

Insider Trading Refused

By

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Chapter One

“Paul, you left me an urgent message. What’s up?”

“Ben, you have to sell, quickly before the news is made public.”

“What the hell are you talking about?”

“My contact at the FDA called me. They didn’t approve Pantoginin. They’ll release their findings in a month or so. When Vickso Pharmaceuticals finds out we can’t market the drug, they’ll withdraw their offer to buy our company, Biofi Inc. Our stock will crash.”

“We’ll just submit new tests. In a few months, we should be ready to prove Pantoginin is safe and effective.”

“Stop dreaming. They based their disapproval on that one death during one of our earliest tests. We don’t have the cash to run new tests. We’re leveraged to the hilt. No bank will give us additional funding to pay the huge amounts we owe or to finance new extensive laboratory research required before we can begin a 6-week in-patient and out-patient test to re-evaluate the effectiveness and safety of the drug.”

“Maybe Vickso will buy us anyway. Sure, they’ll reduce their offer substantially, but it would still give us the opportunity to have Pantoginin approved at a later stage.”

“Ben you have to face reality. No way will Vickso touch any drug that hasn’t been approved by the FDA. They have plenty of experimental/unapproved drugs of their own coming down the pipeline. They wanted Pantoginin to immediately pump up their flagging sales which are causing their stock to drop. They have deep pockets, paying

off Biofi's existing debt would not have been a problem. I saw an outline of the marketing plan they prepared for Pantoginin; it involved huge sums of money to be spent here and abroad. Ben we have to sell; immediately, now!"

"You mean sell our stock in Biofi to the public instead of the pending sale to Vickso?"

"You got it! We have to call Carl. His brokerage firm can sell our stock before the FDA ruling is published. Vickso will sue us for breach of contract, but that will blow over in a hurry when they get the FDA report. Remember, their offer was contingent on FDA approval of Pantoginin."

"Paul, are you serious? We can't do that."

"Yes, we can. Based on the Vickso offer our stock price has jumped lately. If we sell now each of us can recoup at least part of what we invested in Biofi over the past five years. I'll rather take a couple of million than lose everything."

"They'll get us for insider trading. You can't sell when you know the stock has lost its value. That's illegal. We know something the public doesn't."

"They won't know that. My source has been well compensated. Besides, he would be criminally liable if it became known he leaked the information about the ruling of his agency"

"How would they not know we had prior knowledge? Why else sell and break the contract? The timing would be too suspicious."

"That part's easy. We'll claim seller's remorse. The value of our stock has far exceeded what Vickso was willing to pay. So we sold on

the open market. We didn't think Vickso could have held us to the contract. We'll claim we were purely represented during negotiations and were no match for the legal staff of a powerful international pharmaceutical company. It was once again a case of the big and powerful driving out new start-ups."

"Paul, your idea is insane. It's criminal to sell unsuspecting investors stock that has lost its value: you've secretly obtained knowledge that they don't have."

"Ben, I'm calling Carl to authorize him to sell my stock. Shall I tell him you also want to sell?"

"No! It's illegal and immoral."

Chapter Two

Paul sold his stock, and as he anticipated, Vickso sued for breach of contract. Ben was not named in the suit. He hadn't participated in Paul's scheme to sell his stock before the FDA ruling became public. Vickso asked for an injunction to prevent the transfer of stock to the buyers. The court refused to issue an injunction and ruled that Vickso's only recourse was to sue for damages.

Two months later, the FDA ruling was published, and all hell broke loose. Investors sued Carl's brokerage firm. And the Feds came after Paul for insider trading. Vickso dropped their suit. Paul answered the indictment by claiming he did no more than seek a better price for his stock than Vickso had offered. To back up his claim he used the fact that Ben didn't sell. He argued with the investigators that if he had had prior knowledge of the negative FDA ruling he surely would have shared it with his partner Ben. Ben was never interviewed by the SEC investigators, and Paul got away with his criminal scheme.

The former partners never spoke again. With several million dollars safely tucked away in the bank, Paul retired. Ben, who had invested more than fifteen million in their now bankrupt company lost everything. He could no longer maintain Riverview, the family home, and was forced to move his family into the small cottage at the entrance to the estate. Before it was renovated more than a decade ago, it had served as the gate-keeper's home. Luckily, he had refused to rent it out fearing it would disturb the family privacy and back then they hadn't needed the money.

Strapped for cash, Ben put Riverview up for sale and was forced to accept a part time job at a local textile plant. The desire to develop a

drug to cure millions of people worldwide kept haunting him. When he heard the assets of his bankrupt company were being sold, he pounced on the opportunity to further develop Pantoginin. He was the only one bidding on the patents for the three drugs Biofi had been developing. Pantoginin had been the major project, but on the side they were also experimenting with two minor drugs Biotexin and Zestrin.

