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S.E.C. Charges 8 With Insider Trading in Sanofi Deal

By *PETER LATTMAN*

Federal securities regulators charged eight people in Georgia with insider trading on Tuesday, saying they bought stock in a company ahead of a merger announcement after one of them learned about a pending deal.

The [Securities and Exchange Commission](#) said that Thomas D. Melvin Jr., an accountant from Griffin, Ga., learned from a client that the drug giant Sanofi-Aventis was planning to buy Chattem, a pharmaceutical-products company that was then publicly traded. The client, who was a director of Chattem, was seeking Mr. Melvin's advice on the deal's tax implications on his stock options and made it clear that the discussion was confidential, the S.E.C. said.

Nevertheless, Mr. Melvin leaked the news of the possible deal to four of his friends -- C. Roan Berry, Michael S. Cain, Joel C. Jinks and R. Jeffrey Rooks -- the commission charged. That set off another chain of illegal tips as Mr. Berry passed the news onto Ashley J. Coots, who, in turn, tipped his friend Casey D. Jackson, according to the complaint. The S.E.C. also said that Mr. Cain, a stockbroker, told Peter C. Doffing about the secret transaction.

All eight defendants purchased shares and call options in the weeks leading up to Dec. 21, 2009, when [Sanofi-Aventis](#) made a tender offer for Chattem at a 33 percent premium to Chattem's previous day's close, the commission said. After closing out their positions, the defendants made a total of more than \$550,000 on the trades, according to the complaint.

Four of the eight defendants -- Mr. Berry, Mr. Coots, Mr. Jackson, and Mr. Rooks -- agreed to settle the government's civil charges without admitting or denying the allegations. Together, they are paying more than \$175,000 in illegal gains and fines.

The lawsuits against Mr. Melvin, Mr. Cain, Mr. Doffing and Mr. Jinks will proceed. Raymond Moss, a lawyer for Mr. Cain said: "We believe the allegations are without merit and that we intend to vigorously defend the allegations and the action."

Lawyers for the other three men did not immediately respond to a request for comment.

"It is particularly troubling when professionals like Melvin violate their professional obligations and breach a client's trust by misusing confidential information," William P. Hicks, the associate director for enforcement in the S.E.C.'s Atlanta office, [said in a statement](#). "These traders similarly jeopardized their reputations or careers by trading on information that was off-limits."

This is the second large set of insider trading charges brought by the S.E.C. this month. Two weeks ago, [Eddie Murray](#), the former baseball player, [settled charges](#) that he traded on secret information about [Abbott Laboratories'](#) 2009 acquisition of Advanced Medical Optics. The S.E.C. also charged James V. Mazzo, the former chief executive of Advanced Medical Optics, accusing him of providing the original tip. Mr. Mazzo is fighting the charges.

Chattem, which is now a unit of Sanofi, manufactures several well-known over-the-counter drug products, including Selsun Blue dandruff shampoo, Icy Hot pain-relief balm and Gold Bond Medicated Body Powder.