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AXK

THOMAS G. BRITTON
CLERK, U.S. DISTRICT COURT

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

1:25-cr-00030

Judge John F. Kness

Magistrate Judge Young B. Kim
RANDOM / Cat. 3

UNITED STATES OF AMERICA

Case No.

v.

Violations: Title 15, United States
Code, Sections 78j(b) and 78ff(a); Title
17, Code of Federal Regulations,
Section 240.10b-5; Title 18, United
States Code, Section 371

ANTHONY MARSICO,
ARTHUR PIZZELLO,
ROBERT QUATTROCCHI, and
TIMOTHY CAREY

COUNT ONE

The SPECIAL JUNE 2024 GRAND JURY charges:

1. At times material to this indictment:

a. Defendant ANTHONY MARSICO was a resident of Bartlett, Illinois. MARSICO was employed by Company A as an executive vice president at its Chicago, Illinois headquarters with responsibilities related to real estate acquisitions, local zoning matters, and other regulatory issues, as well as reviewing and revising materials such as earnings reports and earnings call transcripts in advance of public announcements. MARSICO was also a co-founder, in or around 2014, of a predecessor company that later became part of Company A.

b. Company A was a cannabis company headquartered in Chicago, Illinois. Company A's stock traded on the Canadian Stock Exchange and in over-the-counter markets in the United States.

c. Company B was a cannabis company headquartered in Minneapolis, Minnesota. Company B's stock traded on the Canadian Stock Exchange

and in over-the-counter markets in the United States. Company B had one of 10 then-existing licenses in the State of New York to cultivate and sell cannabis.

d. In or around April 2021, Company A entered into confidential discussions with Company B regarding Company A potentially acquiring Company B. As part of these confidential discussions, Company A offered to acquire Company B, which Company B declined at that time.

e. In or around October 2021, Company B entered into a confidential and formal process to sell itself to potential bidders, including Company A.

f. In or around November 2021, Company A and other cannabis companies submitted confidential bids to purchase Company B.

g. On or about November 19, 2021, Company B accepted Company A's confidential bid, and Company A and Company B agreed to exclusively and confidentially negotiate the final terms of Company A's acquisition of Company B over the next forty-five days, until approximately January 4, 2022.

h. From in or around November 2021, and continuing to on or about January 28, 2022, Company A conducted due diligence of Company B as well as continued to negotiate certain terms of the deal.

i. On or about January 4, 2022, and again on January 19, 2022, January 23, 2022, and January 30, 2022, Company A and Company B agreed to extend the period of their then-ongoing exclusive and confidential negotiation of the final terms of the deal by which Company A would acquire Company B, including but

not limited to the formula by which Company A and Company B would determine the acquisition share price.

j. In or around January 2022, Company A and Company B agreed that Company A would publicly announce Company A's acquisition of Company B on February 1, 2022.

k. On or about February 1, 2022, Company A publicly announced its agreement to purchase Company B via an all-stock transaction. As a result of the announcement, Company B's share price at the market close on February 1, 2022 increased to approximately \$2.34, representing a 42% increase in the value of Company B's stock.

l. Company A had a written policy expressly forbidding employees from misusing or disclosing confidential information and from trading stock on the basis of material, nonpublic information learned as part of their job, which included information about acquisitions by Company A of other companies.

m. As an executive vice president and employee of Company A, MARSICO received training on the prohibition of insider trading by using material, nonpublic information to personally profit and tipping others outside of Company A with material, nonpublic information.

n. As an executive vice president and employee of Company A, MARSICO owed Company A duties of trust and confidence to maintain the confidentiality of the material, nonpublic information he obtained during his employment there. These duties prohibited MARSICO from trading the stock of any

company that Company A was planning to acquire and tipping material, nonpublic information to others outside of Company A knowing that they would use that information to trade in the stock of a company that Company A planned to acquire.

2. Beginning no later than April 2021, and continuing through October 2022, in the Northern District of Illinois, Eastern Division, and elsewhere,

ANTHONY MARSICO,

defendant herein, directly and indirectly, by the use of a means and instrumentality of interstate commerce, namely, the internet, willfully used and employed, in connection with the purchase and sale of securities, 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 is further described below.

3. It was part of the scheme that, in breach of the duties of trust and confidence that MARSICO owed to Company A, MARSICO misappropriated for his own benefit certain material, nonpublic information that he obtained as a result of his employment, including material, nonpublic information about Company A acquiring Company B. MARSICO used this material, nonpublic information to purchase shares in Company B's stock, and as a result made illegal profits of approximately \$607,338.

4. It was further part of the scheme that in the fall of 2021, MARSICO, by virtue of his employment at Company A, was privy to internal confidential

discussions about Company A's business dealings, including its potential growth into the New York cannabis market.

