

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

UNITED STATES OF AMERICA

v.

RONALD SMITH,

Defendant.

SEALED INDICTMENT

26 Cr.

26 CRIM 114

COUNT ONE

(Conspiracy to Commit Securities Fraud)

The Grand Jury Charges:

1. RONALD SMITH, the defendant, used stolen inside information passed to him by a coworker to make millions of dollars in illegal profits trading stock on behalf of himself and his clients. At the time, SMITH was a registered broker at a brokerage firm in New York City (the "Brokerage Firm"), where he worked with Jordan Meadow. Meadow had arranged to receive tips about planned corporate acquisitions from a source with illicit access to confidential investment banking information. Meadow provided the stolen information to SMITH, and they each placed securities trades based on the information even though they understood the information had been wrongfully obtained.

2. RONALD SMITH, the defendant, and Jordan Meadow placed profitable trades based on nonpublic information regarding planned acquisitions of Score Media and Gaming Inc. ("Score") and of VMWare, Inc. ("VMWare"). As a result of that trading, SMITH earned approximately \$484,000 in profits on Score and \$47,000 on VMWare; he earned his girlfriend approximately \$25,000 in profits trading the stocks; Meadow earned approximately \$637,000 in profits on Score and \$93,079 on VMWare; and together SMITH and Meadow earned nearly \$5 million in profits for their clients, on which they earned approximately \$500,000 in commissions.

In exchange for receiving the profitable confidential information on which they traded and caused others to trade, SMITH and Meadow agreed to give gifts or other compensation to the sources of the information, including Rolex watches.

SMITH and Meadow Gained Access to Material Nonpublic Information

3. RONALD SMITH, the defendant, and Meadow began working at the Brokerage Firm as registered brokers in or about 2013 and 2018, respectively. Over time, they came to share a book of retail clients and split commissions on trades executed in those clients' accounts. At the Brokerage Firm, SMITH and Meadow cultivated client trust, exercised de facto control over client accounts, and earned commissions by convincing clients to follow their stock recommendations.

4. In or around the spring and summer of 2021, RONALD SMITH, the defendant, and Meadow began receiving material nonpublic information about corporate acquisitions. That information came from Steven Teixeira, a friend of Meadow, who had stolen it. A year earlier, Teixeira moved into an apartment with his then-girlfriend, who at the time was an executive assistant at an investment bank. Because of COVID-19 pandemic restrictions, Teixeira's then-girlfriend worked from home and accessed her work emails and files by remotely logging in through a personal laptop. Because of the relationship of trust and confidence between Teixeira and his then-girlfriend—including that she shared confidences with him on the expectation they would remain confidential, and believed him trustworthy—she regularly signed in to her work email but left her laptop unattended and unlocked. Indeed, when Teixeira's then-girlfriend attended fitness classes or did errands, she asked Teixeira to periodically check her email on her laptop to ensure that she did not miss any time-sensitive emails. Consistent with their history, pattern, and practice of sharing confidences, she expected that Teixeira would keep the information he learned confidential and would not abuse her trust and misuse the information.

5. In or about late 2020, however, Teixeira began to access his then-girlfriend's laptop without her knowledge or permission for the purpose of stealing material nonpublic information about planned corporate acquisitions. Then, in or around early 2021, Teixeira began tipping his friends as to nonpublic corporate acquisitions based on information he obtained from his then-girlfriend's laptop. One of those friends told Teixeira that Meadow would pay for material nonpublic information, and that Meadow and his business partner, RONALD SMITH, the defendant, would give Teixeira Rolex watches in exchange for the material nonpublic information. So, in or around March 2021, Teixeira started sharing with Meadow tips about potential corporate acquisitions derived from the confidential materials on his then-girlfriend's laptop.

