

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 85956 / May 29, 2019

ADMINISTRATIVE PROCEEDING
File No. 3-19186

In the Matter of

DAVID A. ALTOM and
GABRIEL V. GRAVEN

Respondents.

**ORDER INSTITUTING CEASE-AND-
DESIST PROCEEDINGS PURSUANT TO
SECTION 21C OF THE SECURITIES
EXCHANGE ACT OF 1934, MAKING
FINDINGS, AND IMPOSING A CEASE-
AND-DESIST ORDER**

I.

The Securities and Exchange Commission (“Commission”) deems it appropriate cease-and-desist proceedings be, and hereby are, instituted pursuant to Section 21C of the Securities Exchange Act of 1934 (“Exchange Act”), against David A. Altom (“Altom”) and Gabriel V. Graven (“Graven”) (together, “Respondents”).

II.

In anticipation of the institution of these proceedings, Respondents have submitted Offers of Settlement (the “Offers”), 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 each of them and the subject matter of these proceedings, which are admitted, and except as provided herein in Section V, Respondents consent to the entry of this Order Instituting Cease-and-Desist Proceedings

Pursuant to Section 21C of the Securities Exchange Act of 1934, Making Findings, and Imposing a Cease-and-Desist Order (the “Order”), as set forth below.

III.

On the basis of this Order and Respondents’ Offers, the Commission finds¹ that:

Summary

1. This matter involves insider trading in the securities of Seventy Seven Energy, Inc. (“Seventy Seven”) ahead of the December 12, 2016 public announcement that Patterson-UTI Energy, Inc. (“Patterson”) had agreed to acquire Seventy Seven in an all-stock transaction. In advance of the announcement, David A. Altom, a senior manager at Seventy Seven, tipped material nonpublic information concerning Seventy Seven’s imminent acquisition to Gabriel V. Graven, his close friend and neighbor. Graven, in turn, purchased 6,614 shares of Seventy Seven and tipped the material nonpublic information to another person (“Trader A”), who purchased 500 shares of Seventy Seven. Following the public announcement, Seventy Seven’s stock price increased by approximately 70 percent, yielding illegal profits of \$126,835.35 for Graven and \$9,625 for Trader A. By engaging in this conduct, Graven and Altom each violated Section 10(b) of the Exchange Act and Rule 10b-5 thereunder.

Respondents

2. **David A. Altom**, age 46, was Seventy Seven’s Senior Director of Health, Safety, and the Environment until the company’s acquisition by Patterson. He currently serves in an comparable position at Universal Pressure Pumping, a subsidiary of Patterson. Formerly of Edmond, Oklahoma, Altom currently resides in Magnolia, Texas.

3. **Gabriel V. Graven**, age 42, is a self-employed resident of Edmond, Oklahoma.

Relevant Entities and Individual

4. **Seventy Seven Energy, Inc.**, previously headquartered in Oklahoma City, Oklahoma, offered onshore oilfield services (including drilling, pressure pumping, and oilfield tool rentals) to oil and gas operators in the United States. Until its acquisition by Patterson, the company’s common stock traded over the counter under the ticker symbol “SVNT.”

5. **Patterson-UTI Energy, Inc.**, headquartered in Houston, Texas, offers onshore contract drilling services to major and independent oil and natural gas operators in the United States and Canada and pressure pumping services to operators in Texas and the Appalachian

¹ The findings herein are made pursuant to Respondents’ Offers of Settlement and are not binding on any other person or entity in this or any other proceeding.

region. The company's common stock trades on the NASDAQ Global Select Market under the ticker symbol "PTEN."

6. **Trader A** is a relative of Gabriel Graven.

Background

7. Beginning in 2014, Graven and Altom became close friends and neighbors. They spoke frequently and socialized together regularly while Altom resided in Oklahoma and worked at Seventy Seven.

8. In early August 2016, representatives of Patterson approached Seventy Seven management with a proposal to acquire Seventy Seven.

9. In late October 2016, following months of negotiations over the terms of the proposed transaction, Patterson presented Seventy Seven with a formal offer letter; the companies also executed non-disclosure agreements and exchanged due diligence request lists.

10. On December 12, 2016, the boards of Seventy Seven and Patterson approved an Agreement and Plan of Merger pursuant to which Patterson would acquire Seventy Seven in exchange for shares of Patterson common stock. That evening, after market close, the two companies issued a joint press release announcing the transaction.

11. On December 13, 2016, Seventy Seven's stock opened at a price of \$45 per share, representing an increase in excess of 70 percent over the previous day's closing price of \$26.35 per share.

12. Altom, as a senior manager of Seventy Seven, was subject to the company's Insider Trading Policy. The Policy prohibited employees in possession of material nonpublic information relating to Seventy Seven—including news concerning a pending corporate transaction or the sale of company assets—from buying or selling securities of the company or from communicating such information to others.

13. Altom regularly received copies of the Insider Trading Policy and had expressly acknowledged his receipt, review, and understanding of the Policy. He also separately executed a confidentiality agreement with Seventy Seven in which he agreed not to divulge any of the company's confidential or proprietary information including, among other things, the company's business plans.

