89.
- Rooks agreed to pay disgorgement of $18,482.14, prejudgment interest of $1,432.68, and a penalty of $4,620.54. Rooks also will be prohibited from appearing or practicing before the SEC as an accountant under SEC Rule of Practice 102(e). The terms of Rooks' settlement reflect credit given to him for his cooperation and substantial assistance to the investigation.

Berry, Coots, and Rooks agreed to the entry of a final judgment providing permanent injunctive relief under Sections 10(b) and 14(e) of the Securities Exchange Act of 1934 and Rules 10b-5 and 14e-3. Jackson agreed to the entry of a final judgment providing permanent injunctive relief under Section 10(b) of the Exchange Act of 1934 and Rule 10b-5. All four neither admit nor deny the allegations, and their settlements are subject to court approval.

The SEC will proceed with its litigation against Melvin, Cain, Doffing, and Jinks.

The SEC's investigation was conducted in its Atlanta Regional Office by Staff Attorney William S. Dixon and Senior Trial Counsel Kristin Wilhelm under the supervision of Assistant Regional Director Aaron W. Lipson. Ms. Wilhelm will lead the ongoing litigation.

The SEC thanks the Financial Industry Regulatory Authority (FINRA) and the Options Regulatory Surveillance Authority (ORSA) for their assistance in this matter.

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Related Materials

- SEC Complaint v. Melvin, Cain, Jinks, and Doffing
- SEC Complaint v. Berry
- SEC Complaint v. Coots
- SEC Complaint v. Jackson
- SEC Complaint v. Rooks