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UNITED STATES DISTRICT COURT

DISTRICT OF IDAHO

**SECURITIES AND EXCHANGE
COMMISSION,**

Plaintiff,

v.

**MICHAEL A. SMITH and
DOUGLAS JOSHUA DALTON,**

Defendants.

Civil Action No. 26-CV-

COMPLAINT

Demand for Jury Trial

Plaintiff, Securities and Exchange Commission (the “Commission”), alleges the following against defendants Michael A. Smith (“Smith”) and Douglas Joshua Dalton (“Dalton”) (collectively “Defendants”):

SUMMARY

1. This is an insider trading action. Defendants traded in the securities of PetIQ, Inc. (“PetIQ”), an Idaho-based pet products company whose stock was publicly traded, in advance of PetIQ’s public announcement on August 7, 2024 that PetIQ would be acquired by a private equity firm (the “Announcement”).

2. At the time, Smith was the President and Chief Operating Officer (“COO”) of PetIQ and was part of ongoing discussions among the PetIQ board of directors and PetIQ management about the potential acquisition. In breach of his duty of trust and confidence to

PetIQ and its shareholders, Smith traded on the basis of material, non-public information he learned in these discussions by purchasing shares of PetIQ in his ex-wife's brokerage accounts on July 26, 2024.

3. Smith also shared material, non-public information about the potential acquisition with his longtime close friend Dalton. Dalton understood that Smith had this confidential information because of his position as an executive at PetIQ, and Dalton traded on the material, non-public information by purchasing PetIQ stock options in late July and early August 2024.

4. On August 7, 2024, the day of the Announcement, the value of PetIQ's common stock rose 48% to \$30.42 per share, up from the prior day's closing price of \$20.57 per share.

5. By trading on the confidential and nonpublic information that Smith received through his employment about the upcoming acquisition of PetIQ, Smith breached his duty to PetIQ and its shareholders and Defendants gained an unfair advantage over other investors in the public markets. As a result of their insider trading, Smith earned approximately \$145,772 in illegal trading profits in his ex-wife's accounts, and Dalton gained approximately \$101,670 in illegal trading profits.

6. As a result of the conduct alleged herein, Defendants violated, and unless restrained and enjoined will continue to violate, Section 10(b) of the Securities Exchange Act of 1934 ("Exchange Act") and Rule 10b-5 thereunder [15 U.S.C. §78j(b); 17 C.F.R. §240.10b-5].

7. The Commission seeks: (i) permanent injunctions against Defendants, enjoining them from engaging in the transactions, acts, practices, and courses of business of the type alleged in this Complaint, (ii) disgorgement of ill-gotten gains they received from the unlawful conduct set forth in this Complaint pursuant to Sections 21(d)(3), (5) and (7) of the Exchange Act [15 U.S.C. §78u(d)(7)], together with prejudgment interest, (iii) civil penalties pursuant to

Section 21A of the Exchange Act [15 U.S.C. §78u-1], (iv) an order barring Defendant Smith from serving as an officer or director of certain public companies pursuant to Section 21(d)(2) of the Exchange Act [15 U.S.C. §78u(d)(2)], and (v) such other relief as the Court may deem appropriate.

JURISDICTION AND VENUE

8. This Court has jurisdiction over this action pursuant to Sections 21(d)(1), 21(e), and 27 of the Exchange Act [15 U.S.C §§78u(d)(1), 78u(e) and 78aa].

9. Venue is proper in this District pursuant to Section 27 of the Exchange Act [15 U.S.C §78aa]. Defendant Smith resides in the District of Idaho, and PetIQ's corporate headquarters was in the District of Idaho. Also, certain of the acts, practices, transactions and courses of business constituting the violations alleged in this Complaint occurred within the District of Idaho, and were effected, directly, or indirectly, by making use of the means or instrumentalities of transportation or communication in interstate commerce, or the mails, including the internet and the telephone.

DEFENDANTS

10. Smith, age 48, resides in Eagle, Idaho. In the summer of 2024, Smith served as PetIQ's President and COO.

11. Dalton, age 48, resides in Bentonville, Arkansas. Dalton is employed in the insurance industry.

RELATED ENTITY

12. PetIQ was a Delaware corporation with a principal place of business in Eagle, Idaho before its acquisition by a private equity firm named Bansk Group LP ("Bansk Group"). During the relevant period, PetIQ's securities were registered pursuant to Section 12(b) of the

Exchange Act and traded on the Nasdaq Global Select Market under the ticker symbol PETQ. Once the acquisition closed in October 2024, PetIQ's shares were no longer publicly traded. PetIQ's business involved pet medications, pet wellness services and pet-related products.

