

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 76879 / January 12, 2016

ACCOUNTING AND AUDITING ENFORCEMENT
Release No. 3732 / January 12, 2016

ADMINISTRATIVE PROCEEDING
File No. 3-17047

In the Matter of

REID A. HACKNEY, CPA

Respondent.

**ORDER INSTITUTING PUBLIC
ADMINISTRATIVE AND CEASE-
AND-DESIST PROCEEDINGS
PURSUANT TO SECTIONS 4C AND 21C
OF THE SECURITIES EXCHANGE ACT
OF 1934 AND RULE 102(e) OF THE
COMMISSION'S RULES OF PRACTICE,
MAKING FINDINGS, AND IMPOSING
REMEDIAL SANCTIONS AND A
CEASE-AND-DESIST ORDER**

I.

The Securities and Exchange Commission ("Commission") deems it appropriate that public administrative and cease-and-desist proceedings be, and hereby are, instituted against Reid A. Hackney, CPA ("Respondent" or "Hackney") pursuant to Sections 4C¹ and 21C of the Securities

¹ Section 4C provides, in relevant part, that:

The Commission may censure any person, or deny, temporarily or permanently, to any person the privilege of appearing or practicing before the Commission in any way, if that person is found . . . (1) not to possess the requisite qualifications to represent others; (2) to be lacking in character or integrity, or to have engaged in unethical or improper professional conduct; or (3) to have willfully violated, or willfully aided and abetted the violation of, any provision of the securities laws or the rules and regulations issued thereunder.

Exchange Act of 1934 (“Exchange Act”) and Rule 102(e)(1)(iii) of the Commission’s Rules of Practice.²

II.

In anticipation of the institution of these proceedings, Respondent has submitted an Offer of Settlement (the “Offer”) which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, and without admitting or denying the findings herein, except as to the Commission’s jurisdiction over him and the subject matter of these proceedings, which are admitted, and except as provided herein in Section V, Respondent consents to the entry of this Order Instituting Public Administrative and Cease-and-Desist Proceedings Pursuant to Sections 4C and 21C of the Securities Exchange Act of 1934 and Rule 102(e) of the Commission’s Rules of Practice, Making Findings, and Imposing Remedial Sanctions and a Cease-and-Desist Order (“Order”), as set forth below.

III.

On the basis of this Order and Respondent’s Offer, the Commission finds that:

A. SUMMARY

This matter involves insider trading by Reid A. Hackney, Chief Financial Officer and Senior Vice President of the Dress Barn subsidiary of Ascena Retail Group, Inc. (“Ascena”), in advance of two public announcements on the basis of material nonpublic information he obtained from his employer. In January 2012, Hackney became aware of Ascena’s positive holiday sales results. In breach of his duty to Ascena’s shareholders, he traded Ascena securities in advance of the public release of this information and realized ill-gotten gains of \$3,300. In March 2012, Hackney became aware of Ascena’s plans to acquire Charming Shoppes, Inc. (“Charming Shoppes”). In breach of his duty to Ascena, he traded Charming Shoppes securities before the public announcement of the transaction and realized ill-gotten gains of \$44,750. By engaging in this conduct, Hackney violated Sections 10(b) and 14(e) of the Exchange Act and Rules 10b-5 and 14e-3 thereunder.

² Rule 102(e)(1)(iii) provides, in pertinent part, that:

The Commission may . . . deny, temporarily or permanently, the privilege of appearing or practicing before it . . . to any person who is found . . . to have willfully violated, or willfully aided and abetted the violation of any provision of the Federal securities laws or the rules and regulations thereunder.

B. RESPONDENT

Reid A. Hackney, age 58, is a resident of Texas. From at least November 2011 through March 2012, Hackney served as the Chief Financial Officer and Senior Vice President of the Dress Barn subsidiary of Ascena Retail Group, Inc. Hackney was licensed as a certified public accountant in the State of New York, but his licensure status is currently listed as “not registered.”

C. OTHER RELEVANT ENTITIES

1. **Ascena Retail Group, Inc.** is a Delaware corporation headquartered in Mahwah, New Jersey engaged in the business of selling clothing, shoes and accessories. The common stock of Ascena is registered under Section 12(b) of the Exchange Act and trades on the NASDAQ Global Select Market under the ticker symbol “ASNA.”

2. **Charming Shoppes, Inc.** was a Pennsylvania corporation headquartered in Bensalem, Pennsylvania engaged in the business of selling clothing, shoes, accessories, food and gifts. The common stock of Charming Shoppes was registered under Section 12(b) of the Exchange Act and traded on the NASDAQ Global Select Market under the ticker symbol “CHRS.” Ascena acquired Charming Shoppes in 2012 via a tender offer.

