

## Press Release

# SEC Charges Two Clinical Drug Trial Doctors With Insider Trading

### FOR IMMEDIATE RELEASE

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Washington D.C., May 19, 2014— The Securities and Exchange Commission today charged two California-based doctors with illegally trading on inside knowledge that the Food and Drug Administration (FDA) had halted the clinical trials of a new prostate cancer drug developed by biopharmaceutical company GTx Inc.

The SEC alleges that Dr. Franklin M. Chu and Dr. Daniel J. Lama were medical investigators in the drug trials of Capesaris and avoided significant trading losses by selling their GTx stock after being informed by the company that the FDA had halted the trials due to patient safety concerns. After GTx publicly announced the negative development a few days later, its stock dropped more than 36 percent.

Dr. Chu and Dr. Lama, who practice at the San Bernardino Urological Associates Medical Group in San Bernardino, Calif., made more than \$45,000 in illicit profits from their alleged insider trading. They have agreed to settle the SEC's charges by paying a combined total of \$116,864.

"Dr. Chu and Dr. Lama were promptly notified about the FDA hold so they could safely remove patients from the drug trials. It's disheartening that they immediately misused that information for personal financial gain," said Scott Friestad, associate director in the SEC's Division of Enforcement. "Clinical drug trial information often is critical to investors in this sector, so we will continue to vigorously investigate and prosecute those who illegally trade on this information before it's available to the market."

According to the SEC's complaints filed in U.S. District Court for the Central District of California, the purpose of the clinical trials was to test the safety and efficacy of Capesaris in anticipation of GTx applying for approval of the drug by the FDA. Beginning in early 2011, GTx and San Bernardino Urological Associates Medical Group entered into a series of clinical trial agreements (CTAs) in which GTx paid compensation to the medical practice for each patient it enrolled in the study. The CTAs contained strict confidentiality provisions that prohibited Dr. Chu and Dr. Lama from using nonpublic information about the trials for any purpose other than rendering services.

The SEC alleges that on Feb. 17, 2012, Dr. Chu and Dr. Lama each learned from GTx that the FDA was placing a hold on the Capesaris clinical trials because of concerns about an increased risk of blood clots in participating patients. Immediately after learning this material, nonpublic information, Dr. Chu and Dr. Lama breached their duty to GTx and sold company stock held in their personal accounts. Dr. Chu sold 16,000 shares and Dr. Lama sold 5,400 shares at an average sale price of \$5.82 per share. After GTx's public announcement on Feb. 21, 2012, the stock price dropped sharply to close at \$3.69 per share. Dr. Chu and Dr. Lama avoided trading losses of approximately \$34,081 and \$11,502 respectively.

The SEC further alleges that when Dr. Lama was initially contacted by SEC investigators, he provided false information and claimed that he had no knowledge of the FDA hold at the time of his trading.

The SEC's complaint charges Dr. Chu and Dr. Lama with violations of Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 as well as Section 17(a) of the Securities Act of 1933. To settle the SEC's charges, they consented to a final judgment permanently enjoining them from future violations and ordering them to pay

financial sanctions without admitting or denying the allegations. Dr. Chu agreed to pay disgorgement of \$34,081, prejudgment interest of \$2,014, and a penalty of \$34,081. Dr. Lama agreed to pay disgorgement of \$11,502, prejudgment interest of \$680, and a penalty of \$34,506. Dr. Lama's penalty is three times the amount of his illicit trading profits.

The SEC's investigation was conducted by Daniel Weinstein and Brian Vann. The case was supervised by Brian O. Quinn. The SEC appreciates the assistance of the Financial Industry Regulatory Authority.

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## Related Materials

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- [SEC complaint - Chu](#)
- [SEC complaint - Lama](#)