FACTUAL ALLEGATIONS

Smith Received Nonpublic Information About PetIQ's Potential Acquisition.

13. On June 2, 2024, Bansk Group made a non-binding proposal to acquire all outstanding shares of PetIQ common stock for \$25.50 per share, subject to certain due diligence. This proposal was shared with PetIQ's Chief Executive Officer ("CEO") and PetIQ's board of directors, which rejected the initial proposal on June 11, 2024.

14. On June 18, 2024, Bansk Group made a revised proposal to acquire all outstanding shares of PetIQ common stock for \$28.50 per share, subject to certain due diligence. PetIQ's CEO and members of PetIQ's board reviewed this proposal on June 19, 2024, and decided to allow Bansk Group to conduct limited due diligence, under a confidentiality agreement, to determine if Bansk Group would be able to offer additional value to PetIQ's stockholders with a further revised non-binding proposal.

15. On June 25, 2024, PetIQ and Bansk Group extended their confidentiality agreement so that Bansk Group could conduct additional due diligence. On June 28, 2024, Smith signed a confidentiality agreement with PetIQ in connection with his work on the potential acquisition. In that agreement, Smith acknowledged that he had a duty to keep "**all** information related to this project and its name, as well as its existence, in strict confidence" and that he was prohibited from communicating any information, either orally or in writing, about the potential acquisition to anyone outside the company.

16. Discussions continued and, on July 17, 2024, Bansk Group submitted a further revised non-binding proposal to acquire all outstanding shares of PetIQ common stock for \$31.00 per share, and to complete confirmatory due diligence and negotiate definitive documents in the next 21 days. Bansk Group told PetIQ's CEO that its proposal reflected its best and final offer to acquire PetIQ.

17. Later on July 17, 2024, the PetIQ board discussed Bansk Group's latest proposal with members of PetIQ management, including Smith, and indicated support for negotiating definitive agreements on the basis of the proposal.

18. Following this discussion, PetIQ's legal counsel sent a draft acquisition agreement to Bansk Group's legal counsel. Between July 23, 2024 and August 5, 2024, PetIQ and Bansk Group, through their counsel and their management, negotiated the terms of the acquisition agreement. On July 31, 2024, PetIQ's board discussed the progress of the negotiations with members of PetIQ management, including Smith. Smith was informed that the parties were tentatively planning to present final transaction documents for the board's approval on August 6, 2024. During this time, Bansk Group also negotiated rollover and employment agreements for certain members of PetIQ management, including Smith, so that Smith would remain employed as the President and COO of the surviving company if the deal closed.

19. On August 6, 2024, PetIQ's board approved the acquisition, and on August 7, 2024, before the stock market opened, PetIQ and Bansk Group executed the acquisition agreement and issued the Announcement in a joint press release.

20. The price offered for existing shareholders' shares if the acquisition closed included a premium of approximately 51% over the closing price of PetIQ shares on August 6, 2024, the last full trading day before the Announcement.

Smith Had a Duty to Keep PetIQ’s Information Confidential and Not to Misuse It.

21. Smith knew that he was obligated to keep confidential the information he possessed about PetIQ’s potential acquisition. In addition to the specific confidentiality agreement relating to the acquisition that he signed in June 2024, Smith was aware of PetIQ’s general business practices regarding confidentiality and use of its information.

22. As the President and COO of PetIQ, Smith was required to comply with PetIQ’s Insider Trading Policy. According to that policy, a PetIQ officer or employee in possession of “‘material, nonpublic information’ relating to the Company . . . may not (a) purchase or sell securities of the Company . . ., (b) direct any other person to purchase or sell such securities or (c) disclose the information to anyone outside the Company.” The policy defined “material, nonpublic information” as “information that is not available to the public at large that could affect the market price of a security and which a reasonable investor would regard as important in deciding whether to buy, sell or hold the security,” and the policy listed as examples “news of a pending or proposed merger, acquisition, tender offer, divestiture or disposition of significant assets.”

23. As an officer and employee of PetIQ, Smith was also required to comply with the company’s Code of Business Ethics and Conduct, which provided that:

All non-public information about the Company should be considered confidential information. Employees who have access to confidential information about the Company or any other entity are not permitted to use or share that information for trading purposes or for any other purpose except to conduct Company business as described in the Company’s Insider Trading Policy. To use non-public information for personal financial benefit or to “tip” others who might make an investment decision based on this information is unethical and illegal.