5. It was further part of the scheme that in October 2021, by virtue of his employment at Company A, MARSICO received information from a representative of Company B about Company A's previous attempt to purchase Company B that year and that Company B was soliciting bids for a potential sale.

6. It was further part of the scheme that in the fall of 2021, by virtue of his employment at Company A, MARISCO learned that Company A was planning to acquire Company B.

7. It was further part of the scheme that in or around December 2021, after he learned that Company A planned to acquire Company B, MARSICO applied for, opened, and funded a brokerage account and began buying shares of Company B stock.

8. It was further part of the scheme that in January 2022, MARSICO paid others to post messages on various social media websites promoting Company A's stock, in order to increase the demand for and thus the share price of Company A's stock, which meant that Company A would need fewer shares to facilitate its acquisition of Company B.

9. It was further part of the scheme that starting on or about December 8, 2021, and continuing until on or about January 28, 2022, MARSICO purchased a total of approximately 906,934 shares of Company B stock in 359 separate transactions for a total of approximately \$1,460,675.

10. It was further part of the scheme that, following his purchases of Company B stock, MARSICO sold the Company B stock that he acquired prior to October 14, 2022, when it was publicly announced that Company A's acquisition of Company B was canceled.

11. On or about December 30, 2021, in the Northern District of Illinois, Eastern Division, and elsewhere,

ANTHONY MARSICO,

defendant herein, in connection with the purchase and sale of a security, willfully used and caused the use of a means and instrumentality of interstate commerce, namely, the internet, to enter an order to purchase 9,800 shares in Company B's stock;

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.

COUNTS TWO – SIX

The SPECIAL JUNE 2024 GRAND JURY further charges:

1. The allegations in paragraphs 1-10 of Count One of this indictment are incorporated here.
2. On or about the approximate dates below, in the Northern District of Illinois, Eastern Division, and elsewhere,

ANTHONY MARSICO,

defendant herein, in connection with the transactions to purchase the securities identified below, used and caused the use of a means and instrumentality of interstate commerce, namely, the internet, to place the trades,

Count	Approx. Date	Transaction
2	January 3, 2022	Purchased 8,000 shares of Company B stock;
3	January 11, 2022	Purchased 30,000 shares of Company B stock;
4	January 20, 2022	Purchased 73,900 shares of Company B stock;
5	January 26, 2022	Purchased 98,500 shares of Company B stock;
6	January 27, 2022	Purchased 96,689 shares of Company B stock;

All 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.

COUNT SEVEN

The SPECIAL JUNE 2024 GRAND JURY further charges:

1. The allegations in paragraph 1 of Count One of this indictment are incorporated here.

2. At times material to this indictment:

a. Defendant ARTHUR PIZZELLO was a resident of Wayne, Illinois.

b. Defendant ROBERT QUATTROCCHI was a resident of Schaumburg, Illinois.

c. Defendant TIMOTHY CAREY was a resident of Hanover Park, Illinois.

d. ANTHONY MARSICO, ARTHUR PIZZELLO, ROBERT QUATTROCCHI, and TIMOTHY CAREY were social friends, members of the same private country club where they played golf together, and communicated with each other about Company A.

3. Beginning in or around December 2021, and continuing until no earlier than in or around February 2022, in the Northern District of Illinois, Eastern Division, and elsewhere,

ANTHONY MARSICO,
ARTHUR PIZZELLO,
ROBERT QUATTROCCHI, and
TIMOTHY CAREY,

defendants herein, conspired with each other to commit an offense against the United States, that is, to willfully use and employ, by the means and instrumentalities of

interstate commerce, namely, the internet, directly and indirectly, in connection with the purchase and sale of securities, 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, all 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.

4. It was part of the conspiracy that MARSICO learned material, nonpublic information as part of his employment for Company A, including but not limited to Company A's planned acquisition of Company B.

5. It was further part of the conspiracy that MARSICO, PIZZELLO, QUATTROCCHI, and CAREY agreed to misappropriate for their own personal benefit this material, nonpublic information.

6. It was further part of the conspiracy that MARSICO tipped material, nonpublic information to PIZZELLO that MARSICO had learned as part of his employment for Company A related to Company A's planned acquisition of Company B, including but not limited to the date that the acquisition would be announced to the public.

7. It was further part of the conspiracy that PIZZELLO knew that MARSICO had a duty of trust and confidence to maintain the confidentiality of this material, nonpublic information about Company A. PIZZELLO further knew that

MARSICO had disclosed this material, nonpublic information in breach of MARSICO's duties to Company A.

