

**UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION**

UNITED STATES SECURITIES AND EXCHANGE COMMISSION,)	
)	Case No.
Plaintiff,)	Judge:
)	
v.)	Magistrate Judge:
)	
MATTHEW BRUNSTRUM)	
)	
and)	
)	
SUSAN BRUNSTRUM,)	
)	
Defendants.)	
)	

COMPLAINT

Plaintiff, the United States Securities and Exchange Commission (the “SEC”), alleges as follows:

Nature Of The Case

1. This case arises from insider trading and tipping by Defendant Matthew Brunstrum and insider trading by his mother and tippee, Defendant Susan Brunstrum (collectively, “Defendants”).

2. During 2016, Matthew Brunstrum worked at Stericycle, Inc. (“Stericycle”) as a financial analyst in its mergers and acquisitions department. Stericycle is a public company.

3. In April 2016, before a scheduled earnings announcement and earnings conference call, Matthew Brunstrum learned material, non-public information about Stericycle’s first quarter

2016 earnings. He owed a fiduciary duty of trust and confidence to Stericycle and its shareholders. In violation of federal law, Stericycle's insider trading policies, and his duty of trust and confidence owed to Stericycle and its shareholders, between April 21, 2016 and April 28, 2016, Matthew Brunstrum used this material, non-public information to trade Stericycle's securities thereby avoiding losses and realizing gains of \$159,904.

4. Matthew Brunstrum also used this material, non-public information to encourage his mother, Susan Brunstrum, to trade Stericycle's securities just hours before the earnings announcement. Susan Brunstrum then traded on the basis of this material, non-public information. As a result of her trading, Susan Brunstrum avoided losses and realized gains of \$170,252.

5. By engaging in this conduct, Matthew Brunstrum and Susan Brunstrum violated Section 17(a) of the Securities Act of 1933 ("Securities Act") [15 U.S.C. § 77q(a)], Section 10(b) of the Securities Exchange Act of 1934 ("Exchange Act") [15 U.S.C. § 78j(b)], and Rule 10b-5 thereunder [17 C.F.R. 240.10b-5].

Jurisdiction And Venue

6. The SEC brings this action pursuant to Sections 20(b) of the Securities Act [15 U.S.C. § 77t(b)] and Section 21(d) and Section 21A of the Exchange Act [15 U.S.C. § 78u(d) and 15 U.S.C. § 78u-1]. This Court has jurisdiction over this action pursuant to Section 22(a) of the Securities Act [15 U.S.C. § 77v] and Section 27(a) of the Exchange Act [15 U.S.C. § 78aa].

7. Venue is proper in this Court pursuant to Section 22(a) of the Securities Act [15 U.S.C. § 77v] and Section 27(a) of the Exchange Act [15 U.S.C. § 78aa] because the Defendants reside in this District and the acts, practices, and courses of business constituting the violations alleged in this Complaint have occurred within this District and elsewhere.

Defendants

8. **Matthew Brunstrum.** In 2016, Matthew Brunstrum was a financial analyst in the mergers and acquisitions department at Stericycle. Matthew Brunstrum worked at Stericycle from November 2014 to April 2017, when he was fired because he did not cooperate with Stericycle's investigation into his possible violations of Stericycle's insider trading policy. Matthew Brunstrum is 26 and resides in Chicago, Illinois.

9. **Susan Brunstrum.** Susan Brunstrum is the mother of Matthew Brunstrum. Susan Brunstrum's husband and Matthew Brunstrum's father was an executive at Stericycle until his death in 2000. Susan Brunstrum owns and manages an interior design business. Susan Brunstrum is 56 and resides in Chicago, Illinois.

Other Relevant Entity

10. **Stericycle, Inc.** Stericycle is a Delaware corporation with its principal place of business in Lake Forest, Illinois. Stericycle's common stock is registered with the SEC pursuant to Section 12(b) of the Exchange Act. Stericycle's common stock is traded on the NASDAQ Global Select Market under the ticker symbol "SRCL." Stericycle files periodic reports, including Forms 10-K and 10-Q, with the SEC pursuant to Section 13(a) of the Exchange Act and related rules thereunder."