It took a long time to sell the family home, but when it finally sold, Ben used the proceeds to pay for the patents and finance the start of a new company to develop the drugs. Martina, his wife, fully supported his desire to continue the research to bring Pantoginin to market.

Ben's reputation as a leading microbiologist enabled him to attract enough money from private equity firms to rapidly expand his new company, Genrex. One of his first hires was H.J. Beckhoven his longtime assistant at his previous company, Biofi.

Early in the operation Ben discovered that Vickso was involved in research that involved infringement on his patents. Rather than sue, Ben approached the CEO of Vickso with the proposal to exchange their research which infringed on his patent for shares in Genrez. Fearing to have their research shutdown by legal action, Vickso agreed to Ben's proposal, and he gained a wealth of research material at minimum cost not to mention all the time saved in preparing and presenting a lawsuit.

Chapter Three

“It’s not fair Mom.”

“What’s not fair, honey?”

“Aaron is going to Brown, and I have to go to our local Community College. It’s just not fair. I got accepted to Stanford, and he was turned down after having been wait-listed. Damn it, I’m ranked fifth in our class, and he barely made the top ten percent. It’s only because his folks are loaded, and we don’t have a cent.”

“Stop it!” Martina had no use for her son Daniel feeling sorry for himself. “Your father and I always made sure you kids never wanted for anything. Yes, we’re not rich, but you especially never went wanting for anything!”

“We’re not rich. You got that right. I was ten, old enough to remember how he lost a fortune in that damn company of his. One day I was one of the richest kids in school, and the next day we just about lost the roof over our heads.”

“Daniel, I told you to stop it! You’re way out of line. You have no right insulting your father like that. The money was lost because of an unforeseeable problem with the very important drug you father tried to develop. Your father is a brilliant man, and one day he’ll perfect that drug and it will benefit millions of people.”

“Oh, sure. Where have I heard *that* before? Like he told me we could take out student loans to pay the tuition at Stanford. That eventually he would be in a position to help me pay them off. Good luck

with that! If I manage to get that amount in loans I'll have to spend the rest of my life paying. I'd never be able to pay them back."

"Daniel, calm down. I understand your disappointment. You worked hard to get accepted at some of the best schools in the country. We're very proud of you, and your father and I feel just as bad as you do that you can't afford the tuition. But to act like this isn't like you. We've promised you, if you enroll in our local community college for a year, we'll leave no stone unturned to help you transfer into Stanford."

Daniel did enroll in the community college, and as everyone expected, he did exceptionally well. However, things took an unexpected turn. Ben came home one day, bursting at the seams with excitement. Martina was surprised; she had never seen her husband like that. Typically, he was reserved; a scientist busy with his work and not too eager to communicate with those around him. He could hardly contain himself. "Martina, baby, we did it!"

"Did what?"

"We got FDA approval!"

"For Pantoginin?"

"No, but we're close with that, too. The FDA approved a drug which is a combination of our Biotexin and Zestrin. It's approved for safety and effectiveness."

"You never told me you were working on that."

"We discovered it by pure accident. While working on tests with Zestrin, a technician accidentally contaminated the sample with Biotexin which had previously been in the same test tube. This error, in her failure to observe laboratory rules on sanitizing test tubes, accidentally

gave us a sample that proved very effective in treating certain brain tumors. Now that we have final approval, we can start marketing the new drug we call Bisconox. Vickso will mass produce Bisconox for us.”

The sales of Bisconox produced enough revenue to finance the final field tests of Pantoginin. These tests proved to the satisfaction of the FDA that the rare reaction that caused the single death in one of the first tests had been eliminated. Sales of Pantoginin exploded and reached over a billion annually. Soon, Ben’s new company, Genrez, was valued at fifty billion.

That year when the family sat down for Thanksgiving dinner, Ben made a surprise announcement. “Yesterday I made an unsolicited offer on our old home, Riverview. The new owners made many badly needed updates, and I offered substantially more than what they paid us nine years ago.”

His youngest daughter, who was six when they lost the house, excitedly asked, “Well, did we get it back?”

Ben laughed. “Yes, we’ll be leaving this cottage and moving back into Riverview in three months. But I have more surprises for the three of you. When I started the new company, I put five percent of the shares in each of your names and ten percent in your mother’s name. Congratulations, all of you are now stinking rich! Daniel, thank you for your patience: the dividend on your stock will be more than enough to pay your tuition to any college you transfer to. Hell, it will pay for graduate school and anything else you do after that.”