6. Teixeira, Meadow, and their mutual friend discussed the scheme to trade on information Teixeira acquired from his then-girlfriend's laptop. For example, in or about March 2021, while the three of them were driving in a car, Teixeira told Meadow about a planned corporate acquisition in which Paper Excellence, a global manufacturer of pulp and specialty, printing, writing, and packaging papers, planned to acquire Domtar (which traded under the symbol "UFS"), a leading provider of fiber-based products. Teixeira also told Meadow about another planned corporate acquisition of CDK Global (which traded under the symbol "CDK"). During that car ride, and through subsequent conversations with the mutual friend, Meadow came to learn details about the source of Teixeira's information and how he obtained it. In sum, Meadow learned that Teixeira's then-girlfriend worked at an investment bank in a mergers and acquisitions division and possessed nonpublic and confidential deal information, and that Teixeira had been accessing this confidential deal information on her laptop without her knowledge.

7. After the car ride, Meadow told RONALD SMITH, the defendant, in general terms, about what he had learned from Teixeira. Additionally, on or about March 23, 2021, Meadow

began to purchase equity shares and call option contracts in CDK based on material nonpublic information that Teixeira had obtained from his then-girlfriend's computer regarding a planned corporate acquisition. Around the same time, on Meadow's advice, SMITH purchased nearly \$32,000 in call option contracts in CDK. Ultimately, the CDK acquisition did not materialize, and SMITH, Meadow, and Teixeira, who had also traded on the information, suffered losses on these trades.

8. On or about May 11, 2021, Domtar and Paper Excellence—the companies Meadow and Teixeira had discussed during their March car ride—publicly announced that the Paper Excellence group of companies would acquire Domtar. Meadow later texted Teixeira, asked him if he had seen the announcement, and told Teixeira, “Feed me,” meaning pass along more material nonpublic information. After the public announcement of the Domtar acquisition, Meadow revealed to RONALD SMITH, the defendant, additional details that Meadow had learned from Teixeira and their mutual friend, including details about how Teixeira was accessing the nonpublic deal information. SMITH encouraged Meadow to stay in contact with Teixeira, and told Meadow to keep SMITH updated when Meadow learned new nonpublic information. Meadow and SMITH also discussed the fact that Teixeira and his friend, who had connected Meadow with Teixeira, expected some sort of kickback for the nonpublic information, such as watches, and SMITH expressed a willingness to contribute to such a kickback (although it ultimately was never paid).

SMITH and Meadow Traded in Score Based on Material Nonpublic Information

9. On or about July 29, 2021, Teixeira learned from reviewing confidential work information on his then-girlfriend's laptop that Penn National Gaming, Inc. planned to acquire Score, a digital media and sports betting company based in Canada, which trades on Nasdaq. That same day, he purchased call option contracts in Score, and told his and Meadow's mutual friend,

who also traded based on the confidential information. On or about July 30, 2021, that friend told Meadow the material nonpublic information about the Score acquisition, and Meadow began purchasing Score securities for a client.

10. Two days later, on or about Sunday, August 1, 2021, Meadow shared the material nonpublic information about the Score acquisition with RONALD SMITH, the defendant. Meadow and SMITH agreed that they would pitch Score to some of their clients at the Brokerage Firm. Because Meadow and SMITH knew that they could not tell their clients that they were recommending Score on the basis of material nonpublic information, they conducted research on public information about Score to generate talking points that they could use to pitch their clients.

11. The next day, on or about Monday, August 2, 2021, RONALD SMITH, the defendant, and Meadow purchased in their own brokerage accounts call option contracts in Score stock. The call option contracts SMITH, Teixeira, and Teixeira's friend purchased had expiration dates of August 20, 2021, and similar strike prices, all of which were above the current per-share price of Score stock, making them "out of the money." In addition, that same day, SMITH and Meadow advised clients to purchase Score stock, which resulted in their clients purchasing a total of approximately 164,800 shares of Score stock. The following day, on or about August 3, 2021, SMITH and Meadow caused clients to purchase an additional approximately 143,300 shares of Score stock. And on about the next day, August 4, 2021, SMITH and Meadow caused their clients to purchase an additional approximately 46,880 shares of Score stock. In addition, over on or about August 2 and 3, SMITH, who sometimes traded in his girlfriend's account, caused his girlfriend's brokerage account to purchase shares of Score and call option contracts in Score stock.