D. FACTS

Hackney Was Subject to His Employer’s Insider Trading Policies

1. As Chief Financial Officer and Senior Vice President of the Dress Barn subsidiary of Ascena, Hackney was subject to the company’s code of business conduct, which prohibited employees from “profit[ing] in the stock market(s) from the improper use of material non-public information that [employees] learn during [their] employment.” The code required employees to “keep any material non-public information confidential” and further provided that “examples of material information include financial information that has not been released to the public such as Ascena’s or a specific brand’s monthly, quarterly or annual sales, comp store sales, earnings and trends, news of a planned acquisition or disposition, [etc.] ...” Hackney signed acknowledgements that he received, read and agreed to comply with this code.

2. Ascena also designated Hackney as a “Key Officer,” meaning that he was subject to additional Ascena policies that prohibited him from, among other things: (i) trading in Ascena securities while aware of material nonpublic information regarding Ascena; (ii) trading in the securities of any other company while aware of material nonpublic information regarding that company; (iii) trading for one full business day following the public release of material and previously nonpublic information; (iv) trading in options on Ascena’s common stock; and (v) engaging in short swing transactions such as the purchase and sale of Ascena equity securities within any period of six months.

Hackney's Insider Trading in the Securities of Ascena Retail Group, Inc.

3. In his role as Chief Financial Officer and Senior Vice President, Hackney received notice of Ascena's comparable store sales figures before they were released to the public. Specifically, on January 1, 2012, Hackney received an internal Ascena weekly sales flash email which provided weekly and monthly sales figures for Ascena and its subsidiary retail companies, including Dress Barn. Among other upbeat sales statistics, the email provided that Ascena's comparable store sales for the month of December had increased 14% over the prior year and that Dress Barn's had increased 12%.

4. Based on this material nonpublic information, and in violation of Ascena's policies, on January 3, 2012, Hackney purchased 15 Ascena call option contracts with a strike price of \$29.00 and an expiration date of January 21, 2012.³

5. By purchasing Ascena securities on the basis of material nonpublic information concerning Ascena's sales results, Hackney breached the duty he owed to Ascena's shareholders.

6. Hackney knew that these securities transactions were in breach of the duty he owed to Ascena's shareholders.

7. On the morning of January 5, 2012, Ascena issued a press release announcing its "strong holiday sales" and raising its earnings per share guidance. The press release highlighted Ascena's 14% increase in comparable store sales for the fiscal month of December 2011 versus December 2010, including a 12% increase at the Dress Barn subsidiary. Ascena's stock price closed at \$32.60 that day, an increase of \$1.74 or 5.64% above the prior trading day's closing price.

8. On January 5, 2012, just after Ascena's favorable press release had been issued, Hackney sold his 15 Ascena call option contracts, realizing profits of \$3,300.

Hackney's Insider Trading in the Securities of Charming Shoppes, Inc.

9. By March 27, 2012, Ascena had taken substantial steps in furtherance of a cash tender offer for all of the outstanding shares of Charming Shoppes common stock. For instance, Ascena had entered into a confidentiality agreement with Charming Shoppes, retained lawyers and financial advisors, conducted significant due diligence related to the transaction, and notified

³ A stock option, commonly referred to as an "option," gives its purchaser-holder the option to buy or sell shares of an underlying stock at a specified price (the "strike" price) prior to the expiration date. Options generally are sold in "contracts," which give the option holder the opportunity to buy or sell 100 shares of an underlying stock. A "call" option gives the purchaser-holder of the option the right, but not the obligation, to purchase a specified amount of an underlying security at a specified strike price within a specific time period. Generally, the buyer of a call option anticipates that the price of the underlying security will increase during a specified amount of time.

the board of directors of Charming Shoppes of its interest in acquiring the company for cash at a purchase price of \$6.25 per share.

10. On or before March 27, 2012, during the course of his employment at Ascena, Hackney became aware of confidential information concerning Ascena's plans to acquire Charming Shoppes that convinced him the transaction was imminent.

11. Between March 27 and March 30, 2012, on the basis of material nonpublic information concerning Ascena's plans to acquire Charming Shoppes, and in violation of Ascena's policies, Hackney purchased 350 Charming Shoppes call option contracts with a strike price of \$5.00 and an expiration date of May 19, 2012.

12. Hackney knew that these securities transactions were in breach of the duty of trust or confidence he owed to Ascena.

13. On the morning of May 2, 2012, Ascena announced its entry into an agreement to acquire Charming Shoppes via a tender offer for \$7.35 per share of Charming Shoppes common stock. That day, the price of Charming Shoppes common stock closed at \$7.31 per share, an increase of \$1.41 or 24% above the prior trading day's closing price.

14. After the May 2, 2012 public announcement of the tender offer, Hackney sold all 350 of his Charming Shoppes call option contracts, realizing profits of \$44,750.