There was a moment of complete silence while everyone absorbed what they just heard. Then pandemonium broke loose. Ben could hardly breathe. His kids hugged and kissed him with such enthusiasm that he had to ask for a moment’s reprieve to catch his breath. Martina couldn’t

hold back her tears. She relished the sight of her kids finally giving their father his due. The last couple of years had been hard for her as she watched her kids silently, and at times not so silently, blame their father for the loss of what would have been their inheritance. She knew they loved him, but there was always an underlying current of resentment.

Later that night, Ben and Martina were sitting in front of a blazing wood fire in the stone fire place that dominated their cozy den. Martina snuggled up to Ben. “I’m glad we’re moving back into Riverview. Your family owned it for generations, and we belong there. But, in a way, I’ll miss this little cottage. On winter nights it’s warm and snug, and the kids spent an important part of their youth here. It made them more humble, more caring for those around them and definitely for each other. I’ve always loved and adored them, but I’m even more in love with the people they have grown into these last years while we lived in this humble place.”

Ben kissed Martina. The kiss seemed to last forever, but they finally came up for air. “Speaking of loving. I’ve always been crazy about you, but the last couple of years have made my feelings for you even stronger. The way you stuck by me while I hit bottom was beyond anything I deserved. How come you didn’t divorce me when everything failed and we lost everything?”

Martina pulled away and looked in horror at Ben. “I hope you’re joking.”

“No, seriously. I thought you might leave me. I didn’t have a cent and could no longer offer you all the things you were used to.”

“Ben watch out! I’m getting angry. Is that what you really think? Did you think my love was based on that? Your wealth?”

“Not exactly, but, yes. When we met you were a sought-after beautiful young starlet. You could pick and choose; all the men were gaga over you. I was rich, yep, very rich, but I wasn’t particularly known for having a great personality. Most women found me somewhat boring. I heard myself described as an obsessed scientist, not particularly interested in parties or having a good time. Besides, nobody ever accused me of being good looking.”

“This might surprise you, but your money was about the last thing that attracted me to you. What made you so damn attractive that I could not sleep at night after our first couple of dates was you treating me like a real person, not just like some cute bimbo with a sexy body.”

“Correction. The most attractive creature on earth.”

“Ben, please don’t make light of it. You are the most important person in my life. Maybe I should tell you why. All through high school it was always about my looks, my body. Cheerleader, homecoming queen, you name it, but never something that had to do with my brain. I was always left out of the really important issues. In Hollywood, it was more of the same. During auditions they never cared if I could act. The only thing important was my looks. Movie critiques never commented on my acting. The only thing they wrote about was that hot Hispanic scarlet on her way to becoming Hollywood’s next sex symbol.” She shifted to make sure they were looking into each other’s eyes.

“Then I read about this national conference about microbiology. I was worried about the threat of a world-wide pandemic, and I went to find out what could be done to prevent the further spread of the disease. You were on the panel, and after the conference ended, I approached you with some questions. I fully expected you to come on to me because of my looks and not take my questions seriously. Instead, you took me

aside and gave me detailed answers to my questions. It was fascinating. The more you explained, the more I wanted to know. You didn't brush me off. You took me seriously. For the first time, someone responded to me like I had brains. You recommended several books. I found the subject very interesting and called you to ask about a few things I didn't fully understand. What a great experience; you spent a long time on the phone with me explaining in great detail some concepts I didn't fully grasp from reading the books you recommended."

"You told me you were the main speaker at a seminar at our local university. You asked if I would like to attend; you could get a ticket for me. Did I want to go? Boy, did I ever! After the seminar, I waited for you to leave the podium to ask you to clarify some more things. I thought, and still do, that you were the smartest man on earth. You said you were on your way to get a bite to eat. If I joined you, you could explain things further over dinner. Dinner lasted for two hours, and we started dating from then on." They both smiled thinking back to that night.

"You can't imagine my excitement when you asked me to be your date for the annual science awards dinner at the university. I had the time of my life, and mustered up enough courage to ask you, the distinguished professor, if we could go to the yacht harbor and see your yacht which I had heard so much about. In the past, it had always been my dates who were the aggressive ones, but this time I was pretty forward. We wound-up in the master suite stretched out on a ridiculous big bed. I damn near attacked you; I was so anxious to make love."

"I think it was me who started it."

"No, honey. I was madly in love and wanted you."

“Well, I’m sure I didn’t resist. My memory is still vivid about that night. Let’s go into the bedroom. This bed is considerably smaller, but the lady is still incredibly beautiful, and I’m just as anxious to make love to her.”

On the way to the bedroom Ben stopped and asked, “Did you know Paul warned me ahead of time about the negative FDA ruling? You never said anything about it.”

“Of course. It was late at night and we had already gone to bed when you noticed his message and called him back. I could clearly hear him on the other end of the line.”

“You never asked what I was going to do.”

“I didn’t have to. I knew you wouldn’t follow his plan. If you had, you would have destroyed the only man I ever loved.”