Facts

A. Background

11. In November 2014, Matthew Brunstrum began working at Stericycle. He entered into a Confidentiality and Nonsolicitation Agreement in which he agreed not to "directly or indirectly . . . (ii) use any Confidential Information for Employee's own account." Financial information was included in the definition of Confidential Information.

12. During April 2016, Matthew Brunstrum worked at Stericycle's headquarters as a financial analyst in its mergers and acquisitions department. The department in which Matthew Brunstrum worked was located on the same floor and within approximately 50 feet of Stericycle's management and accounting groups and reserved space for Stericycle's external auditors.

13. In April 2016, Matthew Brunstrum learned material, non-public information about an upcoming negative earnings announcement for Stericycle's first quarter 2016 earnings.

B. Stericycle's Blackout Periods and Insider Trading Policy

14. Stericycle sent by email notice of trading blackouts to all of its employees in advance of each quarterly close. Stericycle's trading blackouts are periods near Stericycle's earnings announcements during which it prohibited employees from buying or selling Stericycle securities. Matthew Brunstrum received a number of emails about trading blackouts during the time he worked at Stericycle including emails on January 20, 2016 and on April 14, 2016.

15. The January 20, 2016 email contained a link to Stericycle's 2016 Trading Guidelines ("2016 Trading Guidelines"). The 2016 Trading Guidelines stated, among other things, that they applied to all employees and that "Stericycle prohibits all corporate officers and directors and all employees from trading in Stericycle securities during an earnings blackout."

16. The 2016 Trading Guidelines also stated that trading when in the possession of material, non-public information was illegal and that Stericycle prohibited such trading. The 2016 Trading Guidelines further stated that material, non-public information did not have a precise definition, but could "include information – whether positive or negative – about . . . Stericycle's earnings . . ."

17. The April 14, 2016 email informed Matthew Brunstrum and others at Stericycle that the next quarterly earnings trading blackout was from April 25 to April 29, 2016, and also

stated that “Stericycle prohibits all active Team Members from trading in Stericycle securities during this time.”

18. On March 2, 2016, Matthew Brunstrum demonstrated his knowledge and understanding of the trading blackout period restrictions when he communicated by text with a friend that he intended to purchase Stericycle put options.

- Matthew Brunstrum’s friend responded via text: “that doesn’t seem legal.”
- Matthew Brunstrum responded: “How so? I’m just an analyst. As long as I don’t do it during our Earnings Blackout dates its fine.”
- Matthew Brunstrum’s friend responded: “I mean if you profited big money off of puts on your company, the sec would be knocking on your door quickly.”
- Matthew Brunstrum replied: “What I’m saying is the SEC doesn’t look at analysts. Itd [sic] only VPs and above.”

19. Matthew Brunstrum owed a fiduciary duty of trust and confidence to Stericycle and its shareholders.

C. Matthew Brunstrum’s Insider Trading and Tipping and Susan Brunstrum’s Insider Trading

20. In early 2016, Matthew Brunstrum owned 48 shares of Stericycle stock that he had obtained as part of the company’s stock purchase plan.

21. On March 31, 2016, Stericycle’s first quarter for 2016 ended.

22. The earnings announcement and earnings conference call were scheduled for April 28, 2016.

23. In April 2016, Susan Brunstrum knew that her son Matthew Brunstrum was employed at Stericycle.

24. On April 11, 2016, Stericycle began its first quarter accounting close process.

25. On April 14, 2016, Stericycle emailed all employees, including Matthew Brunstrum, informing them that the next quarterly earnings trading blackout was from April 25 to April 29, 2016.

26. On April 18, 2016, Stericycle's management started meeting to discuss analytics for the April 28, 2016 earnings call, first quarter earnings results, and full year guidance.

27. On April 19, 2016, Stericycle accounting personnel completed the consolidated income statement for the first quarter of 2016 and sent it to Stericycle's auditors with supporting documentation.