12. On or about August 5, 2021, at approximately 7:01 a.m., Penn National and Score publicly announced that Penn National would acquire Score in a cash and stock transaction valued

at approximately \$2 billion. That public announcement caused Score's stock price to rise from the prior day's closing price of approximately \$18.14 per share to \$29.55 at the market's opening, with a high intraday price of \$33.22—representing nearly an 80% increase. Following the announcement, shortly after the market open, RONALD SMITH, the defendant, Meadow, Teixeira, and his friend all sold their positions in Score stock for a substantial profit. In total, SMITH realized approximately \$484,000 in profits. In addition, the clients of SMITH and Meadow earned profits of nearly \$5 million from the sale of their Score stock, and SMITH and Meadow earned approximately \$500,000 commissions on these trades. On or about August 5 and 6, 2021, SMITH's girlfriend's brokerage account sold out of its positions in Score, earning a profit of over approximately \$15,000.

SMITH and Meadow Created a False Paper Trail and Sought to Deceive FINRA and the SEC

13. After learning the material nonpublic information about Score and trading in the stock, but before the public announcement of the acquisition, RONALD SMITH, the defendant, and Meadow conspired to create a false paper trail to make it appear as though their trading had been based on something other than confidential information. Through text messages and some trading activity, SMITH and Meadow sought to falsely convey a sense of uncertainty about what might happen to the value of Score stock in the future. For example, Meadow and SMITH exchanged texts intended to make it appear that they did not possess nonpublic information, such as that Meadow was thinking he “[m]ight close some of my SCR [Score] options,” or SMITH claiming that Score shares might lose value because of the “market” and discussing “some comments about legalization” of gambling. Consistent with these false exculpatory statements, on or about August 4, 2021, SMITH sold out of a small number of his Score option contracts.

14. After the public announcement of the Score acquisition, on or about September 22, 2021, the Financial Industry Regulatory Authority (“FINRA”), a self-regulatory organization that

supervises broker-dealers, contacted RONALD SMITH, the defendant, and Meadow about their trades in Score. Concerned that an inquiry into their trading in Score by FINRA might mean that the United States Securities and Exchange Commission (the “SEC”) would also take an interest, SMITH and Meadow coordinated false explanations to provide FINRA.

15. On or about October 20, 2021, RONALD SMITH, the defendant, provided written responses to certain questions FINRA had asked about SMITH’s trading in Score. SMITH’s written responses contained multiple statements designed to falsely convey that SMITH had traded in Score securities based on research into publicly available information about the company and its sector and not based on material nonpublic information. Among other things, SMITH falsely stated that he had been following the stock based on public news, and that he first learned of the Score acquisition when it was publicly announced on or about August 5, 2021.

16. RONALD SMITH, the defendant, was also deposed by FINRA as part of the organization’s inquiry into the Score trading. During the interview, on or about December 13, 2021, SMITH falsely claimed that he had been following Score for months, that his investment rationale was based on his and Meadow’s research, and that SMITH independently concluded that the right time to invest was in early August. When asked what brought Score to his attention, SMITH falsely stated: “Just the sector was doing pretty well” because Canada had recently legalized single event sports betting and the company recently had an initial public offering, which made it “more attractive and [it] looked like an opportunity.” When FINRA asked SMITH to give them “specific facts [he] learned between the end of June of 2021 and beginning of August of 2021 that led [him] to recommend SCR” to clients, SMITH responded, falsely, “Well, I think the—one of the main kind of things that we kind of were focused on a little bit more was the advertising costs” After SMITH’s interview with FINRA, he gave Meadow a preview of the questions

that would be asked of Meadow during his own interview, and encouraged Meadow to emphasize that their decision to trade in Score was based on their independent research into the company and its sector. SMITH also told Meadow that FINRA had not asked SMITH whether his Score trading was based on material nonpublic information.

