UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 90630 / December 10, 2020

ACCOUNTING AND AUDITING ENFORCEMENT
Release No. 4195 / December 10, 2020

ADMINISTRATIVE PROCEEDING
File No. 3-20167

In the Matter of

MARK E. WATSON III,
Respondent.

ORDER INSTITUTING CEASE-AND-
DESIST PROCEEDINGS PURSUANT TO
SECTION 21C OF THE SECURITIES
EXCHANGE ACT OF 1934, MAKING
FINDINGS, AND IMPOSING A CEASE-
AND-DESIST ORDER

I.

The Securities and Exchange Commission ("Commission") deems it appropriate that cease-
and-desist proceedings be, and hereby are, instituted pursuant to Section 21C of the Securities
Exchange Act of 1934 ("Exchange Act"), against Mark E. Watson III ("Watson" or
"Respondent").

II.

In anticipation of the institution of these proceedings, Respondent has submitted an Offer
of Settlement (the "Offer") which the Commission has determined to accept. Solely for the
purpose of these proceedings and any other proceedings brought by or on behalf of the
Commission, or to which the Commission is a party, and without admitting or denying the findings
herein, except as to the Commission’s jurisdiction over him and the subject matter of these
proceedings, which are admitted, and except as provided herein in Section V, Respondent consents
to the entry of this Order Instituting Cease-and-Desist Proceedings Pursuant to Section 21C of the
("Order"), as set forth below.

III.

On the basis of this Order and Respondent’s Offer, the Commission finds¹ that:

¹ The findings herein are made pursuant to Respondent’s Offer of Settlement and are not binding
on any other person or entity in this or any other proceeding.
Summary

1. This matter arises from Mark E. Watson III’s role in Argo Group International Holding, Ltd.’s failure to disclose in its definitive proxy statements that, from 2014 through 2018, it paid Watson, while he was Chief Executive Officer, President, and a director of Argo, over $5.3 million in perquisites and personal benefits. In connection with this conduct, Watson violated Section 14(a) of the Exchange Act and Rules 13b2-1, 14a-3, and 14a-9 thereunder, and caused Argo to violate Sections 13(a) and 13(b)(2)(A) of the Exchange Act and Rules 12b-20 and 13a-1 thereunder. In late 2019, Watson resigned and agreed to reimburse Argo for certain personal expenses.

Respondent and Relevant Entity

2. Respondent Mark E. Watson III was the Chief Executive Officer, President and a director of Argo from 2000 until late 2019. His resignation as Argo’s Chief Executive Officer and President became effective on November 5, 2019, and his resignation as a member of Argo’s Board of Directors became effective on December 30, 2019.

3. Argo Group International Holdings, Ltd. is organized under the laws of, and headquartered in, Bermuda. Argo is an international underwriter of specialty insurance and reinsurance products in the property and casualty market, with significant operations in the United States. The company’s common stock is registered under Section 12(b) of the Exchange Act and trades on the New York Stock Exchange under the ticker symbol “ARGO.”

Facts

4. In definitive proxy statements disclosing executive compensation paid for 2014 through 2018, which were filed in 2015 through 2019, Argo disclosed a total of approximately $1.22 million worth of perquisites and personal benefits provided to Watson, with an annual average of approximately $244,000. The disclosed perquisites and personal benefits consisted predominately of 401(k) and retirement contributions, the imputed value of insurance coverage, supplemental executive retirement plan benefits, housing and home leave allowances, medical premiums and financial planning services.

5. However, these same definitive proxy statements failed to disclose over $5.3 million worth of additional perquisites and personal benefits provided to Watson, thereby understating the perquisites and personal benefits portion of Watson’s compensation by an annual average of over $1 million, or 400%. Items that Argo paid for on Watson’s behalf, but that were not disclosed, include, but are not limited to, expenses associated with use of corporate aircraft, rent and other housing costs, use of corporate automobiles, helicopter trips, other travel costs, use of a car service by family members, club and concierge service memberships, tickets and transportation to sporting, fashion or other entertainment events, services provided by Argo employees, and watercraft-related costs.

6. Watson solicited proxies for his election as a director and approval of his compensation by using materials that included these deficient executive compensation disclosures. On certain occasions, Watson did not complete director and officer questionnaires, which were
designed to assist with the company’s disclosure process and sought information from him regarding perquisites and personal benefits.

7. In February 2019, an Argo shareholder issued a press release in which it alleged, among other things, Watson’s misuse of Argo assets, including undisclosed personal usage of corporate aircraft. On April 12, 2019, during a proxy contest with this shareholder in connection with Argo’s May 2019 annual shareholders meeting, Argo filed a definitive proxy statement that failed to disclose over $1 million worth of perquisites provided to Watson in 2018, including over $230,000 related to Watson’s use of corporate aircraft.

8. From 2015 through 2019, Argo incorporated its definitive proxy statements into its annual reports by reference. Watson signed these annual reports.

9. From 2014 through 2018, Argo incorrectly recorded payments for the benefit of, and reimbursements to, Watson as business expenses, and not compensation, based in part on Watson’s submission of certain requests for expense reimbursement and approval of certain company payments to vendors. As a result, Argo’s books, records, and accounts did not, in reasonable detail, accurately and fairly reflect its disposition of assets.

10. In June 2019, Argo launched an internal investigation after receipt of a subpoena from the Commission staff. In late November 2019, Watson resigned and agreed to reimburse Argo for certain personal expenses pursuant to a confidential arbitration process that has since been resolved.