The Code of Business Ethics specifically identified news about a potential acquisition of PetIQ as information on which an employee could not trade.

Smith Traded PetIQ Shares in His Ex-Wife's Brokerage Accounts.

24. Smith and his ex-wife divorced in 2023. His ex-wife maintained two brokerage accounts in her own name. Following their divorce, Smith and his ex-wife communicated regularly, and Smith managed the trading in her brokerage accounts.

25. On the morning of July 26, 2024, during the time period when PetIQ was negotiating the acquisition agreement with Bansk Group, Smith visited his ex-wife's house. Between about 10:47 am and 10:55 am, Smith purchased a total of 17,255 shares of PetIQ stock in his ex-wife's accounts. Smith spent approximately \$379,125 to purchase these PetIQ shares, at an average price of about \$21.97 per share. In order to fund those purchases, Smith sold shares of several exchange traded funds, including shares of two funds which he sold for a loss.

26. When Smith purchased PetIQ stock in his ex-wife's accounts on July 26, 2024, he was aware of material, non-public information about PetIQ's potential acquisition at the price of \$31 per share, well above the then-current trading price of PetIQ stock. Smith also knew that the information was non-public and highly confidential. He owed PetIQ a duty of trust and a duty to preserve the confidentiality of that information and not to misuse the information for personal gain. Smith breached that duty by trading on the information to purchase PetIQ shares in his ex-wife's accounts.

27. After markets closed on August 7, 2024, the day the acquisition was announced, Smith returned to his ex-wife's house and placed orders in her brokerage accounts to sell the 17,255 PetIQ shares he had purchased on July 26, 2024. Smith's orders executed the next day at the August 7, 2024 closing price and yielded approximately \$145,772 in profits.

Smith Shared Confidential Information with Dalton About PetIQ's Potential Acquisition and Dalton Traded on that Information.

28. In or about July 2024, Smith shared with Dalton material, nonpublic information

concerning the potential acquisition of PetIQ. In sharing this information, Smith provided Dalton with an illicit gift of material, nonpublic information that Dalton could profit upon by purchasing PetIQ securities before the public announcement of the acquisition.

29. Smith and Dalton have been close friends since high school. On more than one occasion, Smith has loaned substantial sums of money to Dalton.

30. Before July 2024, Dalton was aware that Smith held a high-level position at PetIQ and Smith knew that Dalton had previously traded in PetIQ securities. The two had discussed PetIQ and its business several times before July 2024.

31. On the morning of July 26, 2024, about 13 minutes before Smith began purchasing PetIQ securities in his ex-wife's accounts, Dalton attempted to reach Smith by phone. Approximately one hour later, after Smith had purchased PetIQ shares in his ex-wife's accounts, Smith returned Dalton's call and the two spoke for approximately 35 minutes. During this call, Smith disclosed to Dalton material, nonpublic information about PetIQ's upcoming acquisition.

32. Approximately 16 minutes after his call with Smith ended, Dalton transferred \$25,000 to his brokerage account and called his broker to ask when those funds would be available for trading. About one hour later, Dalton attempted to purchase PetIQ call options but his attempts were unsuccessful. Call options give the buyer the right to purchase stock at a fixed price within a specified time frame. Call options generally permit a buyer to profit from future increases in a stock's price and typically cost less than the stock to which the options relate, thus allowing the buyer to leverage his prediction that the stock would increase in value. Dalton then called his broker to ask questions about options trading. The next day, Saturday, July 27, 2024, Dalton sent the following text message to another individual:

Just in case we don't get to run into each other again. Pull your available cash together and buy PETQ it's at 23 dollars getting bought out in the next couple of days at 31 dollars

a piece. If you have or know options do a call on them. It's my best friend telling me this that's a VP in the company.

33. The information that a potential acquirer had offered \$31 per share for PetIQ stock in a merger or acquisition transaction was material, nonpublic information belonging to PetIQ that Dalton received from Smith. Smith breached his duty to PetIQ by disclosing this material, nonpublic information to his friend Dalton, while knowing, consciously avoiding knowing, or being reckless in not knowing that Dalton would use this information to trade in PetIQ securities.

