

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

UNITED STATES OF AMERICA

v.

MATTHEW C. BRUNSTRUM

No.

Violation: Title 15, United States
Code, Section 78j(b) and 78ff(a);
and Title 17, Code of Federal
Regulations, Section 240.10b-5

The UNITED STATES ATTORNEY charges:

1. At times material to this Information:

a. Stericycle, Inc., was an Illinois-based company that provided business-to-business medical waste disposal, hazardous waste disposal, and secure information destruction services to customers around the world. Stericycle's common stock was listed under the ticker SRCL on Nasdaq Stock Market, which is a national securities exchange.

b. Stericycle's fiscal year in 2016 was January 1, 2016, through December 31, 2016, and the first quarter of its fiscal year ended on March 31, 2016. Stericycle personnel began to receive preliminary earnings results for the first quarter of 2016 beginning around April 15, 2016. For approximately the next week, Stericycle personnel checked those preliminary results for accuracy and adjusted them for reporting purposes. The results were finalized no later than April 22, 2016. On April 25 or 26, 2016, following an analysis of the final results, Stericycle's executives determined that the company needed to lower its earnings guidance for the remainder of 2016.

c. When trading on the Nasdaq Stock Market closed on April 28, 2016, Stericycle's share price was \$121.74. After the close of trading on April 28, 2016, Stericycle issued a press release in which it announced the results of its earnings for the first quarter of fiscal year 2016, including the company's revenues, gross profits, and earnings per share for the quarter. On that same afternoon, and a short time after Stericycle issued its news release, Stericycle executives participated in a conference call with analysts to discuss the company's first-quarter results. During the call, Stericycle's chief financial officer acknowledged that the earnings announcement reflected earnings per share that were approximately 5% lower than the company previously had projected. The chief financial officer explained the company "had a \$0.05 miss in the quarter," and he attributed that shortfall to several different factors. On April 29, 2016, during the next day's trading, Stericycle's stock price fell over 20% and closed at approximately \$95.56 per share.

d. Defendant MATTHEW C. BRUNSTRUM resided in Chicago, Illinois, and was employed by Stericycle throughout 2016. In April 2016, BRUNSTRUM worked at Stericycle's headquarters as a financial analyst within the company's Mergers and Acquisitions group. In this role, BRUNSTRUM performed due diligence on Stericycle's potential acquisition targets. During the course of his employment with Stericycle, BRUNSTRUM learned material, non-public information about Stericycle.

e. Individual A was a family member of BRUNSTRUM's and resided in Chicago, Illinois.

f. As an employee of Stericycle, BRUNSTRUM owed a fiduciary duty and other duties of trust and confidence to Stericycle to maintain the confidentiality of any material, nonpublic information he learned and obtained during the course of his employment at Stericycle. These duties prohibited BRUNSTRUM from trading Stericycle's securities while in possession of inside information about the company. These duties also required BRUNSTRUM to abstain from disclosing to others (*i.e.*, "tipping") any material, nonpublic information about Stericycle, including nonpublic information about upcoming earnings announcements.

g. Stericycle maintained a written Code of Business Conduct and Ethics that applied to all Board members, officers, and employees of Stericycle. The Code contained a section relating to insider trading, which expressly forbade employees from trading Stericycle securities if the employees were aware of material, nonpublic information relating to the company. The Code defined material inside information as information not available to the general public that would be reasonably likely to affect the market price of Stericycle stock if and when publicly disclosed or that an investor would be reasonably likely to consider important in deciding whether to buy, hold or sell Stericycle stock. The Code provided the following examples of material inside information: Stericycle's financial performance, including earnings; acquisitions or other business combinations; divestitures; threatened or pending litigation or regulatory enforcement actions; major strategic announcements; and other significant activities affecting Stericycle. The Code further informed

Stericycle employees that use of such inside information was unethical and also possibly a violation of U.S. laws, which could result in result in civil and criminal penalties, including fines and jail sentences.

