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Manhattan U.S. Attorney And FBI Assistant Director-In-Charge Announce Insider Trading Charges Against Director Of Market Intelligence At Investor Relations Firm

FOR IMMEDIATE RELEASE

Tuesday, August 26, 2014

Preet Bharara, the United States Attorney for the Southern District of New York, and George Venizelos, the Assistant Director-in-Charge of the New York Office of the Federal Bureau of Investigation ("FBI"), announced today that MICHAEL A. LUCARELLI, the Director of Market Intelligence at Lippert/Heilshorn & Associates, Inc. ("LHA"), an investor relations firm, was arrested this morning on 13 counts of insider trading. LUCARELLI is expected to be presented today in Manhattan federal court before United States Magistrate Judge James L. Cott.

Manhattan U.S. Attorney Preet Bharara said: "As alleged, and despite the well-known parade of convicted insider trading perpetrators over the past several years, Michael Lucarelli was not deterred and violated both his company's policies and his responsibility to its clients by trading on material nonpublic information for his personal financial gain. For the over \$500,000 he earned from his illicit trades he is charged with 13 counts of securities fraud."

FBI Assistant Director-in-Charge George Venizelos said: "Instead of doing his job, Lucarelli spent his days setting up brokerage accounts to make illegal trades using inside information from unwitting clients. He violated the responsibility he had to both company and clients. He also broke the law and today finds himself under arrest and charged in a thirteen count complaint."

According to the Complaint unsealed in Manhattan federal court:

From at least August 2013 through at least August 2014, LUCARELLI engaged in an insider trading scheme to use and trade upon material non-public information that he acquired during his employment at LHA, an investor relations firm based in Manhattan. Specifically, LUCARELLI, as an LHA employee, had access to working drafts of press releases prepared by LHA for its clients prior to their issuance to the investing public. Those draft press releases contained material, non-public information about business events and announcements relating to LHA's clients.

In violation of LHA's policies and in breach of his duties to LHA and its clients, on multiple occasions, LUCARELLI took positions in the stock of LHA clients shortly before the announcement by these companies of material information through press releases prepared by LHA. Shortly following the issuance of the press releases drafted by LHA, LUCARELLI exited the positions in these securities that he had acquired prior to the issuance, thereby profiting on the movement in the stock price.

LUCARELLI repeatedly traded in LHA client securities despite LHA's written code of conduct, which strictly prohibited LHA employees from trading in any security issued by an LHA client. LUCARELLI carried out his scheme in at least four different brokerage accounts. When opening new brokerage accounts through which to conduct his illegal trades, LUCARELLI did not reveal his affiliation with LHA. And, on two occasions, LUCARELLI opened new brokerage accounts soon after his ability to trade in other accounts had been suspended by the respective brokerage firms.

On or about July 24, 2014, the FBI obtained a search warrant to search LUCARELLI's office at LHA for evidence of his insider trading activities. During that search, which was conducted without LUCARELLI's knowledge, the FBI located a locked briefcase which, when opened, contained a draft press release for LHA client, TREX Company ("TREX"). That press release was marked "DRAFT" and contained TREX's second fiscal quarter 2014 financial results. The following day, after the FBI completed the search, LUCARELLI started purchasing shares of TREX. Between July 25, 2014 and August 1, 2014, LUCARELLI took a net position of 37,400 shares of TREX. Then, on August 4, 2014, shortly before the market opened, TREX issued a press release announcing its second fiscal quarter 2014 financial results. Among

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other things, TREX announced that sales and earnings before taxes had increased 23 percent and 62 percent, respectively, in comparison with the comparable period in 2013. TREX also issued revenue guidance for the third fiscal quarter of 2014, which was a 27 percent increase over the comparable period in 2013. Within two hours of the announcement, LUCARELLI sold 35,058 of the 37,400 TREX shares he previously purchased. Those sales yielded a profit of almost \$90,000.

As a result of the 13 instances of insider trading alleged in the Complaint, LUCARELLI earned at least \$538,215.32 in illicit proceeds. Furthermore, the FBI has discovered numerous additional trades that LUCARELLI conducted in LHA client securities and that exhibit a similar pattern of fraud. The FBI's investigation is ongoing.

* * *

LUCARELLI is charged with 13 counts of securities fraud. The securities fraud counts each carry a maximum sentence of 20 years in prison and a maximum fine of \$5 million, or twice the gross gain or loss from the offense. The statutory maximum sentences are prescribed by Congress and are provided here for informational purposes only, as any sentencing of the defendant would be determined by the judge.

Mr. Bharara praised the investigative work of the FBI and thanked the SEC, which has filed civil charges in a separate action.

Today's announcement is part of efforts underway by President Obama's Financial Fraud Enforcement Task Force (FFETF) which was created in November 2009 to wage an aggressive, coordinated and proactive effort to investigate and prosecute financial crimes. With more than 20 federal agencies, 94 U.S. Attorneys' offices and state and local partners, it's the broadest coalition of law enforcement, investigatory and regulatory agencies ever assembled to combat fraud. Since its formation, the task force has made great strides in facilitating increased investigation and prosecution of financial crimes; enhancing coordination and cooperation among federal, state and local authorities; addressing discrimination in the lending and financial markets and conducting outreach to the public, victims, financial institutions and other organizations. Since the inception of FFETF in November 2009, the Justice Department has filed more than 12,841 financial fraud cases against nearly 18,737 defendants including nearly 3,500 mortgage fraud defendants. For more information on the task force, visit www.stopfraud.gov.

This case is being handled by the Office's Securities and Commodities Fraud Task Force. Assistant U.S. Attorneys Brian Blais and Damian Williams are in charge of the prosecution. Assistant U.S. Attorney Carolina Fornos of the Office's Money Laundering and Asset Forfeiture Unit is responsible for the forfeiture of assets.

The allegations contained in the Complaint are merely accusations, and the defendant is presumed innocent unless and until proven guilty.

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