

UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF PENNSYLVANIA

SECURITIES AND EXCHANGE
COMMISSION,

Plaintiff,

v.

DAVID RODA and ANDREW LARKIN,

Defendants.

Civil Action No. 22-cv-02317

Jury Trial Demanded

COMPLAINT

Plaintiff Securities and Exchange Commission (the “Commission”) files this Complaint against Defendants David Roda and Andrew Larkin and alleges as follows:

SUMMARY

1. This action alleges insider trading by David Roda and his childhood friend, Andrew Larkin, based on confidential information Roda obtained while employed at Penn Interactive Ventures, LLC (“Penn Interactive”), a subsidiary of gaming operator Penn National Gaming, Inc. (“Penn National”).
2. In the summer of 2021, in the course of his employment at Penn Interactive, Roda learned that Penn National was involved in confidential negotiations to acquire Score Media and Gaming, Inc. (“SCR”), a digital media and sports betting provider. Roda’s supervisor explicitly warned him against trading on and sharing the information.
3. Nevertheless, in the weeks and days leading up to the announcement of the transaction, Roda purchased 500 short-dated, out-of-the-money SCR call option contracts.
4. Additionally, Roda tipped his close friend Larkin about the transaction, directing Larkin to download an encrypted messaging application so that they could “speak freely” about

their illicit trading. On the basis of the inside information that he obtained from Roda, Larkin purchased 375 shares of SCR common stock.

5. On August 5, 2021, Penn National and SCR announced that they had entered into an agreement whereby Penn National would acquire SCR for approximately \$2 billion in cash and stock (the “Acquisition”). In response to the announcement, SCR’s stock price shot up nearly 80%.

6. The same day, Roda and Larkin sold all of their SCR holdings.

7. Roda obtained illicit profits of approximately \$560,762, while Larkin made approximately \$5,602.

8. Following the announcement of the Acquisition, Larkin and Roda used the encrypted messaging app to correspond about the profits they made from their unlawful trading. Larkin mused that Roda could use the money he had made to purchase a beach house. Roda responded, “ya if the SEC doesn’t come take it and put me in jail.”

9. By engaging in the conduct described in this Complaint, Roda and Larkin each violated, and unless enjoined will continue to violate, Section 10(b) of the Securities Exchange Act of 1934 (the “Exchange Act”) [15 U.S.C. § 78j(b)], and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5].

JURISDICTION AND VENUE

10. The Commission brings this action pursuant to Sections 21(d), 21(e), and 21A of the Exchange Act [15 U.S.C. §§ 78u(d)–(e), 78u-1] seeking a final judgment that permanently enjoins Roda and Larkin from engaging in the transactions, acts, practices, and courses of business alleged in this Complaint and that orders disgorgement, prejudgment interest, civil monetary penalties, and such other and further relief the Court may deem just and appropriate.

11. The Court has jurisdiction pursuant to Sections 21(d), 21(e), and 27 of the Exchange Act [15 U.S.C. §§ 78u(d)–(e), 78aa].

12. Defendants, directly and indirectly, have made use of the means or instrumentalities of interstate commerce or of the mails in connection with the transactions, acts, practices, and courses of business alleged herein.

13. Venue is proper pursuant to Section 27 of the Exchange Act [15 U.S.C. § 78aa], because certain of the acts, practices, and courses of business constituting the alleged violations occurred within the Eastern District of Pennsylvania. Both Roda and Larkin reside in this District.

DEFENDANTS

14. Roda, age 36, is a Philadelphia, Pennsylvania resident. During the relevant period, Roda was employed as the Director of Backend Architecture at Penn Interactive.

15. Larkin, age 36, is a Philadelphia, Pennsylvania resident.

RELEVANT ENTITIES

16. Penn National is a Pennsylvania corporation headquartered in Wyomissing, Pennsylvania and is an owner and provider of gaming, racing, and retail and online sports betting operations. Its common stock is traded on the NASDAQ under the ticker PENN.

17. Penn Interactive is a Delaware limited liability company with a principal place of business in Wyomissing, Pennsylvania. Penn Interactive is a wholly-owned subsidiary of Penn National and the entity through which Penn National operates its online sports betting operations.

18. Score Media and Gaming is a British Columbia corporation headquartered in Toronto, Ontario, Canada. SCR offers digital media and sports betting products. On October 19, 2021, Penn National acquired SCR for approximately \$2 billion in cash and stock. Prior to the

Acquisition, SCR's common stock was traded on the Toronto Stock Exchange and the NASDAQ under the ticker SCR.

TERMS USED IN THIS COMPLAINT

19. Common stock is a form of equity ownership in a corporation.

20. Option contracts are financial instruments that offer the buyer an opportunity to buy or sell—depending upon the type of option contract—an underlying asset such as stock.

21. A “call option” is a contract that entitles the holder to purchase a security under specified terms. The holder of a call option has the right, but not the obligation, to buy the specified security at a set price (the “strike price”) on or before the expiration date for that option.

22. Generally, the holder of a call option benefits when the price of the underlying stock increases. Thus, a trader might purchase a call option if he or she expects the underlying asset's price to exceed the strike price before the expiration date.

23. A call option is considered “out of the money” when the current market price of the underlying stock is lower than its strike price.

24. A “limit order” is an order to buy or sell a stock or option at a specific price or better. A buy limit order can only be executed at the limit price or lower. A limit order is not guaranteed to execute.

FACTS

25. Roda began working for Penn Interactive in July 2019, as a programmer for its online sportsbook application. In June 2021, he was promoted to Director of Backend Architecture. In this position, Roda continued his work as a programmer while overseeing a group of other employees who were also working on the sportsbook application.

26. Roda owed a duty not to use Penn Interactive’s or Penn National’s confidential information for his own benefit or for the benefit of persons outside the company.

27. Roda was subject to a Confidentiality, Non-Compete, and Non-Solicit Agreement (the “Confidentiality Agreement”) that prohibited him from using “directly or indirectly for any reason whatsoever” confidential information he obtained during the course of his employment. The agreement listed information about “potential expansions and acquisitions” as an example of confidential information he might obtain during his employment.

28. Roda understood his obligations under the Confidentiality Agreement.

29. Roda was also subject to Penn National’s Insider Trading Policy (the “Insider Trading Policy”), which prohibited employees of Penn National and Penn Interactive “from misusing material financial or other information that has not been publicly disclosed by the Company.” The Insider Trading Policy provided that an employee could not “trade in or tip others regarding securities of any other company [based on information] that was obtained in the course of his or her involvement with the Company unless he or she is certain that he or she does not possess any material non-public information about that company, such as information about a pending acquisition.”

30. Roda was aware of the Insider Trading Policy and generally understood that he was not permitted to trade on the basis of material, non-public information he learned in the course of his employment.

A. Roda Learns That Penn National Is Pursuing SCR

31. In March 2021, Penn National and SCR began discussing a potential transaction. In late June 2021, Penn National informed SCR that it was willing to acquire SCR at a price of \$36 per share, subject to, among other things, conducting due diligence. Penn National and Penn Interactive tasked a member of Roda’s group (“Employee-1”) with working on the due diligence.

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