

UNITED STATES DISTRICT COURT
DISTRICT OF NEW JERSEY

UNITED STATES OF AMERICA : Hon.
 :
 v. : Criminal Number: 22-
 :
 USAMA MALIK : Count 1
 : 15 U.S.C. §§ 78j(b) & 78ff
 : 17 C.F.R. §§ 240.10b-5 & 240.10b5-2 and
 : 18 U.S.C. § 2
 : (Insider Trading)
 :
 : Count 2
 : 18 U.S.C. § 1348 and § 2
 : (Securities Fraud)
 :
 : Count 3
 : 18 U.S.C. § 1349
 : (Securities Fraud Conspiracy)

INDICTMENT

The Grand Jury in and for the District of New Jersey, sitting at Newark, charges:

Count 1
(Insider Trading)

Introduction

1. Defendant **Usama Malik** (“**Malik**”) violated his duty of confidentiality as the Chief Financial Officer (“CFO”) of a biopharmaceutical company headquartered in New Jersey (“Company-1”) by sharing Company-1’s material, non-public information with Lauren S. Wood (“Wood”), his then-girlfriend. After **Malik** provided this information to Wood and with his knowledge, Wood executed a trade to purchase

approximately 7,000 shares of Company-1 stock, ultimately realizing gross profits of approximately \$213,618.

Relevant Individuals and Entities

2. At all times relevant to this Indictment:

a. Company-1 was a publicly traded company listed on the NASDAQ Stock Exchange, with headquarters in Morris Plains, New Jersey. It developed, manufactured, and sold biotechnology products that were used, among other things, to detect and treat cancer. In or about October 2020, another biopharmaceutical company (“Company-2”) acquired Company-1 for approximately \$21 billion.

b. **Malik** worked at Company-1 from in or about 2018 to in or about October 2020. As CFO, **Malik** had a duty not to disclose confidential information and material, nonpublic information that he learned through his employment at Company-1, or to use such information for his benefit or the benefit of others.

c. From in or about 2018 to in or about December 2019, Wood was an employee of Company-1 and reported to **Malik**. During the insider trading scheme discussed below, she and **Malik** were in a romantic relationship and lived together at a residence in Washington, D.C.

d. The NASDAQ Stock Exchange is a United States stock exchange with servers located in New Jersey and elsewhere.

The Insider Trading Scheme

3. From on or about April 2, 2020 through at least in or about August 2020, in the District of New Jersey, and elsewhere, defendant

USAMA MALIK

did unlawfully, willfully, and knowingly, directly and indirectly, by the use of the means and instrumentalities of interstate commerce and of the mails, and of the facilities of national securities exchanges, use and employ, in connection with the purchase and sale of securities registered on a national securities exchange, manipulative and deceptive devices and contrivances, in violation of Title 17, Code of Federal Regulations, Section 240.10b-5, by (a) employing devices, schemes, and artifices to defraud; (b) making untrue statements of material facts and omitting to state material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; and (c) engaging in acts, practices, and courses of business which operated and would operate as a fraud and deceit upon persons—that is, by providing material, non-public information concerning Company-1 to another, in anticipation that the individual would execute securities transactions using such information, and who did execute securities transactions using such information, in breach of a duty of trust and confidence that was owed directly, indirectly, and derivatively to the issuer of those securities, the shareholders of the issuer, and to other

persons who were the source of the material, non-public information.

Goal of the Insider Trading Scheme

4. The goal of the scheme was for **Malik** to provide another individual with material, non-public information so that the individual could profit by purchasing and selling Company-1 securities based on that information.

Manner and Means of the Insider Trading Scheme

5. It was part of the scheme that:

The Clinical Trial and the Material Non-Public Information

a. In or about November 2017, Company-1 began a clinical trial, known as a Phase 3 study (the “Study”), to determine the efficacy and safety of an antibody-based drug designed to treat certain breast cancer patients who, to that point, had very limited treatment options beyond chemotherapy (the “Cancer Drug”). As part of the Study, an independent Data Safety Monitoring Committee (“DSMC”), composed of outside clinical research experts, monitored the Study’s progress, which included reviewing safety and efficacy data.