Violations

11. Section 14(a) of the Exchange Act makes it unlawful to solicit any proxy in respect of any security (other than an exempted security) registered pursuant to Section 12 of the Exchange Act in contravention of such rules and regulations as the Commission may prescribe. Rule 14a-3 prohibits the solicitation of proxies without furnishing proxy statements containing the information specified in Schedule 14A, including executive compensation disclosures pursuant to Item 402 of Regulation S-K. Item 402 of Regulation S-K requires disclosure of the total value of all perquisites and other personal benefits provided to named executive officers (including CEOs) who receive at least $10,000 worth of such items in a given year. Item 402 of Regulation S-K also requires disclosure of all perquisites and personal benefits by type, and specific identification of any perquisite or personal benefit that exceeds the greater of $25,000 or 10% of the total perquisites. Rule 14a-9 prohibits the use of proxy statements containing materially false or misleading statements or materially misleading omissions. No showing of scienter is required to establish a violation of Section 14(a) of the Exchange Act and Rules 14a-3 and 14a-9 thereunder. See, e.g., Gerstle v. Gamble-Skogmo, Inc., 478 F.2d 1281, 1299-1300 (2d Cir. 1973). As a result of the conduct described above, Watson violated Section 14(a) of the Exchange Act and Rules 14a-3 and 14a-9 thereunder.

12. Section 13(a) of the Exchange Act and Rule 13a-1 thereunder require every issuer of a security registered pursuant to Section 12 of the Exchange Act to file with the Commission, among other things, annual reports as the Commission may require. As a result of its incorporation
of deficient proxy statements by reference in its annual reports, Argo violated Section 13(a) of the Exchange Act and Rule 13a-1 thereunder. As a result of the conduct described above, Watson caused these violations.

13. As a result of the conduct described above, Watson caused Argo to violate Rule 12b-20 under the Exchange Act, which requires that, in addition to the information expressly required to be included in a statement or report filed with the Commission, there shall be added such further material information, if any, as may be necessary to make the required statements, in light of the circumstances under which they are made, not misleading.

14. As a result of the conduct described above, Watson caused Argo to violate Section 13(b)(2)(A) of the Exchange Act, which requires reporting companies to make and keep books, records and accounts which, in reasonable detail, accurately and fairly reflect their transactions and dispositions of their assets.

15. As a result of the conduct described above, Watson violated Exchange Act Rule 13b2-1, which prohibits any person from, directly or indirectly, falsifying or causing to be falsified, any book, record, or account subject to Section 13(b)(2)(A) of the Exchange Act.

**IV.**

In view of the foregoing, the Commission deems it appropriate to impose the sanctions agreed to in Respondent Watson’s Offer.

Accordingly, it is hereby ORDERED that:

A. Pursuant to Section 21C of the Exchange Act, Respondent Watson cease and desist from committing or causing any violations and any future violations Sections 13(a), 13(b)(2)(A), and 14(a) of the Exchange Act and Rules 12b-20, 13a-1, 13b2-1, 14a-3, and 14a-9 thereunder.

B. Respondent shall, within 10 days of the entry of this Order, pay a civil money penalty in the amount of $450,000 to the Securities and Exchange Commission for transfer to the general fund of the United States Treasury, subject to Exchange Act Section 21F(g)(3). If timely payment is not made, additional interest shall accrue pursuant to 31 U.S.C. §3717.

Payment must be made in one of the following ways:

1. Respondent may transmit payment electronically to the Commission, which will provide detailed ACH transfer/Fedwire instructions upon request;

2. Respondent may make direct payment from a bank account via Pay.gov through the SEC website at [http://www.sec.gov/about/offices/ofm.htm](http://www.sec.gov/about/offices/ofm.htm); or

3. Respondent may pay by certified check, bank cashier’s check, or United States postal money order, made payable to the Securities and Exchange Commission and hand-delivered or mailed to:
Payments by check or money order must be accompanied by a cover letter identifying Mark E. Watson III as a Respondent in these proceedings, and the file number of these proceedings; a copy of the cover letter and check or money order must be sent to Brendan P. McGlynn, Assistant Regional Director, Philadelphia Regional Office, Division of Enforcement, Securities and Exchange Commission, 1617 JFK Blvd., Suite 520, Philadelphia, PA 19103.

C. Amounts ordered to be paid as civil money penalties pursuant to this Order shall be treated as penalties paid to the government for all purposes, including all tax purposes. To preserve the deterrent effect of the civil penalty, Respondent agrees that in any Related Investor Action, he shall not argue that he is entitled to, nor shall he benefit by, offset or reduction of any award of compensatory damages by the amount of any part of Respondent’s payment of a civil penalty in this action ("Penalty Offset"). If the court in any Related Investor Action grants such a Penalty Offset, Respondent agrees that he shall, within 30 days after entry of a final order granting the Penalty Offset, notify the Commission’s counsel in this action and pay the amount of the Penalty Offset to the Securities and Exchange Commission. Such a payment shall not be deemed an additional civil penalty and shall not be deemed to change the amount of the civil penalty imposed in this proceeding. For purposes of this paragraph, a “Related Investor Action” means a private damages action brought against Respondent by or on behalf of one or more investors based on substantially the same facts as alleged in the Order instituted by the Commission in this proceeding.

V.

It is further Ordered that, solely for purposes of exceptions to discharge set forth in Section 523 of the Bankruptcy Code, 11 U.S.C. §523, the findings in this Order are true and admitted by Respondent, and further, any debt for disgorgement, prejudgment interest, civil penalty or other amounts due by Respondent under this Order or any other judgment, order, consent order, decree or settlement agreement entered in connection with this proceeding, is a debt for the violation by Respondent of the federal securities laws or any regulation or order issued under such laws, as set forth in Section 523(a)(19) of the Bankruptcy Code, 11 U.S.C. §523(a)(19).

By the Commission.

Vanessa A. Countryman
Secretary