SMITH and Meadow Traded in VMWare Based on Material Nonpublic Information

17. Even after FINRA's inquiry into Score trading, RONALD SMITH, the defendant, and Meadow continued to trade on the basis of material nonpublic information provided by Teixeira. In early 2022, Teixeira accessed his then-girlfriend's laptop and learned, from his review of confidential investment bank documents, about discussions regarding an acquisition of VMware, an enterprise software company listed on the New York Stock Exchange under the ticker symbol "VMW." Teixeira purchased a call option in VMWare stock based on that confidential information, and shared the information with his and Meadow's mutual friend, who, in turn, traded on the information and shared it with Meadow. Beginning on or about May 9, 2022, and continuing until on or about May 18, 2022, Meadow purchased more than 5,000 shares of VMWare stock as well as call option contracts in VMWare stock, spending more than \$500,000 in VMWare securities based on this MNPI.

18. Meadow also shared with RONALD SMITH, the defendant, the nonpublic information about an acquisition of VMWare. Using that information, on or about May 10, 2022, SMITH caused call option contracts in VMWare stock to be purchased in his girlfriend's account, and on or about May 11, 2022, SMITH also purchased call option contracts in VMWare stock in his own account.

19. On or about Sunday, May 22, 2022, there was public reporting that Broadcom was in discussions to acquire VMWare. VMWare's stock rose from a prior-trading-day close of

approximately \$95.71 per share to an opening price of approximately \$113.31 per share on the next trading day, May 23, 2022, reaching an intraday high of approximately \$125.87. RONALD SMITH, the defendant, and Meadow sold their VMWare securities for a significant profit. SMITH earned nearly \$47,000 in profits in his own account; his girlfriend's account earned over approximately \$10,000; and Meadow made approximately \$93,079 in illegal profits based on these trades.

Statutory Allegations

20. From at least in or about November 2020 up to and including at least in or about April 2023, in the Southern District of New York and elsewhere, RONALD SMITH, the defendant, and others known and unknown, willfully and knowingly combined, conspired, confederated, and agreed together and with each other to commit offenses against the United States, to wit, (i) securities fraud, in violation of Title 15, United States Code, Sections 78j(b) and 78ff, and Title 17, Code of Federal Regulations, Section 240.10b-5; (ii) securities fraud, in violation of Title 18, United States Code, Section 1348; and (iii) wire fraud, in violation of Title 18, United States Code, Section 1343.

21. It was a part and an object of the conspiracy that RONALD SMITH, the defendant, and others known and unknown, willfully and knowingly, directly and indirectly, by use of a means and an instrumentality of interstate commerce and of the mails, and a facility of a national securities exchange, would and did use and employ, in connection with the purchase and sale of a security, a manipulative and deceptive device and contrivance, in violation of Title 17, Code of Federal Regulation, Section 240.10b-5 by: (a) employing a device, scheme, and artifice to defraud; (b) making an untrue statement of a material fact and omitting to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not

misleading; and (c) engaging in an act, practice, and course of business which operated and would operate as a fraud and deceit upon a person, in violation of Title 15, United States Code, Section 78j(b) and 78ff.

22. It was further a part and an object of the conspiracy that RONALD SMITH, the defendant, and others known and unknown, would and did knowingly execute, and attempt to execute, a scheme and artifice to (a) defraud a person in connection with a security 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, and (b) obtain, by means of false and fraudulent pretenses, representations, and promises, money and property in connection with the purchase and sale of a security 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, in violation of Title 18, United States Code, Section 1348.

23. It was further a part and an object of the conspiracy that RONALD SMITH, the defendant, and others known and unknown, knowingly having devised and intending to devise a scheme and artifice to defraud, and for obtaining money and property by means of false and fraudulent pretenses, representations, and promises, would and did transmit and cause to be transmitted by means of wire, radio, and television communication in interstate and foreign commerce, writings, signs, signals, pictures, and sounds for the purpose of executing such scheme and artifice, in violation of Title 18, United States Code, Section 1343.