28. On April 21, 2016, Stericycle accounting personnel completed its consolidated balance sheet and sent it to Stericycle's auditors with supporting documentation.

29. On or about April 21, 2016, Matthew Brunstrum, as a result of working at Stericycle's headquarters, learned that Stericycle's April 28, 2016 earnings announcement and earnings conference call would release information that would have a negative effect on Stericycle's stock price. This information was material and non-public.

30. On April 21, 2016, Matthew Brunstrum began his insider trading - unlawful trading in securities based on material, non-public information.

31. On April 21, 2016, Matthew Brunstrum sold all of his shares of Stericycle stock (48 shares) and purchased 13 out-of-the-money Stericycle May put options.

32. A put option gives the buyer-holder of the option the right, but not the obligation, to buy 100 shares of the underlying security at a specified "strike price" within a specific time period established by the "exercise date." Generally, the buyer of a put option anticipates that the price of the underlying security will decline before the exercise date. If the put option's strike price is

below the price at which the stock is trading, the put option is considered to be “out-of-the-money.”

33. On April 22, 2016, Stericycle’s management met with the board of directors and informed the board that Stericycle had missed its first quarter earnings guidance target and was lowering its full fiscal year earnings guidance.

34. On April 25, 2016, the previously announced trading blackout period began. Stericycle accounting personnel completed its consolidated statement of cash flow and sent it to Stericycle’s auditors with supporting documentation.

35. During Stericycle’s trading blackout period, Matthew Brunstrum purchased an additional 105 Stericycle out-of-the-money May put options (118 option contracts in total):

- On April 26, 2016, he purchased 10 Stericycle out-of-the-money May put options.
- On April 27, 2016, he purchased 15 Stericycle out-of-the-money May put options.
- On April 28, 2016, he purchased 80 Stericycle out-of-the-money May put options.

36. Matthew Brunstrum purchased only options that expired in less than 30 days and that would have value only if the price of Stericycle’s stock fell during that time. Before April 2016, Matthew Brunstrum had never purchased Stericycle options.

37. Prior to April 27, 2016, Matthew Brunstrum told Individual A that Stericycle would release information on the earnings call that Matthew Brunstrum understood would have a negative effect on Stericycle’s stock price. On April 27, 2016, Matthew Brunstrum sent a text to this person asking: “U do any put options? Call is tomorrow end of day.”

38. Matthew Brunstrum knew, or was reckless in not knowing, that the information concerning Stericycle's first quarter 2016 earnings was confidential, material, and non-public. Matthew Brunstrum breached the fiduciary duty of trust and confidence that he owed to Stericycle and its shareholders by disclosing or trading on the basis of that material, non-public information.

39. On April 27, 2016, Susan Brunstrum's registered representative at Broker-Dealer A informed her that Stericycle's earnings announcement would be made on April 28, 2016 after the close of the markets.

40. On April 28, 2016, before Stericycle's earnings announcement was made public, Matthew Brunstrum had a series of texts and phone calls with Susan Brunstrum during which he disclosed the material, non-public information so she would trade in Stericycle's securities. Susan Brunstrum then traded on the basis of this material, non-public information.

41. On April 28, 2016, at approximately 9:52 a.m. Matthew Brunstrum sent Susan Brunstrum a text stating: "Call me when u get this. It's important."

42. Then at approximately 10:17 a.m. Matthew Brunstrum had a 4 minute call with Susan Brunstrum.

43. At approximately 11:04 a.m. Susan Brunstrum called her registered representative at Broker-Dealer A and talked with him for approximately 2 ½ minutes. Susan Brunstrum then sent a text to Matthew Brunstrum stating: "Call me after your call ASAP have a meeting for 20 minutes. Need to call SH back before 1." At that time, "SH" were the initials of Susan Brunstrum's registered representative at Broker-Dealer A.

44. At approximately 11:29 a.m., Matthew Brunstrum made a 13 minute call to Susan Brunstrum.

45. At approximately 11:32 a.m., Susan Brunstrum's registered representative at Broker-Dealer A entered an order for her to sell 1000 shares of Stericycle stock that she already owned. The order is marked unsolicited (i.e., a trade initiated by a client) and was executed promptly. Based on Stericycle's stock price on April 29, Susan Brunstrum avoided a loss of \$24,224.09.