h. Stericycle's insider trading policy also provided for "blackout" periods of time during which employees could not engage in transactions in Stericycle securities. An earnings blackout period generally began three days prior to Stericycle's public announcement of its earning and continued through the close of business on the first trading day after Stericycle's public announcement. A blackout period was in effect at Stericycle from April 25, 2016, until April 29, 2016. On April 14, 2016, Stericycle sent an e-mail to BRUNSTRUM and other employees notifying them of the company's trading blackout period coinciding with the company's upcoming first-quarter 2016 earnings announcement. The e-mail specified that the blackout period would last from April 25, 2016, until April 29, 2016, and stated that all active employees were prohibited from trading in Stericycle securities during that time.

i. A "put option" was a security that gave its owner the right to sell a specific number of shares of a particular company within a certain time period at a specific price, known as the strike price. A put-option owner typically hoped that the stock price would decline below the strike price of the put option. The owner of a Stericycle put option had the right to sell 100 shares of Stericycle stock if the owner exercised the option. For example, in April 2016, the owner of 50 SRCL May 20 put options with a strike price of \$110 had the right to sell 5,000 shares of Stericycle stock

for \$110.00 per share on or before May 20, 2016. A put option was considered “out of the money” if the underlying stock price was above the strike price at the time the option was purchased. In such a circumstance, the put option would have no value at the time of the option’s expiration.

j. Stericycle stock options, including put options, were traded on a number of national securities exchanges, including the Chicago Board Options Exchange (“CBOE”), which was a national securities exchange with its headquarters and operations in Chicago, Illinois. The CBOE cleared stock options trades through the Options Clearing Corporation (“OCC”), which was headquartered in Chicago, Illinois.

k. BRUNSTRUM controlled two trading accounts at E*Trade that were held in his name.

2. Beginning no later than on or about April 21, 2016, and continuing through on or about May 10, 2016, at Chicago, in the Northern District of Illinois, Eastern Division, and elsewhere,

MATTHEW C. BRUNSTRUM,

defendant herein, directly and indirectly, by the use of a means and instrumentality of interstate commerce, and a facility of a national securities exchange, did willfully use and employ, in connection with the purchase and sale of a security, a manipulative and deceptive device and contrivance, in contravention of Title 17, Code of Federal Regulations, Section 240.10b-5, by: (a) employing a device and scheme to defraud; and (b) engaging in an act, practice, and a course of business which operated

and would operate as a fraud and deceit upon any person, which scheme to defraud is further described below.

3. It was part of the scheme that BRUNSTRUM misappropriated for his own benefit certain material, nonpublic information that he obtained about Stericycle's performance in the first quarter of 2016 as a result of his employment at Stericycle, in breach of the duties of trust and confidence that he owed to Stericycle, and in violation of Stericycle's policies prohibiting insider trading. BRUNSTRUM, while in possession of this material, nonpublic information, purchased and sold Stericycle securities, including the sale of approximately 48 shares of Stericycle stock and the purchase of a total of approximately 118 near-term, out-of-the-money put options for Stericycle. Additionally, on or about April 28, 2016, while in possession of this material, nonpublic information, and prior to Stericycle's first-quarter 2016 earnings announcement, BRUNSTRUM directed or encouraged Individual A to sell approximately 1,000 shares of Stericycle common stock and purchase an additional approximately 70 near-term, out-of-the-money put options for Stericycle. As a result of these transactions, BRUNSTRUM made illegal profits of approximately \$158,707 and also avoided losses of approximately \$1,194. Individual A made profits of approximately \$146,028 and also avoided losses of approximately \$24,224.

4. It was further part of the scheme that by no later than April 26, 2016, before Stericycle publicly announced its quarterly results for the first quarter of 2016, BRUNSTRUM learned in the course of his employment at Stericycle that when the company announced its first-quarter 2016 financial performance results after the

close of trading on April 28, 2016, the results were going to be less favorable than market expectations. This information was material and nonpublic. BRUNSTRUM had a duty to Stericycle not to trade Stericycle securities while in possession of that information.

