SEC Charges Five With Insider Trading, Including Two Attorneys and an Accountant

Related Materials

- SEC complaint

FOR IMMEDIATE RELEASE
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Washington D.C., Sept. 28, 2015 — The Securities and Exchange Commission today charged five Florida residents – including two lawyers and an accountant – with insider trading in advance of the acquisition of Pharmasset Inc. by Gilead Sciences Inc.

In a complaint filed in federal court in Newark, New Jersey, the SEC alleged that attorneys Robert L. Spallina and Donald R. Tescher and accountant Steven G. Rosen illegally traded on confidential information obtained from a mutual client who served on the board of directors of Princeton, New Jersey-based Pharmasset.

According to the complaint, during a meeting on November 8, 2011, regarding year-end personal tax and estate planning, the Pharmasset board member and his advisers, including Spallina, Tescher, and Rosen, discussed the fact that the Pharmasset board was negotiating to sell the company at a significant premium. Immediately afterward, Spallina, Tescher, and Rosen allegedly breached their duties of trust and confidence to their client by purchasing Pharmasset securities. The complaint further alleges that Spallina told Thomas J. Palermo, a financial adviser at a brokerage firm, and Brian H. Markowitz, then Spallina's next-door neighbor, about the negotiations to sell the company and both purchased Pharmasset securities based on Spallina's tips.

After the public announcement of the acquisition by California-based Gilead Sciences on November 21, 2011, the price of Pharmasset stock rose by 84 percent and the five defendants liquidated their holdings and allegedly reaped more than $234,000 of illegal profits.

Spallina, Tescher, Rosen, Palermo, and Markowitz collectively agreed to pay approximately $489,000 to settle the charges. The settlements are subject to court approval.

"Lawyers and accountants occupy special positions of trust and confidence and are required to protect the information entrusted to them by their clients," said Joseph G. Sansone, Co-Chief of the SEC's Market Abuse Unit. "It is illegal for them to steal their clients' confidential information to trade securities for their own profit or to tip others."

Spallina, of Parkland, Florida, agreed to return $39,156 of allegedly ill-gotten gains, plus prejudgment interest of $1,794, and pay a civil penalty of $39,156. The other defendants each agreed to settle the charges and pay disgorgement, prejudgment interest, and civil penalties without admitting or denying the SEC's allegations. Tescher, of Delray Beach, Florida, agreed to return $9,937, plus prejudgment interest of $690, and pay a $9,937 penalty. Rosen, of Coral Springs, Florida, agreed to return $27,634, plus prejudgment interest of $1,991, and pay a $27,634 penalty. Palermo, of Parkland, Florida, agreed to return $124,528, plus prejudgment interest of $14,067, and pay a $124,528 penalty, and

Markowitz, of Pompano Beach, Florida, agreed to return $32,931, plus prejudgment interest of $2,640, and pay a $32,931 penalty.

The SEC's investigation was conducted by Paul T. Chryssikos and Scott A. Thompson of the Enforcement Division's Market Abuse Unit and the Philadelphia Regional Office with assistance from John Rymas in the unit's Analysis and Detection Center and Christopher R. Kelly of the Philadelphia Regional Office. The SEC appreciates the assistance of the Options Regulatory Surveillance Authority.

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