46. At approximately 12:17 p.m., Matthew Brunstrum called Susan Brunstrum again for 3 minutes.

47. At approximately 12:22 p.m., Susan Brunstrum called her registered representative at Broker-Dealer A and then her registered representative called her back for a 41 minute call.

48. At approximately 1:32 p.m., Susan Brunstrum's registered representative at Broker-Dealer A entered orders for her to buy 70 Stericycle May puts. These orders were marked unsolicited and were executed promptly. The options expired in less than 30 days and would have had value only if the price of Stericycle's stock fell during that period.

49. All of the puts purchased by Matthew Brunstrum and Susan Brunstrum expired on May 20, 2016 and were out-of-the-money when purchased.

50. Susan Brunstrum knew, or was reckless in not knowing, that Matthew Brunstrum disclosed the material, non-public information in breach of his fiduciary duty to Stericycle.

51. On April 28, 2016, at approximately 3:02 p.m. and after the close of the markets, Stericycle publicly released its first quarter earnings, which missed analysts' consensus earnings by about \$.04 per share. Stericycle also hosted its earnings conference call to discuss its first quarter earnings.

52. The following day, on April 29, 2016, Stericycle's common stock fell almost 22%, closing at \$95.56, down \$26.18 from the prior day's close.

53. On April 29, 2016, at approximately 8:32 a.m., Matthew Brunstrum sent Susan Brunstrum a text telling her Stericycle's stock price at the market open and then shortly sent several similar texts tracking the stock's price.

54. On April 29, 2016, at 9:17 a.m., Susan Brunstrum sent a text to Matthew Brunstrum: "Will call you this afternoon. Made money on calls and puts." Susan Brunstrum then texted: "you did too!" Matthew replied: "Yes. I will call u on my way home today."

55. At approximately 9:42 p.m., Susan Brunstrum's registered representative at Broker-Dealer A entered an order for her to sell 25 of the Stericycle May puts that she purchased the prior day (receiving \$49,298.92). The order was marked unsolicited.

56. On May 9, 2016, Matthew Brunstrum entered orders to sell all of his Stericycle options, some of which were executed the next day (receiving \$165,794.87).

57. On May 11, 2016, Susan Brunstrum exercised her remaining 45 Stericycle put options that she purchased on April 28, 2016.

58. As a result of his insider trading - unlawful trading in securities based on material, non-public information - Matthew Brunstrum avoided losses on his sale of Stericycle stock and earned profits from his trading in Stericycle options in the amount of \$159,904, based on prices from April 29, 2018 for Stericycle stock and options.

59. As a result of her insider trading - unlawful trading in securities based on material, non-public information - Susan Brunstrum avoided losses on her sale of Stericycle stock and earned profits on her trading in Stericycle options in the amount of \$170,252, based on prices from April 29, 2018 for Stericycle stock and options.

COUNT I

Violations of Section 17(a)(1) of the Securities Act (Against All Defendants)

60. Paragraphs 1 through 59 are realleged and incorporated by reference as though fully set forth herein.

61. By engaging in the conduct described above, Defendant Matthew Brunstrum and Defendant Susan Brunstrum, in the offer or sale of securities, by the use of the means or instruments of transportation or communication in interstate commerce or by use of the mails, directly or indirectly, employed devices, schemes, or artifices to defraud.

62. Defendant Matthew Brunstrum and Defendant Susan Brunstrum acted with *scienter* in that each knowingly or recklessly engaged in the fraudulent conduct described above.

63. By reason of the foregoing, Defendant Matthew Brunstrum and Defendant Susan Brunstrum violated Section 17(a)(1) of the Securities Act [15 U.S.C. § 77q(a)(1)].