Overt Act

24. In furtherance of the conspiracy and to effect its illegal objects, the following overt act, among others, were committed in the Southern District of New York and elsewhere: On or

about August 1, 2021, RONALD SMITH, the defendant, had a phone call with Meadow, during which, among other things, they discussed using material nonpublic information to place profitable trades.

(Title 18, United States Code, Section 371.)

COUNTS TWO THROUGH FOUR
(Securities Fraud)

The Grand Jury further charges:

25. The allegations contained in paragraphs 1 through 19 of this Indictment are hereby repeated, realleged, and incorporated by reference, as if fully set forth herein.

26. On or about the dates set forth below, in the Southern District of New York and elsewhere, RONALD SMITH, the defendant, willfully and knowingly, directly and indirectly, by use of a means and an instrumentality of interstate commerce and of the mails, and a facility of a national securities exchange, used and employed, in connection with the purchase and sale of a security, a manipulative and deceptive device and contrivance, in violation of Title 17, Code of Federal Regulation, Section 240.10b-5 by: (a) employing a device, scheme, and artifice to defraud; (b) making an untrue statement of a material fact and omitting to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; and (c) engaging in an act, practice, and course of business which operated and would operate as a fraud and deceit upon a person, to wit, SMITH executed or caused the execution of the securities transactions listed below on or about the dates listed below on the basis of confidential information that he knew Teixeira had obtained in breach of a duty to his then-girlfriend:

<u>Count</u>	<u>Trade Date(s)</u>	<u>Transactions</u>
Two	August 2-3, 2021	Purchases of Score (SCR) call options and shares by SMITH, including purchases of SCR call options and shares in SMITH's girlfriend's brokerage account
Three	July 30-August 4, 2021	Purchases of SCR stock in Brokerage Firm client accounts
Four	May 10-11, 2022	Purchases of VMWare (VMW) call options and shares by SMITH, including purchases of VMW call options and shares in SMITH's girlfriend's brokerage account

(Title 15, United States Code, Sections 78j(b) & 78ff; Title 17, Code of Federal Regulations, Sections 240.10b-5, 240.10b5-1, and 240.10b5-2; and Title 18, United States Code, Section 2.)

COUNT FIVE
(Securities Fraud)

The Grand Jury further charges:

27. The allegations contained in paragraphs 1 through 19 of this Indictment are hereby repeated, realleged, and incorporated by reference, as if fully set forth herein.

28. From at least in or about November 2020 up to and including at least in or about April 2023, in the Southern District of New York and elsewhere, RONALD SMITH, the defendant, knowingly executed, and attempted to execute, a scheme and artifice to defraud a person in connection with a security 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, to wit, SMITH traded securities on the basis of confidential information that he knew Teixeira had obtained in breach of a duty to his then-girlfriend.

(Title 18, United States Code, Sections 1348(1) and 2.)

COUNT SIX
(Wire Fraud)

The Grand Jury further charges:

29. The allegations contained in paragraphs 1 through 19 of this Indictment are hereby repeated, realleged, and incorporated by reference, as if fully set forth herein.

30. From at least in or about November 2020 up to and including at least in or about April 2023, in the Southern District of New York and elsewhere, RONALD SMITH, the defendant, knowingly having devised and intending to devise a scheme and artifice to defraud, and for obtaining money and property by means of false and fraudulent pretenses, representations, and promises, transmitted and caused to be transmitted by means of wire, radio, and television communication in interstate and foreign commerce, writings, signs, signals, pictures, and sounds for the purpose of executing such scheme and artifice, to wit, SMITH participated in a scheme to defraud by using confidential business information about corporate acquisitions that had been misappropriated from Teixeira's then-girlfriend, and constituted the property of an investment bank where she worked, in order to obtain money and property from counterparties to SMITH's securities transactions.

(Title 18, United States Code, Sections 1343 and 2.)