14. On or about November 17, 2016, Altom was notified of Seventy Seven's impending acquisition to enable Altom to participate in Patterson's due diligence process. Altom was expressly instructed that the information entrusted to him was confidential and could not be shared with anyone not involved in preparing for the pending transaction.

15. However, on November 22, 2016, Altom, in knowing or reckless breach of his fiduciary or similar duty to Seventy Seven and its shareholders, tipped material nonpublic information concerning Seventy Seven's impending acquisition to Graven, his close friend, while the two men were socializing.

16. Altom tipped the information concerning Seventy Seven's acquisition to Graven in an effort to benefit his friend by offsetting losses Graven had suffered while trading in Seventy Seven's stock the year before.

17. Graven knew or was reckless in not knowing that the information Altom had provided to him concerning Seventy Seven's acquisition was material, nonpublic, and disclosed in breach of a duty owed by Altom to Seventy Seven and its shareholders. Graven also knew or was reckless in not knowing that he was prohibited from trading on the information or tipping it to others.

18. Nevertheless, on the basis of the material nonpublic information concerning Seventy Seven's imminent acquisition, Graven purchased 6,614 shares of Seventy Seven between November 23, 2016 and December 9, 2016 for an average price of \$24.82 per share.

19. Unbeknownst to Altom, Graven also tipped the material nonpublic information concerning Seventy Seven's pending acquisition to Graven's relative, Trader A. On December 1 and December 2, 2016, Trader A purchased 500 shares of Seventy Seven for an average price of \$25.75 per share.

20. By purchasing Seventy Seven shares and tipping material nonpublic information concerning the acquisition to Trader A, Graven knowingly or recklessly breached the duty to Seventy Seven and its shareholders that he derived from Altom.

21. Between December 15, 2016 and January 17, 2017, Graven sold all 6,614 shares of Seventy Seven that he had acquired, realizing \$126,835.35 in profits. Trader A sold his entire position in Seventy Seven on the morning of December 13, 2016, realizing profits of \$9,625.

22. In determining to accept the Offers, the Commission considered the cooperation afforded to the Commission staff by Respondents.

Violations

23. As a result of the conduct described above, Respondents violated Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, which prohibit fraudulent conduct in connection with the purchase or sale of securities.

IV.

A. In view of the foregoing, the Commission deems it appropriate to impose the sanctions agreed to in the Offer of Settlement of Gabriel V. Graven.

Accordingly, it is hereby ORDERED that:

1. Pursuant to Section 21C of the Exchange Act, Graven cease and desist from committing or causing any violations and any future violations of Section 10(b) of the Exchange Act and Rule 10b-5 thereunder.
2. Graven shall pay disgorgement of \$126,835.35, prejudgment interest of \$10,955.89, and a civil penalty of \$136,460.35, totaling \$274,251.59, to the Securities and Exchange Commission for transfer to the general fund of the United States Treasury, subject to Exchange Act 21F(g)(3). Payment shall be made in the following installments: (i) \$100,000 within 10 days of the entry of this Order and (ii) the remaining balance within 365 days of this Order. Payments shall be applied first to post order interest, which accrues pursuant to SEC Rule of Practice 600 and/or pursuant to 31 U.S.C. 3717. Prior to making the final payment set forth herein, Respondent shall contact the staff of the Commission for the amount due. If Respondent fails to make any payment by the date agreed and/or in the amount agreed according to the schedule set forth above, all outstanding payments under this Order, including post order interest, minus any payments made, shall become due and payable immediately at the discretion of the staff of the Commission without further application to the Commission.

B. In view of the foregoing, the Commission further deems it appropriate to impose the sanctions agreed to in the Offer of Settlement of David A. Altom.

Accordingly, it is hereby ORDERED that:

1. Pursuant to Section 21C of the Exchange Act, Altom cease and desist from committing or causing any violations and any future violations of Section 10(b) of the Exchange Act and Rule 10b-5 thereunder.
2. Altom shall pay a civil penalty of \$85,000 to the Securities and Exchange Commission for transfer to the general fund of the United States Treasury, subject to Exchange Act 21F(g)(3). If timely payment is not made, additional interest shall accrue pursuant to 31 U.S.C. § 3717.

C. Payment must be made in one of the following ways:

- (1) Respondents may transmit payment electronically to the Commission, which will provide detailed ACH transfer/Fedwire instructions upon request;

- (2) Respondents 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) Respondents 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 Gabriel V. Graven and David A. Altom, as appropriate, 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 Brendan P. McGlynn, Assistant Regional Director, Philadelphia Regional Office, Division of Enforcement, Securities and Exchange Commission, 1617 JFK Blvd., Suite 520, Philadelphia, PA 19103.

D. 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, Respondents agree that in any Related Investor Action, they shall not argue that they are entitled to, nor shall they benefit by, any offset or reduction of any award of compensatory damages by the amount of any part of Respondents' payment of a civil penalty in this action ("Penalty Offset"). If the court in any Related Investor Action grants such a Penalty Offset, Respondents agree that they 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 Respondents 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 Respondents, and further, any debt for disgorgement, prejudgment interest, civil penalty or other amounts due by Respondents 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 Respondents 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.

Vanessa A. Countryman
Acting Secretary