8. It was further part of the conspiracy that MARSICO received a personal benefit by providing this information to PIZZELLO as a gift to a friend and with the intention to benefit PIZZELLO, and knowing that PIZZELLO would use the material, nonpublic information to trade in Company B's stock. PIZZELLO further knew that MARSICO received a personal benefit by providing him with the information as a gift based on their friendship and with the intention to benefit PIZZELLO.

9. It was further part of the conspiracy that PIZZELLO used this material, nonpublic information that he learned from MARSICO to purchase Company B's stock and informed MARSICO that PIZZELLO had used the material, nonpublic information to purchase Company B's stock.

10. It was further part of the conspiracy that PIZZELLO tipped this material, nonpublic information about Company A acquiring Company B that he had learned from MARSICO to QUATTROCCHI and CAREY, on separate occasions, knowing that QUATTROCCHI and CAREY would use this material, nonpublic information to purchase Company B's stock.

11. It was further part of the conspiracy that QUATTROCCHI and CAREY knew the information PIZZELLO had given to them was material, nonpublic information that MARSICO had a duty to Company A not to disclose.

12. It was further part of the conspiracy that QUATTROCCHI and CAREY knew that MARSICO received a personal benefit by providing PIZZELLO with the

material, non-public information as a gift based on MARSICO and PIZZELLO's friendship and with the intention to benefit PIZZELLO.

13. It was further part of the conspiracy that QUATTROCCHI and CAREY used this material, nonpublic information that they learned from PIZZELLO to purchase Company B's stock.

OVERT ACTS

14. To effect the object of the conspiracy, MARSICO, PIZZELLO, QUATTROCCHI, and CAREY, committed and caused to be committed the following overt acts:

a. On or about December 21, 2021, MARSICO tipped PIZZELLO with material, nonpublic information that MARSICO had obtained about Company A's planned acquisition of Company B, stating words to the effect that Company A was acquiring Company B and PIZZELLO should be careful not to purchase too many shares at a time of Company B's stock to avoid creating any red flags.

b. On or about December 21, 2021, PIZZELLO, while in possession of the material, nonpublic information that he learned from MARSICO, placed an order to purchase Company B stock.

c. From on or about December 21, 2021, until on or about January 28, 2022, PIZZELLO used material, nonpublic information that MARSICO told PIZZELLO to continue to purchase Company B stock.

d. By no later than on or about January 4, 2022, PIZZELLO tipped QUATTROCCHI the material, nonpublic information that PIZZELLO had obtained from MARSICO about Company A's planned acquisition of Company B.

e. From on or about January 4, 2022, until on or about January 28, 2022, QUATTROCCHI used the material, nonpublic information to purchase Company B stock.

f. By no later than January 4, 2022, PIZZELLO tipped CAREY the material, nonpublic information that PIZZELLO had obtained from MARSICO about Company A's planned acquisition of Company B.

g. On or about January 4, 2022 and January 31, 2022, CAREY used the material, nonpublic information to purchase Company B stock.

All in violation of Title 18, United States Code, Section 371.

FORFEITURE ALLEGATION

The SPECIAL JUNE 2024 GRAND JURY further alleges:

1. The allegations contained in this indictment are incorporated herein for the purpose of alleging forfeiture pursuant to Title 18, United States Code, Section 981(a)(1)(C) and Title 28, United States Code, Section 2461(c).

2. As a result of his violations of Title 15, United States Code, Sections 78j(b) and 78ff(a), and Title 17, Code of Federal Regulations, Section 240.10b-5, and Title 18, United States Code, Section 371, as alleged in Counts One through Seven of this indictment,

ANTHONY MARSICO,

defendant herein, shall forfeit to the United States, pursuant to Title 18, United States Code, Section 981(a)(1)(C), and Title 28, United States Code, Section 2461(c), any and all right, title, and interest they may have in any property, real and personal, which constitutes and was derived from proceeds traceable to such violation.

3. The interests of MARSICO subject to forfeiture pursuant to Title 18, United States Code, Section 981(a)(1)(C), and Title 28, United States Code, Section 2461(c), include the sum of approximately \$634,816.

4. If any of the forfeitable property described above, as a result of any act or omission by the defendants:

- a. cannot be located upon the exercise of due diligence;
- b. has been transferred or sold to, or deposited with, a third party;
- c. has been placed beyond the jurisdiction of the Court;

- d. has been substantially diminished in value; or
- e. 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 under the provisions of Title 21, United States Code, Section 853(p), as incorporated by Title 18, United States Code, Section 982(b)(1).

All pursuant to Title 18, United States Code, Section 981(a)(1)(C), and Title 28, United States Code, Section 2461(c).

A TRUE BILL:

FOREPERSON

Signed by Jason Yonan on behalf of the
ACTING UNITED STATES ATTORNEY