Press Release

SEC Charges Two Friends With Insider Trading Ahead of Impending Acquisition

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Washington D.C., April 3, 2014— The Securities and Exchange Commission today charged two friends with insider trading on confidential information from an investment banker about an impending transaction between engineering and construction companies.

The SEC alleges that Walter D. Wagner of Rockville, Md., and Alexander J. Osborn of Alexandria, Va., illicitly profited by nearly $1 million combined by trading on nonpublic information in advance of the acquisition of The Shaw Group by Chicago Bridge & Iron Company. Wagner was tipped by his longtime friend John W. Femenia, who worked at a firm that was considering whether to finance the transaction. Wagner then tipped Osborn with the inside information so they could each trade heavily in Shaw Group securities ahead of the public announcement on July 30, 2012, when the closing stock price jumped approximately 55 percent from the previous day.

Wagner has agreed to settle the SEC's charges by disgorging his ill-gotten gains plus interest. Any additional financial penalty will be decided by the court at a later date. A parallel criminal action against Wagner was announced today by the U.S. Attorney's Office for the Western District of North Carolina.

The SEC's litigation continues against Osborn. The SEC already charged Femenia in a related insider trading case. He was subsequently barred from the securities industry.

"Wagner and Osborn had never bought stock or call options in The Shaw Group, yet they suddenly spent significant portions of their available cash resources to make sizeable purchases in the weeks preceding the public announcement of the acquisition," said William P. Hicks, associate director for enforcement in the SEC's Atlanta Regional Office. "The SEC is committed to deciphering the stories behind suspicious trades and exposing those who trade on confidential information obtained from corporate insiders."

According to the SEC's complaint filed in federal court in Greenbelt, Md., all three attended the U.S. Merchant Marine Academy. Wagner and Femenia met in college and remained friends after graduating in 2003. Osborn, who graduated in 2006, became friends with Wagner around 2009 when they worked in the same office building for different government contractors. The SEC alleges that Femenia collected nonpublic details about the acquisition while at work and communicated them to Wagner via text messages and phone calls in violation of the duty he owed his firm to keep the information confidential. Wagner knew Femenia was employed in investment banking at Wells Fargo Securities. Wagner in turn tipped Osborn, who knew that Wagner's source was employed in the finance industry. Wagner and Osborn used the nonpublic information to obtain illegal trading profits of approximately $517,784 and $439,830 respectively.

The SEC's complaint charges Wagner and Osborn with violations of Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5. In addition to the financial sanction of $528,175 in disgorgement and prejudgment interest, Wagner has consented to the entry of a judgment permanently enjoining him from violations of Section 10(b) of the Exchange Act and Rule 10b-5.

The SEC's investigation was conducted by Monifa F. Wright and supervised by Matthew F. McNamara in the Atlanta Regional Office. The SEC's litigation is being handled by Paul T. Kim. The SEC appreciates the assistance of the U.S. Attorney's Office for the Western District of North Carolina, Federal Bureau of Investigation, Financial Industry Regulatory Authority, and Options Regulatory Surveillance Authority.

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Related Materials

- SEC complaint
- SEC cases: insider trading