b. On or about March 27, 2020, sooner than initially expected, the DSMC informed Company-1’s Chief Medical Officer (the “CMO”) that because of potential difficulties in obtaining new data during the COVID-19 pandemic, it wanted to seek permission from the FDA to perform its final analysis based on data that it

already had. Soon after, the FDA scheduled a conference call with the CMO and DSMC for on or about Thursday, April 2, 2020, from approximately 4:30 p.m. to 5:00 p.m. (the “Conference Call”).

c. During the Conference Call and in a follow-up email, the CMO learned for the first time that: (i) the DSMC was recommending halting the Study based on compelling evidence of efficacy, meaning that the data had shown that the Cancer Drug was safe and effective; and (ii) the FDA did not object to that decision, signaling a far greater likelihood that the FDA would fully approve the Cancer Drug (collectively, the “Material Non-Public Information”). This information had significant financial implications, including a likely increase in Company-1’s stock price once the Material Non-Public Information became public.

d. Following the Conference Call, the CMO informed Company-1’s Chief Executive Officer of the Material Non-Public Information.

**Malik Learns the Material Non-Public Information and Provides
It to Wood, Who Trades on It**

e. Later that evening, **Malik** learned about the Material Non-Public Information from Company 1’s CEO. **Malik** and the CEO discussed by telephone and text message the plan to announce the Material Non-Public Information to investors several days later.

f. That same evening, shortly after learning the Material Non-Public

Information from the CEO, **Malik** disclosed it to Wood and advised her, in substance, that this was the time to buy Company-1 stock, meaning before the public announcement of the Material Non-Public Information.

g. On or about April 2, 2020, at approximately 8:48 p.m.—shortly after **Malik** provided Wood a benefit by sharing with her the Material Non-Public Information—Wood placed an order to purchase approximately 7,000 shares of Company-1 stock at approximately \$10.25 per share (the “Trade”), which was the bid price when the markets had closed earlier that day. The next morning, on or about April 3, 2020, Wood’s Trade was completed at the price of approximately \$9.20 per share, resulting in Wood purchasing approximately 7,000 Company-1 shares for approximately \$64,400.

h. In or about the same time period, **Malik** also provided the Material Non-Public Information to benefit a number of his relatives, who, with Malik’s knowledge, traded in Company-1 stocks before the information became public.

i. In or about the same time period that Wood and **Malik**’s relatives placed and completed their trades relying upon the Material Non-Public Information, market analysts were downgrading their outlook for Company-1 stock. For example, on or about the morning of April 3, 2020, it was publicly reported that an analyst from a prominent financial institution “double downgraded shares of [Company-1] from Buy

to Sell and lowered the price target” to \$5 per share, “suggesting roughly 53% downside.”

j. In addition to giving Wood the Material Non-Public Information, **Malik** had previously provided financial assistance to Wood by lending her money on or about December 5, 2019.

The Material Non-Public Information Becomes Public

k. On or about April 6, 2020, Company-1 issued a press release (the “Press Release”) announcing that the Study would be halted due to compelling data of the Cancer Drug’s efficacy. Following the Press Release, the price of Company-1 stock, at market close, increased to approximately \$18.78 per share, approximately 99.79 percent higher than the share price at the close of previous trading day.

l. As a result of the price increase, Wood more than doubled her investment.

m. **Malik’s** relatives who had traded on the Material Non-Public Information also profited from the price increase.

n. On or about April 22, 2020, Company-1 publicly announced that the FDA had granted accelerated approval of the Cancer Drug, which caused Company-1 stock price to increase again.

o. On or about July 6, 2020, Wood sold the 7,000 shares she

purchased in the Trade for a total of approximately \$278,018, at the price of approximately \$39.7169 per share. As a result, Wood profited approximately \$213,618 on the Trade from her initial \$64,400 investment.