COUNT SEVEN
(Conspiracy to Falsify Records)

The Grand Jury further charges:

31. The allegations contained in paragraphs 1 through 19 of this Indictment are hereby repeated, realleged, and incorporated by reference, as if fully set forth herein.

32. From at least in or about September 2021 through at least in or about October 2021, in the Southern District of New York and elsewhere, RONALD SMITH, the defendant, and others

known and unknown, willfully and knowingly combined, conspired, confederated, and agreed together and with each other to commit an offense against the United States, to wit, the falsification of records, in violation of Title 18, United States Code, Section 1519.

33. It was a part and an object of the conspiracy that RONALD SMITH, the defendant, and others known and unknown, would and did knowingly alter, destroy, mutilate, conceal, cover up, falsify, and make a false entry in a record, document, and tangible object with the intent to impede, obstruct, and influence the investigation and proper administration of a matter within the jurisdiction of a department and agency of the United States, and in relation to and in contemplation of such a matter, in violation of Title 18, United States Code, Section 1519.

Overt Act

34. In furtherance of the conspiracy and to effect the illegal object thereof, the following overt act, among others, was committed in the Southern District of New York and elsewhere: In or about October 2021, in response to questions from FINRA about, among other things, the rationale for effecting certain securities transactions, RONALD SMITH, the defendant, submitted to FINRA written answers that contained false information regarding the rationale for effecting those transactions.

(Title 18, United States Code, Section 371.)

COUNT EIGHT
(Falsification of Records)

The Grand Jury further charges:

35. The allegations contained in paragraphs 1 through 19 of this Indictment are hereby repeated, realleged, and incorporated by reference, as if fully set forth herein.

36. In or about October 2021, in the Southern District of New York and elsewhere, RONALD SMITH, the defendant, knowingly altered, destroyed, mutilated, concealed, covered up,

falsified, and made a false entry in a record, document, and tangible object with the intent to impede, obstruct, and influence the investigation and proper administration of a matter within the jurisdiction of a department and agency of the United States, and in relation to and in contemplation of such a matter, to wit, (i) in response to questions from FINRA about, among other things, the rationale for effecting certain securities transactions, SMITH submitted to FINRA written answers that contained false information regarding the rationale for effecting those transactions, and (ii) SMITH aided and abetted another in submitting similar false written responses to similar FINRA questions.

(Title 18, United States Code, Sections 1519 and 2.)

FORFEITURE ALLEGATION

37. As a result of committing one or more of the offenses charged in Counts One through Six of this Indictment, RONALD SMITH, the defendant, shall forfeit to the United States, pursuant to Title 18, United States Code, Sections 981(a)(1)(C), and Title 28, United States Code, Section 2461(c), all property, real and personal, that constitutes or is derived from proceeds traceable to the commission of the offenses alleged in Counts One through Six, including but not limited to a sum of money in United States currency representing the amount of proceeds traceable to the commission of said offenses that the defendant personally obtained.

Substitute Assets Provision

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

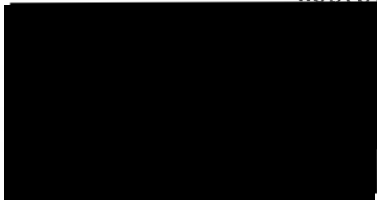
- a. cannot be located upon the exercise of due diligence;
- b. has been transferred or sold to, or deposited with, a third party;
- c. has been placed beyond the jurisdiction of the court;

d. has been substantially diminished in value; or

e. has been commingled with other property which cannot be divided without difficulty;

it is the intent of the United States, pursuant to Title 21, United States Code, Section 853(p), and Title 28, United States Code, Section 2461, to seek forfeiture of any other property of the defendant up to the value of the forfeitable property described above.

(Title 18, United States Code, Sections 981(a)(1)(C); Title 21, United States Code, Section 853(p); Title 28, United States Code, Section 2461.)



Jay Clayton /s/

JAY CLAYTON
United States Attorney