34. Dalton knew that the information about PetIQ's potential acquisition was material and nonpublic. Dalton also knew that Smith was an officer at PetIQ or otherwise employed at a high level by PetIQ. Further, Dalton knew, was reckless in not knowing, or consciously avoided knowing, that Smith had no legitimate business purpose in providing him with material, nonpublic information about the potential acquisition of PetIQ, and that Smith was breaching his duty to PetIQ by sharing that information with him.

35. Smith obtained a personal benefit from communicating this information to Dalton, including the benefit of making a gift of material, nonpublic information to a close friend.

36. On Monday, July 29, 2024, Dalton again tried to purchase PetIQ call options but was unsuccessful. Throughout the day, Dalton spoke with his broker multiple times about options trading generally and PetIQ options specifically.

37. On Tuesday, July 30, 2024, Dalton succeeded in buying 200 PetIQ call options with a \$25 strike price that would expire on October 18, 2024. In essence, Dalton was predicting that PetIQ's stock would be worth more than \$25 before October 18, 2024. At the time of Dalton's purchase, these option contracts were "out-of-the-money" because PetIQ's stock was

then trading below \$25 per share.

38. On August 5, 2024, Dalton bought an additional six PetIQ call options with the same strike price and expiration date.

39. By purchasing PetIQ call options based on the material, nonpublic information Smith provided him, Dalton generated illegal profits of approximately \$101,670 as of the close of regular market trading on August 7, 2024, the day of the Announcement. Dalton sold all of his PetIQ options contracts between August 16 and August 20, 2024.

CLAIM FOR RELIEF

FRAUD IN CONNECTION WITH THE PURCHASE OR SALE OF SECURITIES (Defendants' Violations of Section 10(b) of the Exchange Act and Rule 10b-5 thereunder)

40. Paragraphs 1 through 39 above are re-alleged and incorporated by reference as if fully set forth herein.

41. By reason of the conduct described above, Defendants, directly or indirectly, in connection with the purchase or sale of securities, by the use of the means or instrumentalities of interstate commerce or of the mails, or of any facility of any national securities exchange, intentionally, knowingly, or recklessly, (i) employed devices, schemes, or artifices to defraud; (ii) made untrue statements of material facts or omitted to state material facts necessary to make the statements made, in the light of the circumstances under which they were made, not misleading; and/or (iii) engaged in acts, practices, or courses of business which operated or would operate as a fraud or deceit upon any persons, including purchasers or sellers of the securities.

42. By reason of the conduct described above, Defendants violated Exchange Act Section 10(b) [15 U.S.C. §78j(b)] and Rule 10b-5 [17 C.F.R. §240.10b-5] thereunder.

PRAYER FOR RELIEF

WHEREFORE, the Commission respectfully requests that this Court:

A. Permanently restrain Defendants, their agents, servants, employees and attorneys, and those persons in active concert or participation with them who receive actual notice of the injunction by personal service or otherwise, and each of them, from violating 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] by (i) buying or selling a security of any issuer, on the basis of material, nonpublic information, in breach of a fiduciary duty or other duty of trust or confidence that is owed directly, indirectly, or derivatively, to the issuer of that security or the shareholders of that issuer, or to any other person who is the source of the information; or (ii) by communicating material, nonpublic information about a security or issuer, in breach of a fiduciary duty or other duty of trust or confidence, to another person or persons for purposes of buying or selling any security;

B. Order Defendants to disgorge, with prejudgment interest, all ill-gotten gains that were obtained by reason of the unlawful conduct alleged in this Complaint, pursuant to Sections 21(d)(3), (5) and (7) of the Exchange Act [15 U.S.C. §78u(d)(7)];

C. Order Defendants to pay a civil monetary penalty pursuant to Section 21A of the Exchange Act [15 U.S.C. §78u-1];

D. Enter an order barring Defendant Smith from serving as an officer or director of any issuer required to register securities with the Commission pursuant to Sections 12(b) or 12(g) [15 U.S.C. §78l(b), 78l(g)], or to file reports with Commission pursuant to Section 15(d) [15 U.S.C. §78o(d)], of the Exchange Act;

E. Retain jurisdiction over this action to implement and carry out the terms of all orders and decrees that may be entered; and

F. Grant such other further relief as the Court may deem just and proper.

JURY DEMAND

The Commission demands a jury in this matter for all claims so triable.

Dated: March 31, 2026

Respectfully submitted,

/s/ Kathleen Burdette Shields

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* Appearing pursuant to Local Rule 83.4(c) as an attorney employed by and representing the SEC, a United States agency