Malik Conceals Information and Provides False Statements to FINRA

p. The Financial Industry Regulatory Authority (“FINRA”) is a government-authorized not-for-profit organization that regulates broker-dealers to ensure fairness and honesty in the U.S. securities industry.

q. After the Material Non-Public Information became public, — FINRA began investigating trading in Company-1 securities shortly before the announcement of the Material Non-Public Information, and **Malik** provided false information when asked about his communications with Wood.

r. On or about July 10, 2020, as part of its investigation, FINRA sent Company-1 an information request letter (the “FINRA Letter”) and instructed that it be circulated to all Company-1 officers and directors, which included **Malik**. The FINRA Letter asked **Malik** (and the others who received it) to “provide a detailed description of any past or present relationship” he had with people or entities named on an enclosed list, which included Wood’s name.

s. By correspondence dated on or about August 20, 2020, Company-1 sent FINRA its responses to the FINRA Letter, which included **Malik**’s disclosures

about his relevant relationships. Those disclosures did not mention Wood.

t. On or about August 21, 2020, FINRA sent Company-1 a follow-up request for information specifically pertaining to relationships with Wood. In Company-1's response, **Malik** concealed the extent of his relationship with Wood, describing her only as a "former colleague," and failing to mention their romantic and personal relationship, common home address, and frequent communications. Instead, **Malik** falsely stated, "I have had no correspondence with [Wood] between March 27, 2020 and April 3, 2020."

In violation of Title 15, United States Code, Sections 78j(b) and 78ff, Title 17, Code of Federal Regulations, Sections 240.10b-5 and 240.10b5-2, and Title 18, United States Code, Section 2.

Count 2
(Securities Fraud)

1. The allegations in paragraphs 1, 2, 4, and 5 of Count 1 are repeated as though realleged here.

2. From on or about April 2, 2020 through at least in or around August 2020, in the District of New Jersey, and elsewhere, defendant

USAMA MALIK

did knowingly and intentionally execute and attempt to execute a scheme and artifice to (a) defraud persons in connection with securities of an issuer with a class of securities registered under Section 12 of the Securities Exchange Act of 1934 and that was required to file reports under Section 15(d) of the Securities Exchange Act of 1934; (b) obtain, by means of false and fraudulent pretenses, representations, and promises, money and property in connection with the purchase and sale of securities of an issuer with a class of securities registered under Section 12 of the Securities Exchange Act of 1934 and that was required to file reports under Section 15(d) of the Securities Exchange Act of 1934, that is, by scheming to defraud Company-1 by misappropriating confidential business information related to Company-1's efforts to obtain FDA approval for a breast cancer treatment and then providing that information to another, in anticipation that the individual would execute securities transactions using such information, and who did execute securities transactions using such information.

In violation of Title 18, United States Code, Sections 1348 and 2.

Count 3
(Securities Fraud Conspiracy)

1. The allegations in paragraphs 1, 2, 4, and 5 of Count 1 are repeated as though realleged here.

2. From on or about April 2, 2020 through at least in or around August 2020, in the District of New Jersey, and elsewhere, defendant

USAMA MALIK

did knowingly and intentionally conspire and agree with Wood to commit securities fraud, contrary to Title 18, United States Code, Section 1348.

In violation of Title 18, United States Code, Section 1349.

FORFEITURE ALLEGATION

1. As the result of committing the offenses constituting specified unlawful activity as defined in 18 U.S.C. § 1956(c)(7), as alleged in Counts 1, 2, and 3 of this Indictment, defendant **Usama Malik** shall forfeit to the United States, pursuant to 18 U.S.C. § 981(a)(1)(C) and 28 U.S.C. § 2461(c), all property, real and personal, that constitutes or is derived from proceeds traceable to the commission of the offenses charged in Counts 1, 2, and 3 and all property traceable thereto.

Substitute Assets Provision

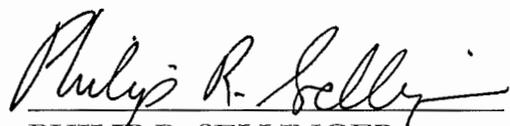
2. If any of the above-described forfeitable property, as a result of any act or omission of the defendant:

- (a) cannot be located upon the exercise of due diligence;
- (b) has been transferred or sold to, or deposited with, a third person;
- (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 subdivided without difficulty;

it is the intent of the United States, pursuant to 21 U.S.C. § 853(p), as incorporated by 28 U.S.C. § 2461(c), to seek forfeiture of any other property of the defendant up to the value of the above forfeitable property.

A TRUE BILL

FOREPERSON



PHILIP R. SELLINGER
United States Attorney

CASE NUMBER: 22-

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USAMA MALIK

INDICTMENT FOR

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17 C.F.R. §§ 240.10b-5 & 240.10b5-2, 18 U.S.C. § 2
18 U.S.C. § 1348 and § 2
18 U.S.C. § 1349

A True Bill,

Foreperson

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