15. On May 15, 2012, Ascena, through an affiliate, commenced a tender offer for all outstanding shares of Charming Shoppes common stock.

16. Hackney knew that the information he learned through his employment concerning the impending acquisition was material and nonpublic. By purchasing Charming Shoppes securities on the basis of that information, and in violation of Ascena's policies, Hackney misappropriated the information and breached a duty of trust or confidence that he owed to Ascena.

E. FINDINGS

1. Based on the foregoing, the Commission finds that Hackney willfully violated Sections 10(b) and 14(e) of the Exchange Act and Rules 10b-5 and 14e-3 thereunder.

2. Based on the foregoing, the Commission finds that Hackney engaged in conduct within the meaning of Section 4C(a)(3) of the Exchange Act and Rule 102(e)(1)(iii) of the Commission's Rules of Practice.

IV.

In view of the foregoing, the Commission deems it appropriate to impose the sanctions agreed to in Respondent Hackney's Offer.

Accordingly, it is hereby ORDERED, effective immediately, that:

A. Hackney shall cease and desist from committing or causing any violations and any future violations of Sections 10(b) and 14(e) of the Exchange Act and Rules 10b-5 and 14e-3 thereunder.

B. Hackney is denied the privilege of appearing or practicing before the Commission as an accountant.

C. Hackney is prohibited for a period of five (5) years from the date of the Order from acting as an officer or director of any issuer that has a class of securities registered pursuant to Section 12 of the Exchange Act, or that is required to file reports pursuant to Section 15(d) of the Exchange Act.

D. Respondent shall, within 10 days of the entry of this Order, pay disgorgement of \$48,050, prejudgment interest thereon of \$4,670, and a civil money penalty of \$48,050, for a total of \$100,770 to the Securities and Exchange Commission for transfer to the general fund of the United States Treasury, subject to Exchange Act Section 21F(g)(3). If timely payment of disgorgement and prejudgment interest is not made, additional interest shall accrue pursuant to SEC Rule of Practice 600, and if timely payment of a civil money penalty is not made, additional interest shall accrue pursuant to 31 U.S.C. § 3717.

Payment must be made in one of the following ways:

- (1) Respondent may transmit payment electronically to the Commission, which will provide detailed ACH transfer/Fedwire instructions upon request;
- (2) Respondent may make direct payment from a bank account via Pay.gov through the SEC website at <http://www.sec.gov/about/offices/ofm.htm>; or
- (3) Respondent may pay by certified check, bank cashier's check, or United States postal money order, made payable to the Securities and Exchange Commission and hand-delivered or mailed to:

Enterprise Services Center
Accounts Receivable Branch
HQ Bldg., Room 181, AMZ-341
6500 South MacArthur Boulevard
Oklahoma City, OK 73169

Payments by check or money order must be accompanied by a cover letter identifying Reid A. Hackney as a Respondent in these proceedings, and the file number of these proceedings; a

copy of the cover letter and check or money order must be sent to G. Jeffrey Boujoukos, Associate Regional Director, Division of Enforcement, Securities and Exchange Commission, Philadelphia Regional Office, 1617 JFK Boulevard, Suite 520, Philadelphia, PA 19103.

E. Amounts ordered to be paid as civil money penalties pursuant to this Order shall be treated as penalties paid to the government for all purposes, including all tax purposes. To preserve the deterrent effect of the civil penalty, Respondent agrees that in any Related Investor Action, he shall not argue that he is entitled to, nor shall he benefit by, offset or reduction of any award of compensatory damages by the amount of any part of Respondent's payment of a civil penalty in this action ("Penalty Offset"). If the court in any Related Investor Action grants such a Penalty Offset, Respondent agrees that he shall, within 30 days after entry of a final order granting the Penalty Offset, notify the Commission's counsel in this action and pay the amount of the Penalty Offset to the Securities and Exchange Commission. Such a payment shall not be deemed an additional civil penalty and shall not be deemed to change the amount of the civil penalty imposed in this proceeding. For purposes of this paragraph, a "Related Investor Action" means a private damages action brought against Respondent by or on behalf of one or more investors based on substantially the same facts as alleged in the Order instituted by the Commission in this proceeding.

V.

It is further Ordered that, solely for purposes of exceptions to discharge set forth in Section 523 of the Bankruptcy Code, 11 U.S.C. §523, the findings in this Order are true and admitted by Respondent, and further, any debt for disgorgement, prejudgment interest, civil penalty or other amounts due by Respondent under this Order or any other judgment, order, consent order, decree or settlement agreement entered in connection with this proceeding, is a debt for the violation by Respondent of the federal securities laws or any regulation or order issued under such laws, as set forth in Section 523(a)(19) of the Bankruptcy Code, 11 U.S.C. §523(a)(19).

By the Commission.

Brent J. Fields
Secretary