COUNT II

Violations of Sections 17(a)(2) and 17(a)(3) of the Securities Act (Against All Defendants)

64. Paragraphs 1 through 59 are realleged and incorporated by reference as though fully set forth herein.

65. By engaging in the conduct described above, Defendant Matthew Brunstrum and Defendant Susan Brunstrum, in the offer or sale of securities, by the use of the means and instruments of transportation or communication in interstate commerce or by use of the mails, directly or indirectly, have obtained money or property by means of any untrue statement of a material fact or any omission 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 engaged in a

transaction, practice, or course of business which operated or would operate as a fraud or deceit upon the purchasers of such securities.

66. By reason of the foregoing, Defendant Matthew Brunstrum and Defendant Susan Brunstrum violated Sections 17(a)(2) and 17(a)(3) of the Securities Act [15 U.S.C. §§ 77q(a)(2) and 77q(a)(3)].

COUNT III

Violations of 10(b) of the Exchange Act and Exchange Act Rule 10b-5 (Against All Defendants)

67. Paragraphs 1 through 59 are realleged and incorporated by reference as though fully set forth herein.

68. By engaging in the conduct described above, Defendant Matthew Brunstrum and Defendant Susan Brunstrum, in connection with the purchase or sale of securities, by the use of any means or instrumentalities of interstate commerce or by the use of the mails, or any national securities exchange, directly and indirectly: (a) used or employed devices, schemes, or artifices to defraud; (b) made untrue statements of material fact or omitted 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; or (c) engaged in acts, practices, or courses of business which operated or would have operated as a fraud or deceit upon sellers and purchasers and prospective purchasers of securities.

69. Defendant Matthew Brunstrum and Defendant Susan Brunstrum acted with *scienter* in that each knowingly or recklessly engaged in the fraudulent conduct described above.

70. By reason of the foregoing, Defendant Matthew Brunstrum and Defendant Susan Brunstrum violated Section 10(b) of the Exchange Act [15 U.S.C. §78j(b)] and Rule 10b-5 thereunder [17 C.F.R. 240.10b-5].

RELIEF REQUESTED

WHEREFORE, the SEC respectfully requests that this Court:

I.

Issue findings of fact and conclusions of law that Defendant Matthew Brunstrum and Defendant Susan Brunstrum committed the violations charged and alleged herein.

II.

Enter an Order of Permanent Injunction restraining and enjoining Defendant Matthew Brunstrum and Defendant Susan Brunstrum from, directly or indirectly, engaging in the transactions, acts, practices or courses of business described above, or in conduct of similar purport and object, in violation of Section 17(a) of the Securities Act [15 U.S.C. § 77q(a)], Section 10(b) of the Exchange Act [15 U.S.C. §78j(b)], and Rule 10b-5 thereunder [17 C.F.R. 240.10b-5].

III.

Enter an Order requiring Defendant Matthew Brunstrum and Defendant Susan Brunstrum to disgorge all of their ill-gotten gains received and losses avoided as a result of the violations alleged in this Complaint including prejudgment interest.

IV.

With regard to Defendant Matthew Brunstrum's and Defendant Susan Brunstrum's violative acts, practices and courses of business set forth herein, issue an Order imposing upon Defendants appropriate civil penalties pursuant to Section 21A of the Exchange Act [15 U.S.C. § 78u-1].

V.

Retain jurisdiction of this action in accordance with the principals of equity and the

Federal Rules of Civil Procedure in order to implement and carry out the terms of all orders and decrees that may be entered or to entertain any suitable application or motion for additional relief within the jurisdiction of this Court.

VI.

Grant such other relief as this Court deems appropriate.

Dated: July 24, 2018

**UNITED STATES SECURITIES
AND EXCHANGE COMMISSION**

By: /s/Doressia L. Hutton
Doressia L. Hutton (HuttonD@sec.gov)
Kristopher S. Heston (HestonK@sec.gov)
Jake Schmidt (SchmidtJ@sec.gov)
175 West Jackson Boulevard, Suite 1450
Chicago, IL 60604-2615
(312) 353-7390
(312) 353-7398 (fax)

*Attorneys for Plaintiff the United States Securities
and Exchange Commission*