5. It was further part of the scheme that, between on or about April 21 and 28, 2016, BRUNSTRUM, in breach of his duties to Stericycle, conducted five purchases of Stericycle put options. When BRUNSTRUM made these purchases, he knew that they would be profitable because he knew that Stericycle's planned earnings announcement on or about April 28, 2016, would cause Stericycle's stock price to decline. When BRUNSTRUM made these purchases, he further knew that these transactions were prohibited by Stericycle.

6. It was further part of the scheme that, by no later than on or about April 28, 2016, BRUNSTRUM directed or encouraged Individual A to conduct her own, similar transactions prior to the upcoming Stericycle earnings announcement on or about April 28, 2016. When BRUNSTRUM directed or encouraged Individual A to conduct these transactions, he knew that they would be profitable because of the expected decline of Stericycle's stock price that was going to result from its first-quarter 2016 earnings announcement. On or about April 28, 2016, hours before the Stericycle earnings announcement, Individual A sold approximately 1,000 shares of common stock that she owned and also conducted three purchases of Stericycle put options. When BRUNSTRUM directed or encouraged Individual A to conduct these transactions, he further knew that doing so was prohibited by Stericycle.

7. It was further part of the scheme that, after the price of Stericycle's stock declined on and after April 29, 2016, BRUNSTRUM sold his approximately 118 put options. BRUNSTRUM made illegal profits of approximately \$158,707 and avoided losses of approximately \$1,194. Also on and after April 29, 2016, Individual A sold 25 of her put options and exercised the remaining 45 put options, after which she sold the Stericycle stock she obtained from the options. In total, Individual A made profits of approximately \$146,028 and avoided losses of approximately \$24,224.

8. It was further part of the scheme that BRUNSTRUM misrepresented, concealed, and hid, and caused to be misrepresented, concealed, and hidden, the true purpose of the acts done in furtherance of the scheme.

9. On or about April 28, 2016, at approximately 9:42 a.m., at Chicago, in the Northern District of Illinois, Eastern Division, and elsewhere,

MATTHEW C. BRUNSTRUM,

defendant herein, in connection with the purchase and sale of a security, did use and cause the use of a facility of a national securities exchange to purchase 50 Stericycle put options with a strike price of \$110 and an expiration date of May 20, 2016;

In violation of Title 15, United States Code, Sections 78j(b) and 78ff(a); and Title 17, Code of Federal Regulations, Section 240.10b-5.

FORFEITURE ALLEGATION

The UNITED STATES ATTORNEY further alleges:

1. Upon conviction of an offense in violation of Title 18, United States Code, Section Title 15, United States Code, Sections 78j(b) and 78ff(a), and Title 17, Code of Federal Regulations, Section 240.10b-5, as set forth in this Information,

MATTHEW C. BRUNSTRUM,

defendant herein, shall forfeit to the United States of America any property which constitutes and is derived from proceeds traceable to the offense, as provided in Title 18, United States Code, Section 981(a)(1)(C) and Title 28, United States Code, Section 2461(c).

2. The property to be forfeited includes, but is not limited to the following specific property:

a. approximately \$152,648 seized by law enforcement on or about April 17, 2017, from the personal account bearing account number XXXXX864 in the name of BRUNSTRUM at E*Trade Financial Corporation; and

b. approximately \$1,059 seized by law enforcement on or about April 17, 2017, from the retirement account bearing account number XXXXX266 in the name of BRUNSTRUM at E*Trade Financial Corporation; and

c. approximately \$5,000 seized by law enforcement on or about April 17, 2017, from the personal checking account number XXXXXX142 held in the name of BRUNSTRUM at JPMorgan Chase Bank, N.A.

3. If any of the property described above, as a result of any act or omission by a defendant: cannot be located upon the exercise of due diligence; has been

transferred or sold to, or deposited with, a third party; has been placed beyond the jurisdiction of the Court; has been substantially diminished in value; or has been commingled with other property which cannot be divided without difficulty, the United States of America shall be entitled to forfeiture of substitute property, as provided in Title 21, United States Code Section 853(p).

UNITED STATES ATTORNEY